

National Audit Office

## DEPARTMENT FOR WORK AND PENSIONS

# Dealing with the complexity of the benefits system

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**DEPARTMENT FOR WORK AND PENSIONS**  
Dealing with the complexity of the  
benefits system

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**John Bourn**  
**Comptroller and Auditor General**  
**National Audit Office**

**10 November 2005**

The study was carried out by the National Audit Office in partnership with a team from RAND Europe. Team members were:

James P. Kahan, Miriam Shergold, Abigail Lierens and Mirjam van het Loo from RAND Europe, and Abigail Bunker, Sandy Gordon, Peter Jones and Stephen Kingston from the NAO, under the direction of Jeremy Lonsdale.

This report can be found on the National Audit Office web site at [www.nao.org.uk](http://www.nao.org.uk)

**For further information about the National Audit Office please contact:**

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Tel: 020 7798 7400

Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

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## EXECUTIVE SUMMARY



**1** The Department for Work and Pensions, including its agencies, aims to relieve poverty by helping people find work, provide assistance during sickness and disability, and help people to support their children and plan for retirement. It is a highly complex organisation with millions of customers and a wide range of responsibilities and relationships (**Box 1**). As part of the efforts to fulfil its aims, they administer around 40 benefits, allowances and grants to a wide and diverse population. Many of the benefits are linked together (**Figures 1 and 2**). The benefit system has evolved over time and the majority of the population will have some contact with it during their lifetime. Many of the Department's activities involve routine and repetitive transactions of the type where the Government sees potential for efficiency savings.

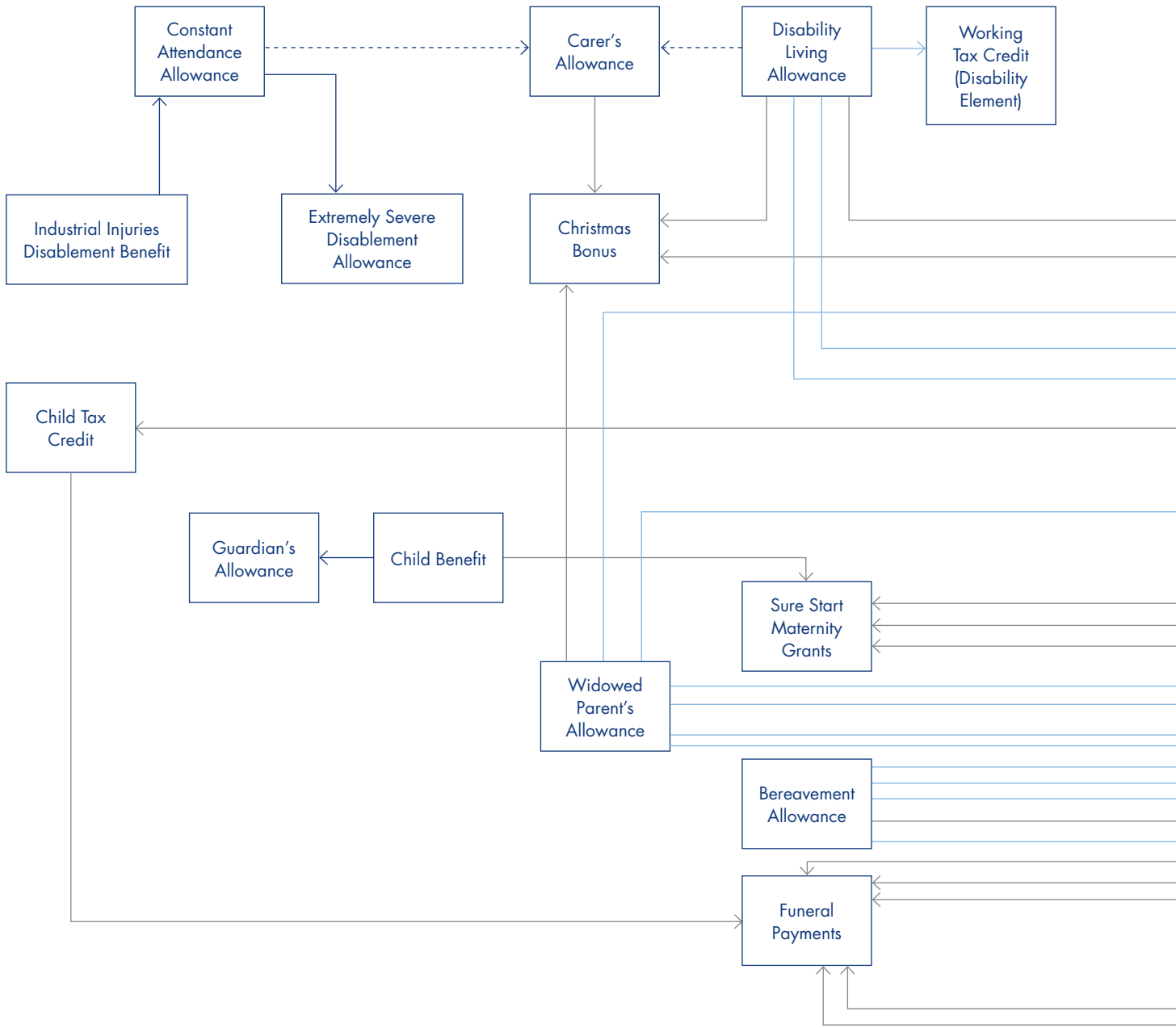
**2** To meet the needs of people in a wide range of circumstances and enable the Department to pursue its policy objectives, benefit legislation and supporting regulations are inherently detailed. This also allows the Department to pursue the objective of equity and fairness between individuals in the same or differing situations. It is also to be able to provide incentives (for example, to encourage people to work) and rewards (for example, recognising savings in the design of Pension Credit), as well as meet specific needs through careful tailoring of the rules. Detailed rules also determine more clearly who is eligible for benefit and allow the Department to seek to achieve its aims in a cost effective manner. Thus, for example, certain benefits take account of individuals' income and capital levels to allow the state to direct funds towards those most in need.

## BOX 1

### The Department for Work and Pensions is a highly complex organisation

- Pays more than £100 billion a year in social security benefits and pensions
- Around 30 million people in the United Kingdom receive income from at least one social security benefit or pension
- The Department's IT supplier EDS processes more than 60 million outputs (cheques, direct payments etc) each month
- The Department has 35 major IT systems
- 36,000 staff are employed in Jobcentre Plus, The Pension Service and the Disability and Carers Service processing benefits
- Handles more than 200,000 appeals a year against benefit decisions
- Conducts up to 36,000 work-focused interviews a day and employs 10,000 Personal Advisers to help people seek work

**1** Working age benefits diagram



**Key**

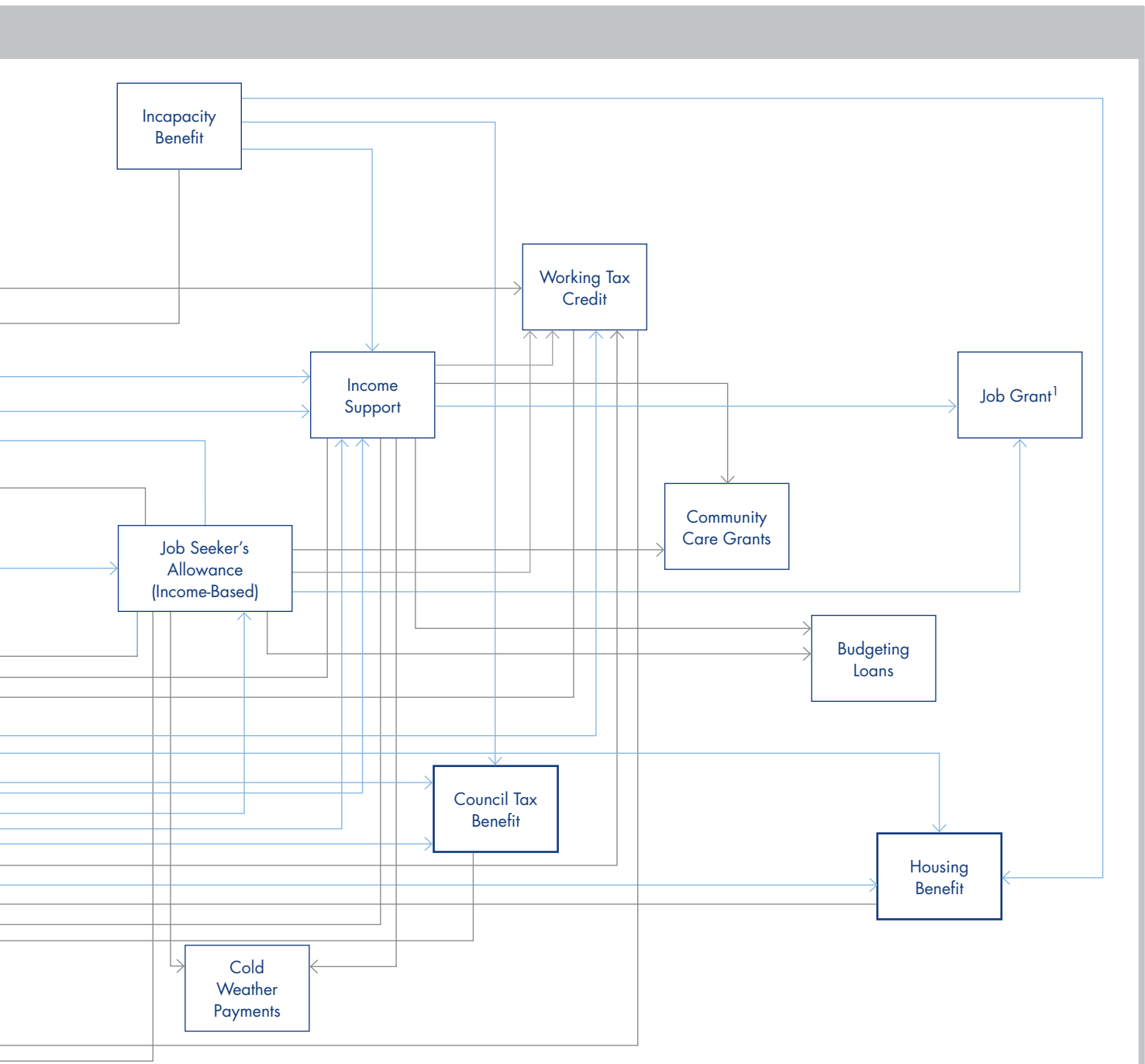
- X —————> Y    Receipt of X can make claimant eligible for Y, subject to means-test and other eligibility tests as applicable
  
- X —————> Y    Receipt of X can make claimant eligible for Y, (subject to means-tests and other eligibility tests as applicable), although there are alternative routes (X) to benefit Y

Source: *Welfare Benefits and Tax Credits Handbook 2004/2005*. Child Poverty Action Group, 2004. pp 873

**NOTE**

1 Job Grants are payable to people who move into work and who previously received JSA, IS, IB.

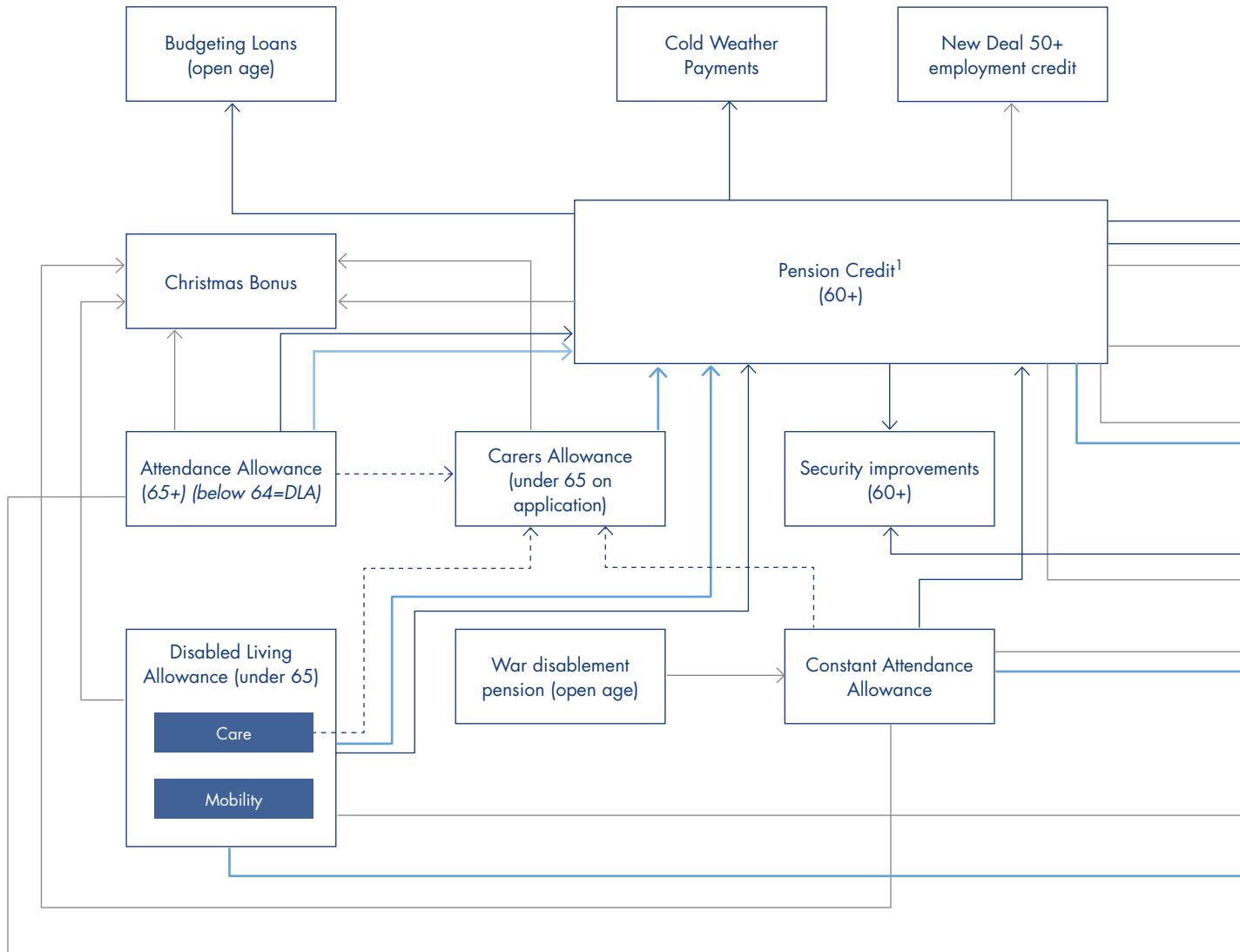




- X → Y    Receipt of X can make claimant eligible for a higher rate of Y
- X - - - - -> Y    Disabled person must be receiving X for carer to receive Y.
- Administered by Local Authorities

**Unlinked Benefits:**  
 JSA Contribution-Based  
 Crisis Loans  
 Bereavement Payment  
 Maternity Allowance

**2** Benefit Linkages for the Over-50's



**Key**

X → Y Receipt of X can make claimant eligible for Y, subject to means-test and other eligibility tests as applicable

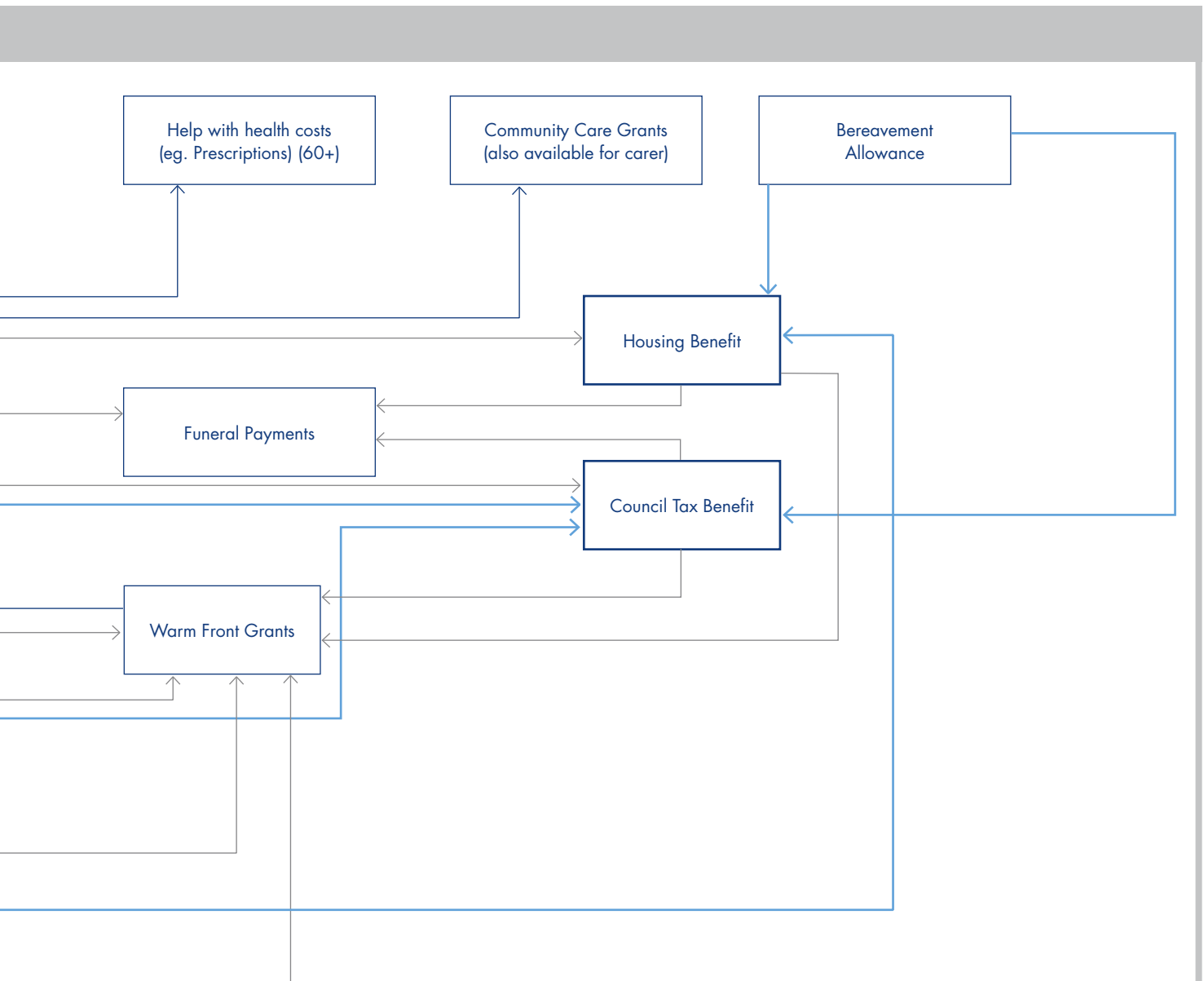
X → Y Receipt of X can make claimant eligible for Y, (subject to means-tests and other eligibility tests as applicable), although there are alternative routes (X) to benefit Y

**Unlinked benefits**

- Home improvements (60+)
- NHS Low Income Scheme
- Winter Fuel Payment (60+)
- Free TV license (75+)
- Driving License (£6 for three year license – 70+)

**NOTE**

1 Pension Credit has 2 components. The Guarantee Credit which is designed to guarantee a minimum income for those aged 60 or over, and a Savings Credit which rewards those aged 65 and over for having saved for their retirement.



- X → Y    Receipt of X can make claimant eligible for a higher rate of Y
- X - - - - -> Y    Disabled person must be receiving X for carer to receive Y.
- Administered by Local Authorities

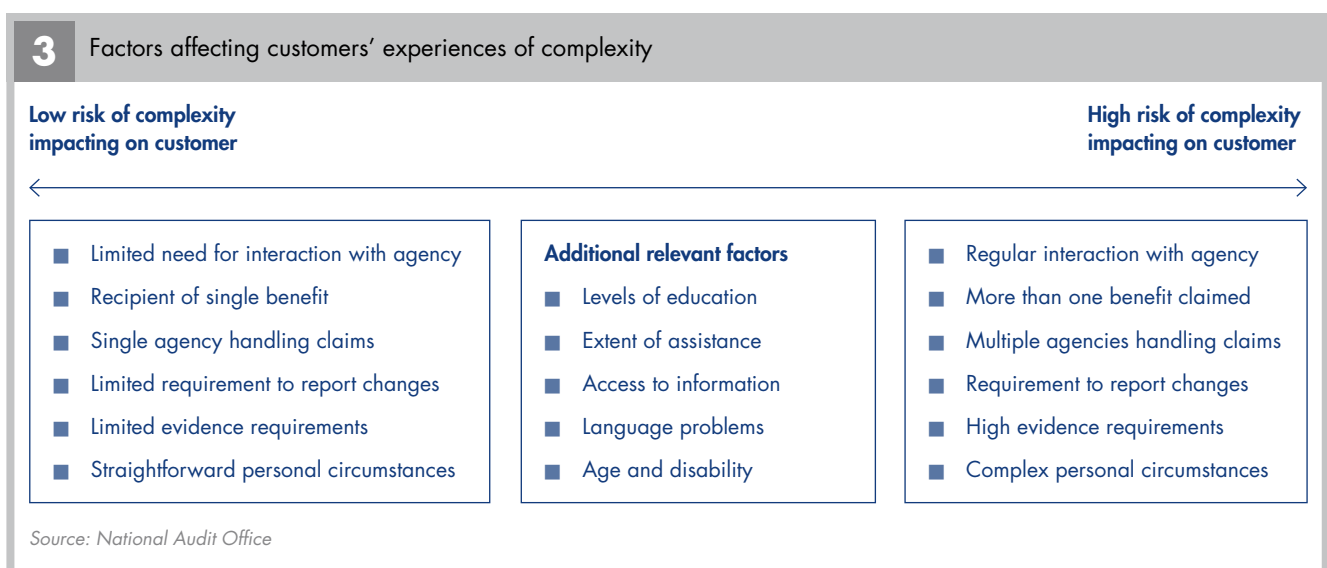
**3** Many people’s dealings with the benefits system are uncomplicated and their needs and circumstances are straightforward. After initial contact, benefits or pensions may be paid without much further interaction with the Department, although customers must report changes of circumstances, and Jobseeker’s Allowance customers, for instance, are required to show they are actively seeking work. Nevertheless, for many others, the benefits system is seen as highly complex and problematic (**Figure 3**). The concept of the complexity of the benefits system has been a matter of long-standing concern to the Government, as well as the Committee of Public Accounts, the National Audit Office and others including the House of Commons Work and Pensions Select Committee. There is almost universal agreement that complexity exists and is perceived as a problem, and in the National Audit Office’s opinion, it is perhaps one of the most important issues impacting on the performance of the Department. For the last 15 years, the Comptroller and Auditor General has given a qualified audit opinion on the accounts of the Department for Work and Pensions and previously, the Department of Social Security. In part, this is due to the extent of errors in the payment of benefits – much of which is generated by the complexity of the system.

**4** Complexity is not a new issue and the current benefits system is an accumulation of years of legislative change. Starting in the early 20th century, it has evolved, adjusting to changing social and economic circumstances and political orientations, as well as expanding to meet new needs. Successive Governments have advocated simplification, including in the Department’s latest Five

Year Strategy, published in 2005, which also recognised that this will not necessarily save money because, for example, in designing changes, the Department needs to avoid worsening the position of current customers. Nevertheless, simplification can have a range of potential benefits (**Box 2**). One of these is greater efficiency. This comes at a time when, following the 2004 Gershon Review, the Government is seeking to increase efficiency in administration more generally, which gives an added impetus to efforts to simplify transactions with the public.

**5** Simplification is not an easy option. Radical reform is a rare, costly, time-consuming, and potentially controversial act. Even when such reform is agreed, the process from consultation through to changes in primary legislation may take several years. Thus, simplification requires consideration of trade offs, including between:

- anticipated increased administrative efficiency (which may not be delivered) and savings and increased programme expenditure (which is more predictable);
- a simple, non-intrusive application process and the need to avoid increased susceptibility to fraud;
- the needs and rights of benefit customers and the wider responsibilities to other taxpayers and considerations about the impact on the economy; and
- tailoring the system to meet a wide range of circumstances and the desirability of a relatively simple set of rules.



**BOX 2****The potential benefits of simplification include:**

- Simpler and easier to understand
- Easier for staff to explain to customers
- Easier for customers to move into work
- Reduced information requirements
- More efficient processing of transactions

6 Against this background, we examined the issue of the complexity of the benefits system. To do this, we drew on the National Audit Office’s accumulated experience as auditor of the benefits and worked with our partners RAND Europe to consider aspects of complexity in more detail (Appendix 1). The report focuses on benefits for which the Department for Work and Pensions is responsible. This includes its interfaces with other systems, especially tax credits administered by HM Revenue and Customs, which are an important aspect impacting on complexity and are referred to where appropriate. In doing our work, we recognise that much complexity is an inevitable consequence of trying to meet the varied needs of the population and of deliberate decisions by governments on priorities and choices.

**Key principles**

- **Designing new benefits to deliberately reduce complexity**
- **Systematically removing anomalies and deliberately realigning provisions**
- **Simplifying customer input**
- **Simplifying processes and rationalising requirements**
- **Sharing information and avoiding duplication of effort**
- **Using technology to protect customers from complexity**
- **Making the most of external scrutiny mechanisms such as the Social Security Advisory Committee, the Department’s Audit Committees and Regulatory Impact Assessments**

7 Our examination does not question the right of Government to design the system to meet its desired objectives, but does stem from our belief that there is sizeable scope to reduce complexity for the benefit of customers and in the interests of greater efficiency. The report is designed to highlight the constraints on the Department and draw attention to the actions that have been taken (some of which are in Annex A to the Executive Summary) which help to illustrate more general principles for the future.

8 The report looks at:

- the benefits system and its development (Part 1);
- the causes of complexity (Part 2);
- the effects of complexity (Part 3); and
- what the Department has been doing to tackle problems linked to complexity (Part 4).

**What are the causes of complexity?**

9 A dictionary definition of ‘complexity’ is “consisting of parts or elements not simply co-ordinated, but some of them involved in various degrees of subordination; complicated, involved, intricate; not easily analysed or disentangled”. The benefits system fits this definition. It is hard to consider the benefit system as a whole because of its scale and yet the interaction of different parts makes it difficult to consider individual benefits in isolation. Thus, the complexity arises from a combination of the structural complexity of the system (the number of different, overlapping and interdependent benefits) and the complexity of individual benefits (much of which is deliberate as outlined below). More specifically, we have identified five aspects of complexity within the benefits system – (1) relating to the way the system has been designed and (2) subsequently amended, (3) the complexity generated by how different layers in the organisation work together, (4) how different benefits and parts of the organisation interact with others and (5) by the way benefits are delivered (**Figure 4 overleaf**).

## 4 Summary of different types of interaction in the benefits system

### Type of interaction

**Design changes** – substantial developments in the benefits system which may occur to meet changing socio-economic circumstances or to pursue particular policy objectives.

**Patchwork changes** – more minor changes occur when there is a need for regulations to be adapted to changing circumstances or priorities.

**Horizontal links or interfaces** – exist between benefits and/or between different agencies administering benefits or other forms of support such as tax credits.

**Vertical interfaces** – exist between different layers of the Department and its agencies. Vertical interfaces can involve creating greater detail to tailor general rules to the more specific needs of lower levels in the organisation.

**Delivery interactions** – exist between the Department and the individual customer, and include filling out forms, reporting requirements, interviews, and the transfer of money. The Department has the responsibility for delivery.

### Relation with complexity

- Can either increase or decrease complexity.
- May include the explicit goal of simplification of the benefits system
- Can increase complexity through the introduction of a wider range of responses to different circumstances, even when the intention is otherwise.
- Horizontal interfaces give rise to complexity when different benefits addressing the same client group are administered in different ways, either by the same or different agencies.
- Gives rise to complexity when there is a perception that higher level rules are not adequate for customer service.
- When different subordinate units implement the same higher unit guidance differently, complexity is created.
- Complexity through delivery occurs because of the way front-line services are provided – for example, multiple points of contact, detailed forms – which can place a burden on benefit recipients.

### Examples

- Introduction of Jobseeker’s Allowance in 1996
- Introduction of Pension Credit in 2003
- The piloting of Local Housing Allowances as a simplification of Housing Benefit
- Separate Housing Benefit rules for under-25s
- New regulations for Disability Living Allowance to deal with complexity arising from judicial decisions
- Different paydays for different benefits
- Changes of circumstances needing to be reported at different times for benefits and tax credits, reflecting the different periods for which payment is assessed
- Housing Benefit and tax credits treating income and capital differently
- Day-to-day benefit administration governed by voluminous guidance interpreting legislation and regulations e.g. 48 chapters in the Decision-Makers’ Guide
- Housing Benefit administered to widely varying standards by local authorities with decisions reflecting local circumstances
- Many customers consider claim forms hard to complete
- Customers may be unclear what changes of circumstances they need to report and to whom

**10 A significant amount of the benefit system is complex in order to meet policy intent and to safeguard it against abuse.** Much complexity is there as a deliberate consequence of the philosophies and objectives behind the benefits. This is as a result of successive governments seeking to develop a rule based system that is equitable and accessible and at the same time, safeguarding the system against abuse. Governments have also attempted to tailor regulations to the variety of human life in a population of 60 million people. This includes changing

family income levels and structure, different residential arrangements, varying working hours and fluctuating states of health. The scale of change is also a factor. Between 2000 and 2004, there were six new Acts and 364 new statutory instruments affecting the law on social security. In addition, the incremental addition of regulations and their interaction with current ones can add to the complexity. Individually, they may make sense, but the cumulative effect can be to create overlaps and ultimately confusion for some.

**11** Income-related benefits such as Income Support are complex because they involve detailed rules on entitlements, catering for a wide range of circumstances. The complexity of a benefit like Disability Living Allowance arises because it is necessary to assess what care and mobility needs an individual has as a result of an illness or disability. These needs are personal and vary considerably between individuals. This assessment requires a decision about eligibility, based on medical and other evidence, as well as taking account of legislation and emerging case law. Other elements add to the complexity of the system. For example, to ensure that customers are not disadvantaged during the implementation of changes, ‘transitional protection’ may need to be built into the calculation of benefits. This requires staff to be aware of these additional rules and when or for what period they need to apply these exceptions to individual customers.

**12 Incremental small scale changes can add to the complexity.** Major reforms of benefits are relatively rare, but smaller scale, specific changes to rules are common. Such ‘patchwork’ changes will inevitably give rise to adjustments in the rules governing eligibility, with a need to revise staff guidance and communicate these changes to customers. They may occur, for example, where there has been amendment to another benefit, which requires consequential changes; where case law forces a change to regulations; or where there are new priorities such as improving interactions with customers. Case law, derived from decisions by the judiciary and Social Security Commissioners<sup>1</sup>, can change and usually widen the interpretation of legislation, particularly where terminology in regulations is open to different interpretations.

**13 The way some benefits link up with each other or other forms of assistance also adds to the complexity.** Horizontal interactions between benefits include passporting (where receipt of one benefit automatically leads to eligibility for another award), premiums (where receipt of one benefit automatically makes a customer eligible for a higher rate of another); and income

interactions, where income from one benefit can be taken into account when calculating entitlement for another. The interaction between the benefits and tax credit systems and the organisations administering them, and links with the system for providing child maintenance through the Child Support Agency, add further complexity. For example, people need to report a change of circumstance at different times and to separate organisations for tax credits and Housing Benefit/Council Tax Benefit.

**14 Complexity can increase as legislation is delegated for implementation at local level.** Vertical interfaces occur going down the management chain. For example, local level staff are provided with detailed practical guidance in order to help them to interpret high level regulations, expressed in legal language. When responsibility for administration is delegated to a network of local operational sites, for example in the case of the Social Fund, complexity can arise due to different local offices interpreting guidance and administering the benefits in different ways, even when this happens for good reasons. For example, different housing markets may lead to diversity in the decisions made by the Rent Officer, and therefore different local outcomes for some Housing Benefit customers. The overall result can be differences, which adds to complexity.

**15 Complexity in the delivery of benefits can arise as a consequence of the complex nature of the benefits themselves.** Complex benefits can generate increased problems for benefit administration. For example, the forms to be filled out can be detailed and require much personal information and may not be well organised.<sup>2</sup> The complexity of benefit administration is increased in some instances by organisational problems within the Department – for instance, the current parallel running of separate systems for child support. As a result, the workarounds introduced mean that staff must access IT systems separately to gather information and undertake assessments manually. This generates duplication and increases the risk of error.

1 Social Security and Child Support Commissioners are special judges appointed by the Queen. They decide appeals on points of law from Appeals Service tribunals in cases relating to social security, tax credits, child support, housing benefit and council tax benefit.

2 NAO (2003): Difficult Forms, HC 1145, 2002-03.

## The effects of complexity

### 16 Complexity can lead to administrative errors by both staff and customers and may facilitate fraud.

Complexity affects the experience of those administering and claiming benefits in a variety of ways (Figure 5), although it is important not to assume that all problems with the benefit system relate to its complexity, or to allow complexity to be used as an excuse for poor performance which may occur for other reasons. Payment errors may also arise, for example, because of failures in training or problems relating to inefficient IT, rather than the benefit system.

17 The processing of benefits requires the collection of evidence, interpretation of facts, application of rules and use of judgment. Errors can be generated by both staff and customers, at least in part because of complexity. For example, *staff* may not take into account all the facts relevant to a claim; one of the most common cases is overlooking eligibility for severe disability premium in Income Support. Errors by customers and staff can result in inaccurate benefit payments, which can be either an under or over provision of entitlement. *Customers* may misunderstand rules on evidence requirements or provide inaccurate information. Detailed rules on reporting changes of circumstance lead to some customers being unaware of when to provide updated information. On these occasions, the Department considers there is no evidence of intent. Complex regulations may also make the system vulnerable to deliberate action by customers to falsify their circumstances or deliberately fail to report changes accurately or on time. In these cases, the Department categorises the customers' intent as fraud. In 2004-05, the Department estimated that this amounted to around £900 million. There is no evidence to establish to what extent this was due to the complex system.

18 In complex environments, official decisions are vulnerable to challenge and appeals linked with the uncertainty and misunderstandings may result. Around 20,000 cases a month – around 1 per cent of all decisions – go to appeal.<sup>3</sup> This is especially, but not exclusively, true with benefits requiring medical assessments, where the eligibility requirements cannot always be precise. Currently, around one-fifth of benefit decisions contain errors of some kind, and in benefits such as Disability Living Allowance and Attendance Allowance, the figure is around half. Many errors do not lead to inaccurate payments but they do reflect the complex process of gathering evidence, interpreting the law and asking the correct questions.

## 5 The consequences of complexity

### Incorrect and inconsistent decisions

- Error
- Fraud
- Lower uptake
- Appeals
- Inconsistency in decision making

### Administrative burden

- Heavy requirements on staff
- Heavy requirements on administrative systems
- Possible poor performance

### Service levels

- Inadequate communication
- Delays in processing and payment
- Difficulty in claiming and maintaining benefit

### Government policy objectives

- Negative impact, for example, on work incentives, pension savings behaviour, and child support

19 The quality of service provided to customers can be undermined by the difficulties presented by complexity. The many conditions and rules attached to specific benefits are not well understood by customers and many would prefer a simpler, less changeable system where they did not need to know about the many conditions and rules attached to specific benefits. Many find claim forms too long and have difficulties gathering together evidence. This is particularly the case for those with mental health problems or those who do not have English as a first language, although the Department has a number of measures in place to provide assistance such as the Language Line – a service provided by Jobcentre Plus to assist in the translation of departmental information for people for whom English is not their first language. Nevertheless, the contacts made for assistance on benefits issues with organizations such as Citizens Advice (over 1.3 million cases in 2003-04, representing about four per cent of benefit recipients) show the scale of the need for help to navigate the system.

3 NAO report 'Getting it right, putting it right: improving decision-making and appeals in social security benefits' (HC1142 2002-03).



**20 Complexity may impact on the achievement of government policy objectives.** There is evidence of a lack of understanding of benefits and a lack of desire to acquire it. For example, some customers – particularly pensioners – do not take up all the benefits to which they are entitled, and the complexity of the system has been identified as an important barrier to claiming. There is also a growing appreciation that a combination of the complexity of the benefit system and complexity in legislation covering private pension provision has deterred saving for retirement. According to the Pension Commission, the UK has a highly complex state and private pension system, and under half of people surveyed claimed to have a good or reasonable understanding of it. **Box 3** illustrates cases of customers struggling with the system.

**21 Complexity makes things harder for staff.**

Complexity impacts on the performance of staff who administer benefits because of the need to keep up with changing regulations and guidance, and the difficulty of giving out information with confidence. The number of conditions associated with each benefit means that few individuals can have a detailed knowledge of a range of benefits. There are, for instance, 24 files of guidance on Jobseeker's Allowance alone and 14 volumes for Income Support. The need to convey complex messages makes it harder for the Department to communicate in a straightforward manner with its customers in writing or orally (Box 3). Departmental research also suggests that the complex system can be a deterrent to staff volunteering information to customers, with advisers feeling the need to be vague, fearing the risk of misdirecting or confusing them. In extreme circumstances, where customers believe they have been misled, the Ombudsman has taken up their cases.

## BOX 3

### Impact of complexity on customers

Confusing written advice: Extract from a letter from the Disability and Carers Service to a couple in their 50s

"We are pleased to tell you that your claim for Carer's Allowance has been successful... You are entitled to £43.15 a week from 09/03/2004. You are entitled to an increase of £25.80 a week from 09/03/2004 for a dependent adult. We cannot pay you from 09/03/2004. This is because the amount of Incapacity Benefit you get is more than the amount of Carer's Allowance we could pay you."

The husband went to Citizen's Advice for help. They were able to explain that although the Carer's Allowance was not payable, the fact that it was an entitlement meant that the couple would receive an Income Support carer's premium and other passported benefits. This had not been made clear. The Department told us the standard letter has subsequently been amended.

Demands on customer awareness and resilience: Under-claiming by users of community mental health services

A 2003 project to help users of community mental health services found that while it was in most cases relatively easy to establish entitlements, it took considerable effort to convey this information to the appropriate part of the Department, and obtain payment. The project involved 788 letters, 436 interviews, 900 telephone calls and the completion of 169 claims forms, mostly for the 87 people who secured additional benefits. Customers had previously been prevented from making the claims by difficulties in understanding rules and criteria. The project concluded that the complexity of the benefits system leads to wrong or inadequate advice from staff since they are unable to keep abreast of legislative and policy changes.

The importance of assistance: A brain-damaged man with severe short-term memory loss has to cope with multiple benefits

The client had lost Housing Benefit because he could not prove receipt of Disabled Person's Tax Credit, and consequently risked losing his home. The Citizen's Advice adviser needed to make multiple calls to verify the man's status with respect to the Tax Credit and Disability Living Allowance, and said 'Client would have been completely unable to unravel all the inter-relationships himself and may have lost his home'.

The impact of mistakes: A disabled man and his family put under stress due to complex benefit interactions

Citizen's Advice discovered that a family was not receiving sufficient Incapacity Benefit. This was rectified, but an overpayment was consequently suspected in Housing Benefit. The various mistakes made by agencies due to the complex interaction of these benefits increased the stress of the family at the time that the husband was about to have a leg amputated.

Source: Citizen's Advice (1, 3 and 4), *International Journal of Social Psychiatry* 2003 (2)

**22 Complexity adds to the cost of administration.** The greater the number of steps involved in reaching decisions, calculating payments, and the wider the range of evidence to gather and take into account, the greater the cost of administration is likely to be. Costs vary considerably; for example, the Department calculates that processing a new Income Support claim is around £61 compared with a Crisis Loan from the Social Fund at around £16. The administrative costs of complexity include the cost of correcting errors made by staff and customers, continuous staff training, supervision and management checking. The full cost is hard to measure, however, and in some cases, the costs are hidden, for example, the additional training costs to help staff deal with their specific training needs on particular issues. Other costs are exported, for example, those incurred by voluntary bodies giving advice on the completion of forms.

**23 Complexity places heavy demands on IT.** The Department has 35 major IT systems and is currently undergoing one of the largest modernisation programmes in Europe after a period of limited investment in making linkages between systems. This has affected its ability to help staff cope with the complex system. IT modernisation is constrained by complexity, with solutions made harder in some cases by a lack of compatibility between different systems. Complex policy requirements take longer to develop workable solutions, increase the likelihood of problems and failure, and ultimately require more investment. Attempts to simplify policy are limited by the desire to meet a wide range of circumstances. IT providers have expressed concerns that solutions are not always considered as part of policy development; last minute policy changes can affect technical design and even simple IT systems can be complicated by the need to cater for exceptions. However, the Department advised us that the infrastructure is being put in place to enable existing systems to be replaced with new, accessible technology which would help staff make more common connections and allow eligibility and award recommendations to be made for more complex cases.

## What has the Department done to deal with complexity?

**24** In its Five Year Strategy, published in early 2005, the Department stated that ‘Tackling complexity would make the benefits system easier for our customers to understand and access. We are actively considering the possibilities for future benefit simplification – which could substantially cut the large sums both overpaid and underpaid because of mistakes and misunderstandings.’ However, this is not an easy option and simplification may not be possible or desirable for a number of reasons (**Box 4**). For example, some measures such as Job Grant and Housing Benefit run-ons (which could be argued to increase complexity) were introduced to create incentives for customers.

### BOX 4

**Simplification may not be possible or desirable for a range of reasons. They include:**

- Politically undesirable to create too many losers from a specific change
- Changes may be costly and may not fit with public expenditure plans and timescales
- Simplification may undermine policy objectives
- There may be competing demands for parliamentary time and other legislation has priority
- A more broad-brush system would be less targeted to individual customer circumstances

**25** Simplification of regulations will not necessarily save money; administrative costs may be saved but programme expenditure could easily outweigh this many times over. For example, a problematic area of Income Support and Jobseeker’s Allowance is the failure to disclose ‘living together as husband and wife’ which was estimated to cost around £190 million. One way to simplify the rule would be to increase the allowance for couples to twice the allowance for single people. However, the Department estimated this would increase benefit payments by around £2.2 billion in Income Support and Jobseeker’s Allowance in 2003-04 and might have a detrimental effect on work incentives for customers. Nevertheless, although there are good reasons for complex regulations, the Department has taken a number of steps to try to tackle complexity (**Box 5**).

**BOX 5****Approaches to tackling complexity**

**Design reforms** – major changes to the benefit system

**Patchwork reforms** – smaller, specific changes to regulations

**Vertical reforms** – improvements to the arrangements for handling a benefit between agencies in a vertical chain of management

**Horizontal reforms** – improvements to the way organisations or delivery units work together to administer benefits

**Delivery reforms** – simplifications and improvements in the way in which benefits are delivered to the customer

**Monitoring measures** – measures to review and scrutinise regulations in advance of implementation or to consider more strategic developments of the system

**26 The Department has introduced major reforms to some entitlements.** In recent years, some major structural reforms to the benefits system (with the objective of simplification) have been introduced or proposed, including changes to Housing Benefit, Child Support and the guarantee element of Pension Credit (which is less complex in many ways than its predecessor, Minimum Income Guarantee). In each of these cases, significant performance problems had been identified which made proposed simplification worth investing in. In the case of Pension Credit, there were concerns that low take up of benefits amongst many pensioners was undermining the Government's anti-poverty objectives. With Child Support and Housing Benefit, the complex rules were widely seen as one of the main factors leading to a poor or inconsistent administrative performance. Common themes of reform have been deliberate reduction in evidence gathering requirements, attempts to reduce the number of calculations involved and greater transparency of outcome for customers.

**27 The Department has made regular minor changes to certain benefits to improve their delivery.** Major design reforms are not in some areas necessary, desirable or possible, but the Department has taken regular opportunities to achieve piecemeal improvements of the benefit administration. In Housing Benefit, for example, this is seen as a key part of on-going reform and measures have been included in recent Budget and Pre-Budget reports. There has also been a conscious desire to 'chip away' at the income test by making it less complex and intrusive. This removed the requirement for recipients to renew their claim every 6-12 months, ending a time consuming element of work which was unpopular with

customers. Elsewhere, amendments have been made to simplify aspects of the Social Fund and routine changes to Income Support legislation are made twice yearly.

**28 The Department has achieved improvements in the ways in which some benefits impact on each other and on other forms of assistance.** The Department has acted in a number of instances to manage better the complexities in the vertical chain of management from central authorities through regional and district offices, to front-line staff, as well as with local level partners such as local authorities and other partners. Housing Benefit has been particularly active in this regard. For example, local authorities use The Pension Service's information when processing an individual's Housing Benefit claim. The introduction and roll-out of Remote Access Terminals has also provided local authorities with improved access to benefit information held by the Department. Through these terminals, local authority staff administering Housing Benefit and Council Tax Benefit can link into the departmental mainframe systems and obtain specified, relevant benefit data. In addition, The Pension Service has begun to develop Joint Teams, in which its officials work with staff from local authorities and voluntary bodies to gather data from individual pensioners to identify their potential for benefit. Another initiative being piloted is the development of a standard operating model for processing of new claims for certain benefits within Jobcentre Plus.

**29 Efforts have been made to improve the delivery of benefits to customers but communicating information to them remains a problem.** An alternative to simplification of benefits regulations or the administrative system is to seek to manage complexity so that it does not adversely affect the customer. There have been a wide variety of such initiatives, including practical developments such as shorter forms (for example, for Jobseeker's Allowance (in 2002), Attendance Allowance (in 2003) and Pension Credit (in 2003)), the development of more than 70 contact centres and the greater use of telephony through which the Department hopes to be able to protect customers from the complexity of the system or guide them through it.

**30** The Department's plans to centralise benefit processing and use contact centres for more straightforward interactions are central to its programme to meet its target of £960 million annual efficiency gains by 2007-08. These provide an opportunity for greater consistency in processes and the treatment of customers, as well as concentrating face-to-face help on those who need it.

**31** Other initiatives have tried to make interaction with customers easier. Rapid Reclaim was introduced in 2001 for Income Support and Jobseeker's Allowance and in Housing Benefit and Council Tax Benefit in October 2002. This is designed to streamline the reclaim process for those customers who return to the same benefit within 12 weeks of entitlement ceasing, where there have been no major changes of circumstance. Face to face contact is often required, and Jobcentre Plus provides direct advice through financial assessors, whilst some 10,000 personal advisers provide assistance to help people find work or improve their skills. The Pension Service has developed a local service for targeted assistance of those pensioners who require face-to-face contact. These contacts – face to face and over the telephone – require that staff have thorough training to ensure accurate and complete information is given and the necessary evidence is gathered.

**32** The need to convey often complex information is a constant challenge for the Department. On the one hand, there is a duty to ensure that information provided is complete and accurate but on the other, it is essential that details are concise and accessible to people with a range of educational attainment. Some parts of the Department are simplifying their approach to the information they provide to the public. During 2005, Jobcentre Plus is introducing a new set of leaflets based around a set of customer focused guides for specific groups – such as lone parents or school and college leavers. The intention is that information sheets will then supplement the guide and provide more detail. The Pension Service's 'Pensioners' Guide', issued originally in 2002, consolidates information about pensioners' entitlements in one guide which explains the linkages between benefits. The Department is reviewing the branding of its products, services and constituent businesses but there remains a confusing array of products and services (more than 230 leaflets) and terminology used inevitably remains complex.

**33** **There is some external monitoring of the complexity of regulations and the Department has begun its own internal review of the scope for simplification.** Social security legislation has a tendency to grow in complexity in response to the forces highlighted in paragraphs 9 to 11. This highlights the importance of mechanisms to identify, scrutinise and provide independent advice about proposed developments, and where appropriate, to counter it. The Social Security Advisory Committee acts as one such external monitor, providing advice to the Secretary of State on social security issues generally, and considering and reporting on specific proposals for regulations referred to it by the Department. The Secretary of State is obliged

to publish the Committee's reports and respond to its recommendations. At the same time, internal controls operate within the Department, where there is on-going strategic consideration of the future development of the benefit system, and small step by step changes are being taken to simplify specific benefits, for example in Housing Benefit and in the pensions area.

## Strategy for further tackling complexity

**34** The Department of today has to live with decisions taken about benefits in the past. Overall, the Department has made some progress in tackling the complexity of the system and in designing ways of managing it to protect staff and customers, but it recognises that there is considerably more to be done. There are a number of lessons to be learned from recent developments. In particular:

- simplification cannot be seen in isolation from pursuing wider policy objectives. It would not be possible or desirable if it undermined departmental aims such as helping people into work or reducing poverty;
- simplification of rules does not necessarily lead immediately to a successful policy outcome and does not necessarily go hand in hand with simpler IT, as the current problems with the Child Support Agency show with the need for the handling of many exceptions;
- simplification is not necessarily a way of saving money, although some simplifying measures such as payment modernisation streamline processes, thus releasing savings or resources to be redeployed on other priorities;
- some initiatives can include both simplification and added complexity – many aspects of Pension Credit such as the assessed income period have been welcomed, but the design of the savings credit increases the complexity of the system as a whole; and
- administrative shortcomings and pressures on the organisation (such as job reductions, the extensive business change programme and the need to make efficiencies) mean departmental performance is more vulnerable than it might be to the negative effects of complexity. At the same time organisational and process improvements such as the centralisation of benefit processing, standard operating models and increased use of telephony should be helpful for both staff and customers in coping with complexity.

**35** We consider that an appropriate degree of complexity exists where there is an equilibrium between the system being complex enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently. Overall, in the National Audit Office's view, this equilibrium has not yet been reached. The evidence for this is indicated by:

- the additional work required to detect and address fraud and error, estimated at £2.6 billion in 2004-05, and measure progress in reducing it. The National Audit Office is undertaking work with the Department in response to the Public Accounts Committee recommendation in their 4th Report of 2005-06 to establish how this compares with social security authorities and major private sector financial institutions in the United Kingdom and abroad, and what levels of fraud and error are to be expected in an organisation of this size;
- the re-work required to recover overpayments, deal with customer contacts generated by delays and misunderstandings, and manage the appeals process;
- the degree of customer support required, illustrated for example, by the numbers of people seeking assistance on benefit issues from advisory bodies; and
- the adverse effects of complexity on some key policy objectives such as tackling poverty.

**36** Dealing with the problems associated with complexity is a long term project which will require a systematic and strategic approach focusing on the system as a whole. We recognise that a number of steps have already been taken (**Annex A on page 17**). It is not for the National Audit Office to determine which regulations should be removed. Instead, we encourage the Department to develop a strategy for short and long term tackling of the problem of complexity. In the short term:

**A Complexity impacts on all aspects of the Department's business and must, therefore, be treated as an influence on most of its major business risks. There should be regular monitoring and reporting of progress in dealing with the problems associated with complexity.**

It is for ministers to decide policy but it should be done in full consideration of the impact of any major new development on the complexity of the whole system. To maintain attention on the issue, the Department should record in its Annual Report improvements made to the system during the reporting year.

**B Allied to this, there should be a recognition across the Department of the importance of chipping away at regulations as part of its wider efficiency agenda work.** Given the pressures on the system to become more, rather than less, complex, there should be an on-going department-wide commitment to exploit opportunities to cut away complex regulations. This might include removing formerly useful definitions as they become obsolete, as well as ensuring that the scope for simplification is always considered when major benefit reform is discussed. The Department will need to prioritise its programme of action for cost and time reasons.

**C Clear communication with customers (and the wider population since many rely on information from friends and family) is essential to overcome lack of understanding of the benefit system and requires greater consistency in the terminology used in departmental literature.**

The Department has made efforts to produce clearer consolidated information material such as the Pensioners Guide, whilst Jobcentre Plus will start to issue a new set of client focused leaflets in 2005, and the Department carried out a review of its 'branding' to overcome a lack of corporate identity which makes its key products difficult to identify. The Department should continue to improve its literature through ongoing reviews and rationalisation as part of a wider review of all channels of communication – including award letters and correspondence – to ensure they remain suitable for customers.

**D There are few barriers to the benefit system as a whole becoming more complex and those there are could be used more effectively. In particular:**

- The external challenge role of the Social Security Advisory Committee provides a valuable check on complexity, drawing on the wide ranging expertise of its independent members. We encourage the Committee to include in its annual report a regular commentary on the complexity of the system based on its work during the year.
- In view of the implications of complexity for financial control and the impact on fraud and error, we also encourage the Audit Committees of the Department and its agencies to consider the issue of complexity on a regular basis.

- The Department should also take full advantage of the Regulatory Impact Assessment procedure which helps to ensure that legislation is fair and effective, necessary, meets the principles of better regulation and imposes the minimum burden. Since it is Parliament that scrutinises and approves the legislation, the Department should ensure that the Regulatory Impact Assessment communicates effectively to Parliament the benefits, costs and risks of its preferred option.

**E Investment in staff training is essential to limit the consequences of complex systems:** Many staff struggle to keep up with the complexity of the system and there is growing evidence that this affects their ability to advise on benefits and the links with tax credits. However, the new, more proactive approach to dealing with customers – via financial assessors, personal advisers and contact centre staff – underlines the importance of high quality training for all these staff so they can deal effectively with customer queries across benefits. This is particularly important for those who have face to face dealings with the hardest to help, as well as those who are responsible for gathering basic customer information on which the system relies. Certain roles offer scope for professionalisation. A valuable example of how this could be done is demonstrated by the proposed introduction of an accreditation system for Disability and Carers Service decision-makers.

**F Reducing the complexity of the administration of the system offers perhaps the greatest scope for reform. Harmonisation of administrative rules and procedures would be a significant step forward and make the system easier to explain to customers.** Benefit regulations currently include different administrative procedures for similar aspects of the regulations. Harmonisation of these procedures and rules would make it easier for both administrative staff and customers to understand and apply the rules. Currently, for example, there are different expectations for reporting changes of circumstance and applying for benefits, depending on which benefit is being paid. Efforts in this area would fit with the Department's current plans to achieve greater efficiency and standardisation of processes, for example, through the introduction of Benefit Processing Centres.

**Longer term, we consider:**

**G To avoid complexity at the interface between the tax credit and benefit systems, the Department should work with HM Revenue and Customs towards greater clarity for customers and more streamlined procedures where possible.** Areas to explore in this respect might include common guidance, application forms and application timetables where appropriate, common terminology, IT, overpayment recovery, write-off criteria and fraud and prosecution arrangements.

**H New technology remains a crucial element in the handling of a complex benefit system. Improved, easily accessible technology will help release the Department from dependence on detailed knowledge of complex benefits amongst staff and allow for efficient handling of routine cases.** The Department's IT strategy is to support staff and customers in being able to navigate more easily through complex benefits rules and regulations. For example, the new Customer Information System provides staff with single, accurate views of key information for all customers. It will form one of the biggest databases in Europe. The first two phases have been successfully released. Improvements in the use of new technology, including legislative rule-based technology and decision-making support, could release resources for value added activities and reduce the need for some training costs.

**I The Department has to live within its budget and contribute to the Government's efficiency drive. In considering where to take simplification measures, the Department should take a wide view of the benefits to be gained by itself and its customers.** In considering the cost-effectiveness of specific simplification measures, the Department should take a broad view of direct and indirect savings and impacts which may be achieved, bearing in mind the benefits of clarity and practical implementation, both for itself and its customers. This will require assumptions to be made about improvements in efficiency and delivery, quality improvements, reductions in fraud and error, as well as how greater compliance might result from improvements in the general public's perception of the social security system.

# ANNEX A

## Case examples pointing the way forward

### Example of simplification action

Designing new benefits to deliberately reduce complexity

Major reforms of benefits are relatively rare. Pension Credit was introduced in 2003 to replace Minimum Income Guarantee. Research identified a number of problems. The aim was to improve provision for less well-off pensioners. In designing Pension Credit the Department sought to simplify the benefit where possible. In particular:

- under the Minimum Income Guarantee, a pound of additional income meant a pound withdrawal of benefit;
- there was a lack of understanding amongst pensioners about definitions of savings, and what information therefore needed to be disclosed when applying for benefit;
- the postal application process required pensioners to send savings books to the Department by post, which many were reluctant to do.

Systematically removing anomalies and deliberately realigning provisions

Major redesigns of benefits are infrequent. In the meantime, more piecemeal simplifications can help to remove anomalies. Successive budgets have been used to simplify aspects of Housing Benefit such as the requirement for recipients to renew their claim every 6-12 months.

In the 2005 Budget, the Government announced that upper capital thresholds for Income Support and Jobseeker's Allowance would be raised from £8,000 to £16,000, in line with the thresholds for Housing Benefit and Council Tax Benefit, to create alignment between the working age benefits with the intention of encouraging households to save.

Simplifying customer input

The Department has made some progress with reducing the length of certain application forms. A shorter version of the Attendance Allowance claim form was introduced in October 2003 and a clearer, more structured Disability Living Allowance claim form is being developed. A new suite of national model claim forms has been introduced for Housing Benefit and Council Tax Benefit, including a shorter form for Pension Credit customers. The Pension Credit form is significantly shorter than that for Income Support.

### Benefits gained by customers and the Department

- Simpler rules – there is now a list of the type of income to be considered and greater clarity about what is excluded
- Simpler application process – the application form has been reduced in length
- Assessed income periods have been introduced so that some customers have their main sources of retirement provision updated every year, with no need to report changes to capital, pensions and income from annuities over the period
- Generally greater transparency although in parts still hard to explain to customers

- Regular programme of smaller scale simplification undertaken
- Removal of some time consuming elements to the benefit of customers and greater efficiency
- Reduction in disincentives within the benefit system

- Shorter forms for customers
- Reduced information requirements and the removal of unnecessary questions that seldom apply to pensioners
- Reduced disincentive to some not to claim

**Example of simplification action**

Simplifying processes and rationalising requirements

The Rapid Reclaim was introduced for both Income Support and Jobseeker’s Allowance customers. It aims to streamline the reclaim process for those who return to the same benefit within 12 weeks of entitlement ceasing on their previous claim where there have been no changes in circumstance.

- Streamlined processes for reclaiming benefit after a short period
- Reduces disincentives to take up employment
- Balances the risk of inaccurate payments with the benefits of easier reclaims

Sharing information and avoiding duplication of effort

Remote access terminals provide local authorities with improved access to benefit information held by the Department. Through the terminals local authorities administering Housing Benefit and Council Tax Benefit can link into the departmental mainframe computer system and obtain specified, relevant benefit information. Arrangements have been made for local authorities to obtain details of tax credit awards from HM Revenue and Customs.

- Improving administrative efficiency
- Greater co-ordination between different benefit administering authorities
- Greater use of existing data and reduction in duplication of effort

Using technology to protect customers from complexity

Used by well trained staff, new technology offers the prospect of protecting millions of customers from much of the complexity in the system. Delivery of Pension Credit is mostly by telephone. Staff from the Pension Service complete the form and then send it to customers to check and return.

- For many, it enables them to be helped through the application
- Where completed accurately it reduces the amount of incorrect data entering the Department’s systems
- Allows much of the complexity of a benefit to be ‘hidden’ from the customer
- Allows the questioning to be tailored to customers
- Assists staff in dealing effectively with customers, although the Department will need to manage the risk of over-reliance on technology leading to loss of staff expertise in benefits

Making the most of external scrutiny mechanisms

The Social Security Advisory Committee provides a valuable form of external, independent scrutiny of legislative proposals. Members can question officials on whether the regulations will achieve their chosen policy intention or whether they are consistent with other regulations.

- Minor changes can be made to regulations to provide greater clarity or avoid unintended consequences
- Officials can be challenged about specific details in regulations
- External expertise can be applied to the proposals





## PART ONE

# The benefits system and its development



**1.1** The Department for Work and Pensions' new Five Year Strategy states that 'The modern welfare state will help people as they seek work, support their children and plan for their retirement'.<sup>4</sup> There has been much investment in the New Deal employment programmes and at the same time, the Government has emphasised the importance of assisting those in greatest need and combating poverty, for example, amongst the elderly. In seeking to meet its main objectives (**Box 6**), the Government provides a wide range of benefits, tax credits and other forms of assistance.

**1.2** The Department for Work and Pensions (the Department) administers around 40 benefits, allowances and grants for citizens of Great Britain (Figures 1 and 2 show the connections between the main ones for those of working age and for pensioners). Each has a distinct purpose and provides for a range of different circumstances. For example, some are paid depending on a person making a specified level of National Insurance contributions or having less than a specified level of income. Others reflect the degree to which disability affects the life of an individual, or require the performance of certain actions, such as actively seeking work. And some are universally available to those who meet particular qualification criteria such as reaching a certain age or having responsibility for children.

## BOX 6

### Departmental objectives

The Department plays a central role in planning and delivering the government's social welfare policies. Its principal aim is to 'promote opportunity and independence for all'. The Department states that its purpose is:

- to ensure the best start for all children and end child poverty in 20 years;
- to promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need;
- to combat poverty and promote security and independence in retirement for today's and future pensioners;
- to improve the rights and opportunities for disabled people in a fair and inclusive society; and
- to modernise welfare delivery so as to improve the accessibility, accuracy and value for money of services to customers, including employers.

*Source: Department for Work and Pensions*

4 Department for Work and Pensions Five Year Strategy 'Opportunity and security throughout life (Cm 6447) January 2005.

**1.3** The Department, including its agencies, Jobcentre Plus, The Pension Service, the Child Support Agency and the Disability and Carers Service, deliver services to some 28 million people.<sup>5</sup> During their lifetime almost everyone has some contact with the benefits system. The Department is currently based in 1,400 locations, including over 500 new Jobcentre Plus offices and more than 70 call centres. It currently employs 130,000 full-time equivalent staff (to be reduced to 100,000 by 2008).<sup>6</sup>

**1.4** Many people's dealings with the benefits system are uncomplicated. Their needs and circumstances are straightforward and, after initial contact, their benefit or pension may be paid without much further interaction with the Department, although customers must report changes of circumstances. Those claiming Jobseeker's Allowance are required to be actively seeking work and there is greater expectation of regular contact with Jobcentre Plus during the period they are claiming benefit, but for pensioners, for example, arrangements have been introduced recently to reduce the contact expected unless circumstances change. Nevertheless, other people find the benefit system highly complex and for some this can result in extended, confusing, and, at times, unsatisfactory dealings with it.

**1.5** Past reports by the National Audit Office (and the Committee of Public Accounts) have referred to complexity in the benefits system as a problem. In doing so, we recognise that some complexity is an inevitable consequence of meeting the varied needs of the population and of deliberate decisions made by governments on priorities and choices. We also recognise that the Department has taken steps to simplify elements of the system, and that there are a number of obstacles to further progress. The National Audit Office is not challenging the right of elected governments to design the system to achieve their objectives. Rather this report has been prepared to encourage further debate about the issues involved and the choices ahead. Against this background, we consider:

- the scope of the benefits system and current concerns about its complexity (this Part);
- how complexity arises (Part 2);
- the effects of complexity (Part 3); and
- what the Department is doing to tackle the effects of complexity (Part 4).

Appendix 1 summarises the methodology for this study. The work was undertaken by the National Audit Office in partnership with RAND Europe.

## There are a number of different types of benefit

**1.6** Figure 6 lists the major provisions currently in operation including benefits and other forms of support. Each is governed by legislation with more detailed regulations outlining eligibility. Benefits generally fall into three basic classes. They are:

- **Contributory benefits** are paid in return for the National Insurance contributions a person pays whilst in work. They include Retirement Pension, sickness benefits (for example, Incapacity Benefit) and contribution-based Jobseeker's Allowance for some customers. To qualify for such a benefit, sufficient contributions must have been paid into the National Insurance Fund prior to the claim.
- **Non-contributory benefits** are not dependent on certain income levels, but on a person's circumstances, such as having a disability or caring responsibilities. Examples are Disability Living Allowance, Attendance Allowance and Carer's Allowance. Applicants for such benefits must provide evidence that they meet the eligibility conditions. In the case of the former, this may require a medical assessment. Other benefits are provided as an entitlement to people meeting simple eligibility standards. An example is the Winter Fuel Payment, paid to people aged 60 or over resident in Britain.
- **Means tested benefits** are only paid if a person's income and capital, such as savings, and family assets, are below a stated level. Means-tested benefits include Pension Credit and Income Support. Applicants for such benefits must provide evidence that their circumstances meet the eligibility requirements.

<sup>5</sup> Institute for Fiscal Studies (2003) *A survey of the UK benefit system*, IFS Briefing Note No. 13.

<sup>6</sup> PAC 10th Report 2004-05 *Welfare to work: Tackling the barriers to the employment of older workers*.

## 6 Major welfare provisions including benefits, work programmes and other forms of support

	Year of introduction	Number of recipients (2004-05 estimated outturn) Thousands	Expenditure (2004-05 estimated outturn) £m
<b>Working Age</b>			
Income-based Jobseeker's Allowance – adult elements	1996	587	1,603
Contribution-based Jobseeker's Allowance	1996	168	449
New Deal allowances and credits, and Job Grant	1998 and 2001	N/a	120
Income support – adult elements	1988	2,190	6,634
Income support and Jobseeker's allowance – child elements	1988 and 1996		3,746
Housing benefit (including discretionary housing payments)	1983	3,800	12,856
Council tax benefit	1993	2,368	1,920
Regulated social fund	1987		
■ Cold weather payments			8
■ Funeral payments			51
■ Sure Start maternity grants			122
Discretionary social fund	1987		
■ Community care grants			128
■ Budgeting loans			497
■ Crisis loans			82
Bereavement benefits	2001	184	805
Industrial death benefit	1948	11	4
Christmas Bonus – non-contribution based	1972		20
<b>Pensions and retirement</b>			
Basic state pension	1948	11,553	50,139
Over 75 TV licences	2000	3,877	437
Winter fuel payment	1997/1998	11,616	2,002
Over-70s Payment	2004		497
Minimum Income Guarantee/Pension Credit	1999/2003	2,612	6,202
Christmas Bonus – contribution based	1972		127
<b>Sick and disabled people and carers</b>			
Statutory sick pay	1983	N/a	79
Incapacity benefit	1995	1,513	6,846
Disability living allowance	1992	2,613	8,282
Attendance allowance	1971	1,380	3,772
Severe disablement allowance (formerly Invalidity Pension, discontinued since 2001, but transitional protection)	1975	303	939
Carer's Allowance (previously Invalid Care Allowance)	1976	430	1,130
Industrial injuries benefits	1948	260	814
Independent Living Funds	1993	15	212
Motability/Specialised Vehicle Fund	1976		8
<b>Families and children</b>			
Statutory maternity pay	1987		1,232
Maternity allowance	1948	31	152

Source: Department for Work and Pensions, Departmental Report 2005

**1.7** The benefit system is highly inter-connected. Some benefits act as a **passport** or link to others. In other cases, receipt of one benefit is a **qualifying condition** for another, but does not lead to automatic entitlement. In addition, the benefits system cannot be seen in isolation. In recent years, the Government has introduced **tax credits**, some of which replaced benefits for people in work. These were introduced from 1999 for individuals and families on low incomes, and replaced in 2003 with the introduction of the Working Tax Credit and Child Tax Credit. They are a key element of the Government's welfare reform programme and, in particular, the desire to make work financially worthwhile and to tackle child poverty. They are administered by HM Revenue and Customs. This report does not examine tax credits in particular, but does refer to the interaction between some benefits and tax credits in Part 2.

## The benefits system has grown to its current form over many years

**1.8** The benefits system is constantly evolving, and current arrangements are an accumulation of years of adding new legislative provisions and adjusting existing ones (see Appendix 2 for a summarised history). The changes have been driven by a range of factors, both philosophical and practical. In particular, an important objective of the system has been to provide equity and fairness between individuals in the same or differing situations. In addition, changes in society and in expectations have moved the system away from the social insurance principles of the 1948 welfare state. There has also been a desire at various times to reduce benefit expenditure and target it on those whom different Governments have considered the most needy, for example, the elderly. In addition, there have been major social and economic changes over time such as growing numbers of women in employment, and the ageing of the population.

**1.9** Key developments in the benefits system have included:

- **the evolution of particular benefits** – for example, National Assistance was replaced by Supplementary Benefit in 1966, which was replaced by Income Support in 1988, with different rules in each case. For pensioners, this became Pension Credit in 2003;
- **the introduction of new benefits to address perceived needs** – for example, Attendance Allowance was created in 1971 and Disability Living Allowance in 1992;
- **increased use of means-tested benefits** – designed to meet specific needs through better targeting of resources without disproportionate cost; and
- **the addition of specific payments** – for example, in 1997 Winter Fuel Payments were paid for the first time to some 11 million households.

The Government has recognised that the complexity of the benefits system is a problem and that simplification is desirable where possible

**1.10** The Oxford English Dictionary defines complex as “consisting of parts or elements not simply co-ordinated, but some of them involved in various degrees of subordination; complicated, involved, intricate; not easily analysed or disentangled”. More complex systems tend to have a high number of units, a large number of interactions amongst them, considerable differentiation between units and a relatively unrestricted flow of information. The benefits system fits this definition (**Box 7**).

### BOX 7

#### Benefits as a complex system

**Not simply co-ordinated** – benefits are administered by multiple agencies, which may have dealings with the same customers and make different requirements of them

**Not easily analysed or disentangled** – the system includes many different types of benefit, operating together, with many customers claiming more than one

**Different interacting parts** – the system includes a range of agencies delivering services, and within that offices and call centres. The system is made up of numerous pieces of legislation and detailed regulations.

**Information flows** – customers provide a wealth of personal information, numerous computer systems process it and make millions of payments.

**1.11** Another feature of the benefit system is that over time, there has been a tendency for new arrangements, often conceived of initially as relatively simple, to become increasingly complex. For example, basic arrangements for National Assistance, then Supplementary Benefit (after 1966) and Income Support (after 1988) were added to by extra allowances to meet specific needs. This meant that increasingly large numbers of recipients were receiving increased payments. In 2004, the Pension Commission made a similar point about the cumulative effect of decisions about state and private pensions. In the case of Disability Living Allowance, related case law has made possible interpretations of the relatively simple legislation more complex over time, with more factors to be considered. Thus, there has been a drift towards greater complexity, with few forces working in the opposite direction.

**1.12** Successive Governments have recognised that the complexity of the benefits system presents a number of problems (**Figure 7 overleaf**). In the mid-1980s, for example, the “Fowler reforms” were driven by the desire to simplify and rationalise some of the complex means-tested schemes in place. The introduction of Pension Credit in 2003 is a more recent attempt to address problems arising from complexity – both of which are covered in Part 4. In 1998, the Government highlighted the desirability of a system which is ‘flexible, efficient and easy for people to use’, encourages ‘openness and honesty’, and where ‘the gateways for benefit should be clear and enforceable’.<sup>7</sup> More recently, it has argued simplification will help people focus on the return to work.<sup>8</sup>

## The National Audit Office, Committee of Public Accounts and others have recommended simplification

**1.13** The complexity of the benefits system is perhaps the most important issue facing the Department, and affects every aspect of performance. It has a number of untoward consequences (examined in Part 3), which have been referred to by a number of authorities. As long ago as 1984, the Comptroller and Auditor General commented on the complexity of housing benefit,<sup>9</sup> and in 1987 noted complexity was a factor in incorrect social security payments.<sup>10</sup> For 15 years, he has qualified his audit opinion on the accounts of the former Department of Social Security and Department for Work and Pensions. In large part, this is due to the extent of official and customer error, much of which has been generated by the complexity of the system (paragraphs 3.4 to 3.6). The Committee of Public Accounts has repeatedly commented on the problem (Appendix 3).

**1.14** The House of Commons Work and Pensions Select Committee has also expressed concerns about aspects of the complexity of the system. In its 2004 report on Department for Work and Pensions Management of Information Technology Projects, for example, the Committee suggested there may be considerable potential for simplifying social security policy further in order to make it more comprehensible to staff and customers, and to help deliver policy objectives more effectively and transparently.<sup>11</sup>

**1.15** Another influential source of commentary on the complexity of the system has been the Social Security Advisory Committee, the Secretary of State’s statutory advisory body. In October 2004, the retiring Chairman wrote that complexity ‘characterises the entire benefits system, and the addition of tax credits, with different rules, merely makes the whole structure more opaque to its customers...The size, complexity and dispersion of the benefits system, and the blurring of the boundaries over what should constitute its proper role, has led to a pervading sense of a loss of cohesion.’<sup>12</sup> Further details of the Committee’s role are in Part 4.

7 New ambitions for our country: a new contract for welfare (Cm3805).

8 Opportunity and Security throughout life – Department for Work and Pensions Five Year Strategy (Cm 6447).

9 NAO report, DHSS: Housing Benefits Scheme, 30 October 1984 (HC 638).

10 NAO report, DHSS/DoE: Incorrect Payments of Social Security Benefits, 9 April 1987 (HC 319).

11 Work and Pensions Select Committee (2004) Department for Work and Pensions Management of Information Technology Projects.

12 Social Security Advisory Committee (2004) 17th Report.

## 7 Government statements on the complexity of the benefits system

Report	Date	Key references to complexity and its impact
New ambitions for our country: A new contract for welfare (Cm3805)	1998	<ul style="list-style-type: none"> <li>■ 1 million pensioners failing to take up their full benefit entitlement, in part as a result of the complexity of the system.</li> <li>■ Delay and complexity bedevil the system operated by the Child Support Agency.</li> </ul>
Children First: a new approach to child support (Cm 3992)	1998	<ul style="list-style-type: none"> <li>■ The complexity of the Child Support formula can mean delays of six months or more between an application for maintenance and a completed assessment. In the meantime, people's circumstances can change. This triggers a second assessment before any money is delivered from the first.</li> </ul>
Beating fraud is everyone's business (Cm 4012)	1998	<ul style="list-style-type: none"> <li>■ The system's complexity means that it is vulnerable to mistakes leading to incorrect payments, even where there is no intention to defraud. Customers do not always fully understand when to report a change, what to report, or whether a call to one agency notifies all the others that might also be involved. The collection and assessment of millions of pieces of information over many years has also produced a system where the data is not always reliable and includes fraudulent identities.</li> </ul>
A New contract for Welfare: The Gateway to Work (Cm 4102)	1998	<ul style="list-style-type: none"> <li>■ Welfare customers have to deal with an array of different institutions. Whether they have to deal with the Employment Service, the Benefits Agency, local authorities, the Child Support Agency, or a combination of any of these, depends on their circumstances and the benefit(s) they are claiming. This is confusing to many people and also leads to duplication of services.</li> </ul>
The Pension Credit – a consultation paper (Cm 4900)	2000	<ul style="list-style-type: none"> <li>■ Minimum Income Guarantee has six different rates; a complexity which deterred many pensioners from claiming their entitlement.</li> </ul>
Building choice and responsibility: a radical agenda for Housing Benefit	2002	<ul style="list-style-type: none"> <li>■ Housing benefit is complex and difficult to administer.</li> <li>■ This leads to problems for local authorities in providing an efficient service, makes it difficult for customers to understand, and can lead to financial difficulty and acute anxiety.</li> </ul>
Pension Commission, Pensions: challenges and choices	2004	<ul style="list-style-type: none"> <li>■ The behavioural barriers to savings and the costs of provision have been made worse by the bewildering complexity of the UK pension system, state and private combined. This complexity reflects the impact of multiple decisions made over the last several decades, each of which appeared to make sense at the time, but the cumulative effect of which has been to create confusion and mistrust.</li> <li>■ Means-testing within the state system both increases complexity and reduces, and in some cases reverses, the incentives to save via pensions which the tax system creates.</li> </ul>
Opportunity and security throughout life – Department for Work and Pensions Five Year Strategy (Cm 6447)	2005	<ul style="list-style-type: none"> <li>■ Exploring and developing ways to simplify benefits while continuing to protect social security expenditure.</li> <li>■ Complexity of Incapacity Benefit, with staged increases in benefit levels the longer the duration of a claim, does nothing to help people focus on return to work.</li> </ul>

Source: Department for Work and Pensions and Department of Social Security publications





## PART TWO

### What are the causes of complexity?



**2.1** This Part examines the causes of complexity within the current benefits system, highlighting that complexity arises in many different ways.

## Five types of interactions within different parts of the system drive complexity

**2.2** The benefits system is governed by Acts of Parliament. Legislation is developed within the Department for Work and Pensions by ministers and officials, often following consultation with external stakeholders such as interest groups and representatives of customers. It is presented to Parliament and receives Royal Assent, following scrutiny by both Houses of Parliament. This may identify weaknesses in the proposed legislation or may be the occasion where ministers decide to respond to concerns about its impact on particular groups in society. Parliamentary scrutiny may add additional detail to the draft legislation.

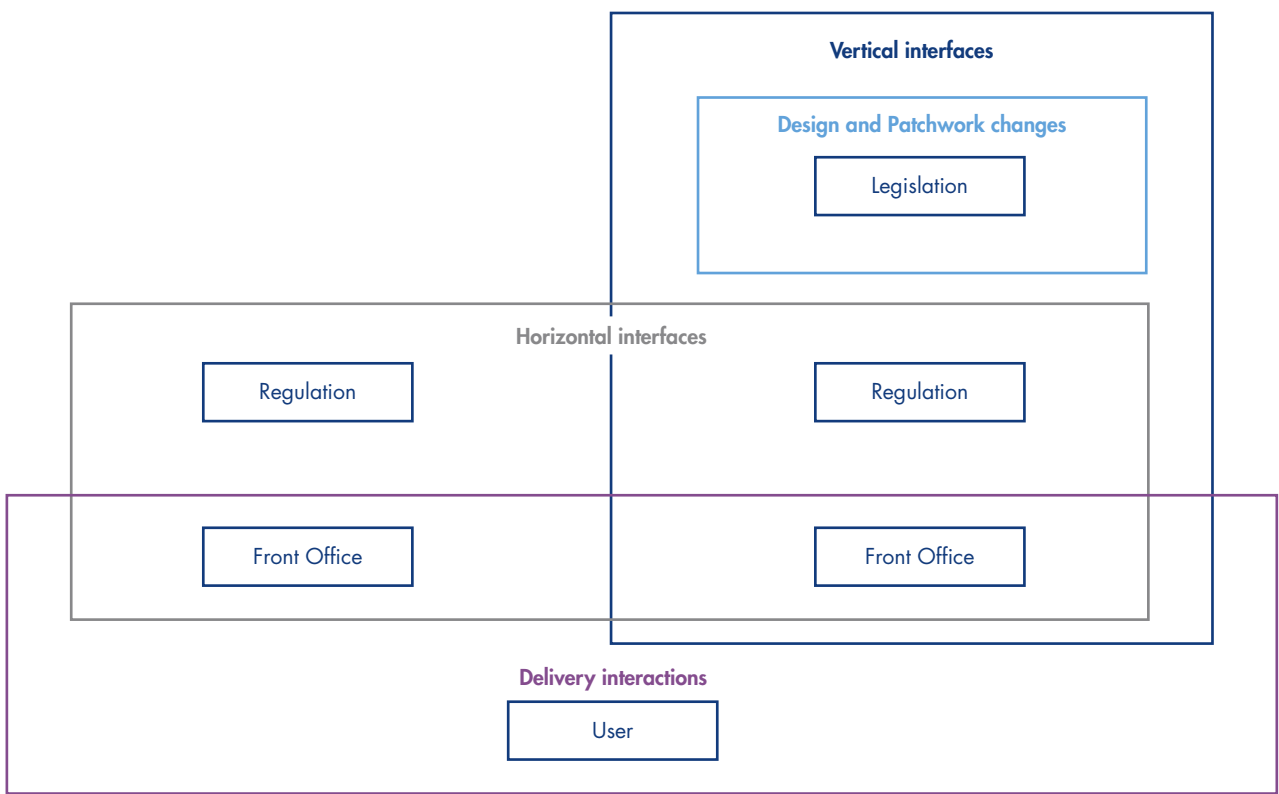
**2.3** More detailed regulations may be needed, which also require parliamentary approval. The Department and its agencies, possibly in cooperation with local authorities or others, will also develop guidance to help staff implement the legislation. In some areas, independent review may generate case law in response to how the legislation has worked in practice, which may require changes in either the policy itself or its implementation. The benefits system does not operate in a vacuum but is rooted in society and may require revisions to respond to social changes.

**2.4** Five types of interactions can be identified within the benefit system (**Figure 8 and 9 overleaf**). These are design changes, patchwork changes, vertical interfaces, horizontal interfaces, and delivery interactions. Design changes are major reforms of the benefits system, whilst patchwork changes are more minor and specific alterations. Vertical and horizontal interfaces are the interactions between different levels within the Department, between benefits, and between different organisations involved in administering benefits. Delivery interactions are contacts between the Department and its customers. Each leads to different causes of complexity.

## The design of the system results in complexity because the issues are complicated and the Government is trying to achieve ambitious objectives

**2.5** A substantial amount of the complexity in the benefits system is present by design. It is there as a deliberate consequence of the aims and objectives underlying the specific benefits. It originates in an attempt to provide incentives and rewards for particular behaviours (e.g. savings, caring for others, working, raising children), to control and set boundaries on welfare provision, and to help secure value for money. The current Government, for example, has stated that it believes that work is the best way to help people out of poverty. The rules governing eligibility for working age benefits thus require customers to show either that they are actively seeking work or are not available.

**8** Summary of different types of interaction in the benefits system



Source: National Audit Office

**9** Overview of the main causes of complexity

**Causes of complexity**

Design changes – major structural designs

- Means testing
- Testing of needs
- Transitional protection
- Need to operate within cash constraints
- Need to verify eligibility

Patchwork changes – more specific and often ad hoc developments

- Changing perspectives on how original intent has been borne out in practice
- Triggered changes because of changes to other benefits
- Case law changing interpretation of legislation

Horizontal interfaces – interactions between benefits and with other systems

- Automatic entitlement based on receipt of another benefit
- Automatic premium entitlement based on receipt of another benefit
- Benefit payment taken into account as income for other benefits
- Benefits treat similar circumstances in different ways

Vertical interfaces – interactions between different functional levels

- Translation from legislation into regulation into implementation and operation
- Dissemination to parallel subordinate agencies which adopt varying practices

Delivery interactions – interactions between the administration and customers

- Customer required to supply detailed evidence
- Detail and difficulty of forms
- Reporting changes of circumstances
- Administration needs to deal with complex evidence
- Gathering and quality of evidence
- Making and communicating decisions
- Processing changes of circumstances

**2.6** How, and to what extent, the state chooses to protect and provide for its citizens against social and economic difficulties such as poverty, unemployment or ill-health are policy decisions. As a consequence, simplification – the reduction of complexity – may require trade-offs that are not acceptable because they would conflict with policy objectives. Successive governments have sought to design a rule-based system of benefits that is equitable and accessible, and at the same time not open to abuse. They are also trying to avoid ‘rough justice’ and unfairness, both between different groups and amongst those in broadly similar circumstances.

**2.7** The complexity in the overall design of the system is also a reflection of the addition of new legislation and regulations over time. No Government is in the position of being able to start again and design an entirely new system with the intricacies and difficulties removed. Thus, the current system is an accumulation of successive governments’ actions, building on the actions of their predecessors. The system is constantly being added to. In the period from 2000 to 2004 there were six new Acts and 364 statutory instruments affecting the law on social security.

**2.8** In addition, despite Governments’ stated desire to tackle complexity (see Figure 7), other objectives may work in the opposite direction. For example:

- **the Government has set itself targets to address difficult social problems.** Achieving specific and often ambitious social outcomes (e.g. increased employment, reduced poverty) has led to greater targeting and careful tailoring of regulations;
- **there is greater diversity in society.** Our report on *Delivering services to a diverse society*<sup>13</sup> showed the United Kingdom is a diverse country in terms of the characteristics of those who live here and their personal circumstances. This requires a varied response, including in regulations developed by the Department for Work and Pensions (for instance, **Box 8**);
- **balancing the need for support with other objectives, such as creating incentives to save, may require additional features in a benefit.** For example, in designing the Pension Credit, the Department recognised the deterrents to save for retirement and designed the benefit to reduce them.

**2.9** The complexity also arises because the benefits system is deliberately tailored to deal with the variety of people’s needs and changing circumstances in a population of 60 million people. This includes, for example, different and fluctuating income and capital levels, family structure and childcare arrangements, residential arrangements, employment status (for example, moves between part-time and full-time work, or between training and work), states of health and capacity to undertake a range of routine actions (**Box 9 overleaf, example 1**).

**2.10** Individuals also have very varied national insurance contribution records, reflecting their personal work histories, often built up over many years. The links between the contributions made by individuals and their spouses and entitlement add complexity. Entitlement to contribution based benefits such as Retirement Pension, Incapacity Benefit and the contribution element of Jobseeker’s Allowance are directly related to a person’s contribution record. For example, Retirement Pension will only be paid at the full rate if contributions have been made for most of a full working life of 44 for women and 49 for men. Where the full rate is not payable other (non-contributory) benefits can potentially be claimed. Particularly complex calculations apply for some women claiming Retirement Pension, depending on their and their husband’s contribution record (**Box 9 overleaf, example 2**).

## BOX 8

### Benefits changes following the Civil Partnership Act

Under the Civil Partnership Act 2004, same-sex partners will be able to enter a civil partnership giving them similar rights and responsibilities to married couples. This affects the benefits system. Civil partners will be treated the same as married couples for income-related benefits and child support. Pension benefits available equally to husbands and wives will be extended to civil partners, while other aspects of the system will be harmonised by 2010.

13 Comptroller and Auditor General *Delivering services to a diverse society* (HC 19 2004-05).

**BOX 9****Case Example 1**

The focus of Jobseeker's Allowance on placing people in work by emphasising both availability for work and the active seeking of work, generates administrative complexity for the Department and also places demands on the customer. There remain elements of complexity in the design. For example:

- it has two elements – contribution based paid at a flat rate up to 6 months and income based, reflecting the difference in net income and the needs of the customer or family;
- income based Jobseeker's Allowance cannot be paid if a claimant's partner works for 24 hours or more a week; and
- benefit can be paid at a reduced rate on grounds of hardship if the customer does not satisfy all the entitlement conditions.

**Case example 2**

Mrs X has spent a number of years out of the labour market including time bringing up a family. Her contribution record does not provide for a full pension but 'Home Responsibility Protection' will reduce the number of qualifying years required for a full rate of pension. However, the number of qualifying years cannot be reduced to below half the number required. She will be entitled to either:

- the "married women's pension" (60 per cent of the standard rate) if her husband is in receipt of Retirement Pension, or Retirement Pension based on her own contributions if that is higher; or
- if she is divorced or widowed, a pension based on her own or her former/late husband's contributions, up to the standard rate.

## Characteristics in the design of benefits make them more or less complex

**2.11** Paragraph 1.6 summarises the different types of benefits. A number of the key characteristics of benefits affect the degree of complexity. For example:

- **Contributory benefits should be simple to deliver once entitlement has been established.** These benefits are only payable to individuals who have paid sufficient National Insurance contributions and are usually paid in flat rates for a specific period. They are generally delivered with minimal trouble and the majority of awards remain stable, apart from an uprating each year in line with inflation. For example, for adults, Incapacity Benefit is primarily based on the number and type of National Insurance Contributions paid and an assessment of incapacity. The award is for as long as the incapacity exists, subject to periodic review.
- **Non-contributory benefits introduce a specific type of complexity.** For non-contributory benefits, such as Disability Living Allowance and Attendance Allowance, a broad, needs-based design has been chosen. Customers must explain how their impairment impacts upon their life and a decision-maker must make a judgement on the effect of that impairment on their care and mobility needs. These needs are personal and vary considerably between individuals. As a result, two customers with the same medical condition but who cope differently or are affected in different ways can correctly receive different decisions, which can be hard to explain. Other non-contributory benefits are less complex.

For example, Child Benefit is a flat payment paid to all guardians of children under the age of 16, and up to their 19th birthday if they remain in full-time education, regardless of income.

- **Means-tested benefits are complex owing to highly detailed rules on benefit entitlement.** Means tested benefits (e.g. Income Support, Jobseeker's Allowance (income-based), Housing Benefit, Pension Credit) are based on prescriptive and detailed rules, catering for wide range of circumstances and client groups and often covering unusual situations (**Box 10**). There is then often variability in the rules for specific groups. For instance, full-time students under 60 are not generally eligible for income-related benefits, except that lone parents and disabled students may be eligible for Income Support and, in some circumstances, Housing Benefit and Council Tax Benefit. Students on certain courses may also claim Income Support but not Housing Benefit or Council Tax Benefit.

**2.12 Transitional protection adds to the complexity.** Another conscious choice in the design of the system relates to the concept of transitional protection. In the course of reforming a number of benefits, Governments have sought to financially protect certain customers by managing changes in the potential amount paid to them (and remove the need for them to claim another benefit in certain circumstances). This leads to "transitional protection" when introducing changes, which means that by design more than one scheme has to be operated for a certain period. This increases complexity for the duration of the transitional protection schemes and

**BOX 10****Means-testing for Income Support**

Income Support is a benefit for people aged between 16 and 60 with a low income, and who are not required to be available for full-time work, including lone parents, carers, those on Incapacity Benefit, people appealing against certain benefit decisions and some people on training courses; or who satisfy one of a number of additional special conditions.

People who are working for 16 or more hours a week or whose partner is working 24 or more hours; whose partner is receiving income-based Jobseeker's Allowance or Pension Credit; or who are studying full-time are not eligible.

The amount of Income Support a person can receive depends on how much income and capital that person has, their age, family circumstances and receipt of certain other benefits.

requires staff to take account of sometimes conflicting rules and exceptions. For example, residents in local authority homes who were entitled to a special fixed rate Income Support or income-based Jobseeker's Allowance before 7 April 2002 continue to have their benefits calculated as before, as long as they continue to reside in a local authority home with board. Residents in local authority homes who were not receiving these benefits as of 7 April 2002 must qualify under the normal rules of entitlement introduced after that date.

**2.13 The cash limiting of the budgets of some benefits necessitates detailed rules.** The Social Fund is available to those on low incomes or experiencing financial hardship to meet unexpected expenses or large one-off payments. The Fund includes several discretionary awards paid from a cash-limited budget. Customers are deemed eligible for an award subject to other, discretionary considerations. For example, departmental staff must decide whether a Crisis Loan would be the only way of avoiding serious damage or risk to the health and safety of the customer or a member of their family. They must establish whether the claim is a repeat application and whether there have been changes in circumstances, as well as whether the customer can repay the loan. They must also decide whether a Community Care Grant might be better. In turn, this requires judgements as to, for example, whether the applicant is under exceptional pressures. Decision-makers must also allocate priorities to the items requested.

**2.14 The need to verify that people are eligible means that customers may have to provide a lot of information and supporting evidence.** Given the Department has limited resources and aims to reduce fraud and ensure money is only paid to those eligible, the benefit system

has to include arrangements to check and verify the information customers provide. For Housing Benefit claims, for example, the Verification Framework sets standards of good practice in securing the gateway to benefit, outlining what evidence of benefits and income is required and acceptable, what checks are needed, and who can determine this. And the need to ensure that people remain entitled means customers must report changes of circumstances in case their eligibility changes, and provide often substantial evidence of eligibility. Those claiming Income Support, for instance, have to complete a 43-page form.

## Patchwork changes can create complexity because they add regulation

**2.15** Major reforms of large parts of the benefit system are rare. More frequent are smaller scale – patchwork – changes, which typically increase rather than reduce complexity. Patchwork changes to regulations may occur when:

- **a mismatch arises between the intent and the outcome of a regulation.** As the environment in which a piece of legislation operates changes, the Government may consider the original intent is no longer being fulfilled. Alternatively, there may be changes in views as to who ought to receive the benefit or the levels of support appropriate. An example is the single room rules restricting housing benefit entitlement for 'young individuals' (single persons under 25 years old). Over time, the definition of 'young individual' has undergone revision in terms of living status, whether or not the individual has child care obligations and whether or not certain other benefits are claimed.
- **there has been a change to another benefit.** Because of interactions between benefits, changes made in one benefit can impact on others, which then requires subsequent changes.
- **desire to improve interactions with customers.** For example, the Social Security (Notification of Change of Circumstances) Regulations 2003 allowed certain changes to be reported via the telephone. However, regulations specifically provide for certain changes involving a higher security risk, including change of payment destination and change of Post Office, to continue to be confirmed in writing.

### 2.16 For some benefits, case law changes the interpretation of legislation, and may create the need for new primary and secondary legislation.

Case law arises when the judicial system (either courts or administrative appeal bodies) determines that a regulation is not lawfully written, or that it does not accurately reflect legislative intent. In response, the Department may decide to revise regulations or implementation practices accordingly. By creating the need to add new pieces to existing regulation and implementation, case law, by definition, adds to the complexity of a benefit. When this happens, changes may need to be implemented quickly, especially if the decision has major spending implications.

**2.17** The broad-brush terms of key provisions render decisions based on these provisions open to appeal and re-interpretation by the Social Security Commissioners<sup>14</sup> and the courts. This lack of prescription and certainty in the statute law, and the substantial overlay of case law interpretations, has led to complexity, for example, in the administration of Disability Living Allowance and Attendance Allowance. A major problem is what is often seen as ambiguous phrasing in legislation, for example, the use of the expression ‘virtually’. Medical conditions, too, are often poorly defined and inconsistent. **Box 11** gives some examples of difficult to interpret phrases.

#### BOX 11

##### Imprecise phrasing adds to the complexity of Disability Living Allowance

‘frequent attention throughout the day’

‘for a prolonged period’

‘for a significant portion of the day’

‘at frequent intervals at night’

‘reasonably required’

‘virtually unable to walk’

‘continual supervision’

‘severe discomfort’

## Horizontal interfaces create complexity through the interlocking of benefits and from lack of standardisation

**2.18** Horizontal interfaces are those between benefits, and also the interfaces between different organisations administering benefits. Four types are discussed here and illustrated in **Figure 10**. They are:

- **passporting** – in which receipt of benefit X automatically entitles a person to benefit Y or for other support such as free school meals, prescriptions or a Sure Start Maternity Grant – subject to customers making a claim and being eligible to passported benefits. This can potentially reduce administrative complexity for both the organisation providing the subsequent benefit and the customer in respect of the second benefit. However, it does not remove the need to claim more than once, which can lead to confusion.
- **premium** – in which receipt of benefit X makes the customer eligible for a higher rate of benefit Y. These, too, should ease complexity, although the same potential confusion as for passporting exists.
- **impact of benefit and other income on benefit eligibility** – because of the basic premise that two benefits intended to meet the same need should not be paid at the same time, benefit income can be taken into account when calculating entitlement for another benefit. Where income is earned, the disregard applied to this in determining eligibility for benefit varies depending on the benefit. These interfaces can increase complexity. For example, when assessing a claim for Income Support, Carer’s Allowance (which is an income maintenance benefit) is taken fully into account as income, but Disability Living Allowance (which is intended to contribute towards the extra costs of disability) is not.
- **overlapping benefits** – this can occur when there is entitlement to more than one benefit to meet the same fundamental need. In this case both entitlements are not paid in full. Instead, contributory benefits take precedence over non-contributory, and a weekly benefit would normally take precedence over a daily benefit.

<sup>14</sup> Social Security and Child Support Commissioners are special judges appointed by the Queen. They decide appeals on points of law from Appeals Service tribunals in cases relating to social security, tax credits, child support, housing benefit and council tax benefit.



## 10 Horizontal interfaces between Jobseeker's Allowance and other benefits

### Passporting

Entitlement to income-based Jobseeker's Allowance or Income Support is a passport to a variety of benefits, including Housing Benefit, Council Tax Benefit, Child Tax Credit and health benefits. Nearly 40% of people on income-based Jobseeker's Allowance are also in receipt of Housing Benefit. In theory, these passports should make the administration of the subsequent benefit straightforward. For instance, receipt of income-based Jobseeker's Allowance or Income Support gives an immediate entitlement to the maximum amount of Housing Benefit, without local authorities having to conduct a means test. However, this requires that accurate information is passed on from Jobcentre Plus offices to local authorities in a timely fashion.

### Premiums

Through entitlement to Disability Living Allowance, customers qualify for the disability premium in Income Support, income-based Jobseeker's Allowance, Housing Benefit and Council Tax Benefit.

### Impact of benefit and other income on benefit eligibility

Carer's Allowance is counted in full as income when calculating entitlement to Income Support, income-based Jobseeker's Allowance, Housing Benefit and Council Tax Benefit. This means that claiming Carer's Allowance normally reduces entitlement to Income Support or Jobseeker's Allowance, although because an additional Carer's Premium is awarded, their income still increases overall. When receiving Carer's Allowance while being in (part-time) work, a larger part of earnings can be disregarded when determining entitlement to Income Support, income-based Jobseeker's Allowance, Housing Benefit, and Council Tax Benefit.

Claiming Carer's Allowance may mean that a customer's income is too high to qualify for benefits such as Income Support and income-based Jobseeker's Allowance, even if the carer's premium is awarded. In this situation, losing entitlement to Income Support or income-based Jobseeker's Allowance can mean that entitlement to Housing Benefit and Council Tax Benefit is reduced, and that the customer no longer qualifies for benefits such as free school meals.

Entitlement to Housing Benefit is reduced by 65p for each pound of other income a customer receives above a threshold. This depends on other benefits received – for single people on Income Support it is £56.20. For those on long-term Incapacity Benefit, the threshold rises to £80.15. For those on other, lower rates of Incapacity Benefit, the Income Support threshold applies, so if they are claiming Housing Benefit most of their additional Incapacity Benefit is lost in reduced payments of that benefit.

### Overlapping benefit (two examples)

A customer on Severe Disablement Allowance of £40 reaches pension age and is entitled to Retirement Pension at the reduced rate of £35. As the pension is a contributory benefit, the Retirement Pension is paid in full and the Allowance is reduced to £5. The customer would also become entitled to income-related benefits.

In a second case, a working man of 46 claims bereavement allowance and receives £30.36. He is then made unemployed and claims contribution-based Jobseeker's Allowance at £56.20. As these are overlapping benefits, he will receive Jobseeker's Allowance in full and his Bereavement Allowance will be reduced to nil.

**2.19** Voluntary bodies advised us of their concerns at what they see as the inconsistencies and complexity that have grown up around passporting in terms of the income levels that lead to benefit eligibility or exemption from charges. They argue it is hard to discern a rationale for many aspects of the system. For example, all recipients of Pension Credit are eligible to apply for Social Fund awards providing they meet eligibility requirements. But only those on the guarantee credit (and not the savings credit alone) – a distinction which many pensioners may not understand – are passported to free dental care and vouchers for glasses.

**2.20** There is also a lack of standardisation in the way different benefits deal with similar situations. For example:

- **rules on the treatment of earnings are not uniform across benefits.** The main difference in earnings rules is between means-tested and non means-tested benefits. Most non means-tested benefits are unaffected by income. However, some non means-tested benefits may be affected by earnings-related income and this increases complexity. These are Carer's Allowance and Incapacity Benefit. From 2001, Incapacity Benefit recipients have had their entitlement reduced by 50 pence for every pound of occupational and personal pension income above a weekly limit. Although the earnings rules are the same across means-tested benefits, they differ from the earnings rules for non-means-tested benefits, which among themselves again operate under different earnings rules;

- **different paydays for different benefits.** This is confusing for people who migrate from one benefit to another. Originally, this arrangement served the purpose of avoiding a rush on post offices, but with bank transfers, there is no longer a need to stagger paydays. Benefit periods also vary across different benefits. This poses a further problem when people move from one benefit to another. For example, Jobseeker's Allowance is paid fortnightly, with the payday based on the day a customer signs on, so as to link the period for which benefit is received with the declaration that they have done no work. Income Support, by contrast, is paid on a weekly basis.
- **reporting changes of circumstances differs between benefits.** Because many benefits are awarded for specific reasons or circumstances, alterations in them require customers to advise the Department. Those on more than one benefit or also in receipt of tax credits may find they need to report different information at different times to different organisations or different parts of the Department.

## The interaction between the benefit and tax credit system has increased complexity

**2.21** In recent years, additional complexity has resulted from the relationship between benefits and the separate system of tax credits. Tax credits were first introduced in 1999 and are administered by HM Revenue and Customs (**Box 12**), replacing Family Credit which was part of the social security system. They are a key element of the Government's welfare reform programme and in particular, the desire to make work financially worthwhile and to tackle child poverty. In 2003, the Government introduced the Child Tax Credit and the Working Tax Credit to replace the original arrangements.

### BOX 12

#### Tax credits

**Child Tax Credit** is paid directly to the person directly responsible for caring for the children. **Working Tax Credit** is paid directly or through the payroll for low income working households with or without children.

**2.22** New tax credits have an impact on the income-related benefits – Council Tax Benefit, Housing Benefit, Income Support and Jobseeker's Allowance. For example, changes were required to regulations governing Housing Benefit and Council Tax Benefit, which were made in 2002. Calculation of both the tax credits depends on household composition and income, and will be taken into account as income for assessment of these two benefits. In introducing the tax credits, the Government abolished and replaced a number of elements of existing benefits. For example, the Child Tax Credit and Working Tax Credit replaced the child and adult elements of Income Support, Jobseeker's Allowance, Working Families' Tax Credit, Disabled Person's Tax Credit, Children's Tax Credit and the employment credit element of the New Deal 50+.

**2.23** The Department recognised that the introduction of tax credits would mean extra work for local authorities and acknowledged that the arrangements for handling were far from ideal.<sup>15</sup> The additional complexity arises in a number of ways. In particular:

- people may need to report a change of circumstance at different times for tax credits and Housing Benefit/ Council Tax Benefit – for tax credits changes can often be made at year end;
- tax credits involved different ways of treating income and capital which did not fit easily with existing structure of Housing Benefit;
- administratively, while local authorities had direct access to benefit computer systems to confirm that customers were receiving qualifying benefits, arrangements had to be made with HM Revenue and Customs to obtain details of tax credit awards.

<sup>15</sup> Guidance on Housing Benefit and tax credits (Department for Work and Pensions).

## Vertical interfaces generally increase the level of detail and hence the complexity

**2.24** The administration of benefits may be made more complex by the practical arrangements needed to implement them. Administration of benefits and tax credits is carried out by a multitude of organisations, including Jobcentre Plus, The Pension Service, the Disability and Carers Service, HM Revenue and Customs and (for Housing Benefit and Council Tax Benefit) over 400 local authorities. To administer benefits effectively, they have to gather information from each other as well as retrieve information from other sources, such as the Rent Service, banks and doctors. The computer systems of the different organisations are, at best, only partially linked.

**2.25** Effective implementation of policy relies heavily on the transmission of good guidance, as staff cannot be expected to work directly with the regulations. However, guidance for benefits is often voluminous and rapidly-changing (**Box 13**). This creates considerable complexity even if, as is the case now, much of it is available on the departmental intranet.

### BOX 13

#### Volumes of guidance on benefits

Secretary of State's guidance

Decision-makers' Guide 12 volumes

Procedural instructions

Income Support 14 volumes on DWP intranet

Jobseeker's Allowance 24 files on DWP intranet

Incapacity Benefit 5 volumes in 44 sections

Disability Living Allowance/  
Attendance Allowance 30 chapters (team members' guide – there are several other guides)

Retirement Pension 6 volumes

**2.26** The practicalities of implementing regulations may give rise to further administrative complexity. For instance, a person may claim Income Support and Carer's Allowance. The former is put into payment and the Carer's Allowance office is notified of the requirement to advise if Carer's Allowance is subsequently awarded. If this happens during a period when Income Support is paid, the Income Support office is advised. The amount of the allowance paid and any subsequent impact on Income Support premiums in payment is assessed, and the amount of Income Support paid in lieu of Carer's Allowance is offset against Carer's Allowance arrears and the customer advised of the action.

**2.27** In addition, the implementation of a regulation can be given to regional offices, especially when there are distinct regional differences that can affect the eligibility for, or amount of, benefit (e.g. housing costs vary across the country, resulting in variations in the eligible rent used to calculate Housing Benefit). When regions differ in their practices – even for good reason – this increases the complexity of the system as a whole. For instance, the legislation for the discretionary Social Fund requires each Jobcentre Plus district to set priorities for the allocation of funds, so that different practices have developed across the 90 districts.<sup>16</sup>

**2.28** Housing Benefit illustrates the complexities of parallel implementation. The Department reported to us that there were five key areas of complexity: determining household composition, means testing, determining eligibility, determining eligible rent levels, and the reporting of change of circumstance. In practice, the ability of local authority staff to establish who lives as a couple is limited, and household composition can be hard to establish. Complicated local practices have developed in relation to specific client groups, for example, students and people from abroad. There are also many situations where customers have a liability to pay rent, but are treated as if they did not. Highly variable housing costs increase the information needed and the number of decisions required in order to manage the benefit. This is further complicated by the transitional Housing Benefit schemes which still continue to provide financial protection to customers who claimed prior to October 1997. Finally, customers are required to report promptly each change of circumstance relating to themselves, their family, or non-dependants in the household.

16 NAO (2005) *Helping those in financial hardship: the running of the Social Fund* (HC 179, 2004-05).

## Delivery interactions reflect the complexity of design, patchwork, horizontal and vertical interfaces

**2.29** Complexity in the delivery of benefits is the most public and visible of all aspects of complexity. It may stem from the way information is gathered or stored. Thus, forms may be complex or information technology, which should be used to protect staff and customers from complexity, gives rise to complex administrative arrangements. For example, problems transferring accurate data to the Child Support Agency have hampered the latter’s performance in processing maintenance assessments accurately and on a timely basis, and the parallel running of separate systems makes the customer interface more complex.

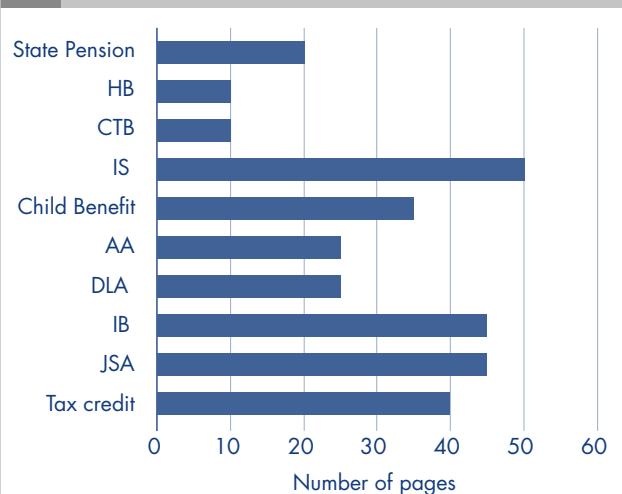
**2.30** In delivery interactions, the customer is required to make a claim. This requires him or her to complete an application form, either themselves or increasingly through a call centre or other form of assistance. It may also require them to present extra information and keep the information up-to-date. The Department must process the claim, reach a decision, inform the customer about this decision, and subsequently maintain the claim. In processing claims, staff must take into account the relationship of the “target” benefit with others.

**2.31** The claim form, being the main opportunity to provide evidence of entitlement, requires the gathering of detailed information. Completion requires customers to provide considerable information. Most benefit forms ask for more than 100 pieces of information.<sup>17</sup> The Department has introduced changes to a number of forms in recent years (see Part 4) but many are still of considerable length (Figure 11). Instead, the Department’s focus has been on developing telephone based application systems whereby customers are guided through the claims process and are only asked to supply the information required in their particular circumstances.

**2.32** Reporting changes of circumstances is a key requirement of the benefits system. Part 1 highlighted that customer circumstances change frequently and they must advise the Department of material changes. This includes changes in needs while on Disability Living Allowance or Attendance Allowance, changes in income for means-tested benefits in most circumstances, but with special provision in Pension Credit, and changes in working hours. Survey evidence<sup>18</sup> and our focus groups with voluntary bodies suggest many customers are unclear what they need to report and what not, even though the Department advises them in award notices. Failure to report changes means the Department does not find out when benefit payments should be changed, resulting in over or underpayments, although this may be less likely for Jobseeker’s Allowance because people have fortnightly contact with Jobcentre Plus.

**2.33** The sheer number of changes of circumstances put a heavy burden on the administration offices. Thousands of changes of circumstances are reported every week, for example, 6,000 to 7,000 per month for Jobcentre Plus benefits in the Derby region alone. The number of changes of circumstance to be processed by an individual office depends on the population structure. In inner cities the number is generally higher, as the population is more transient and inhabitants can be in and out of work on a daily basis, leaving them with a daily change of circumstance.

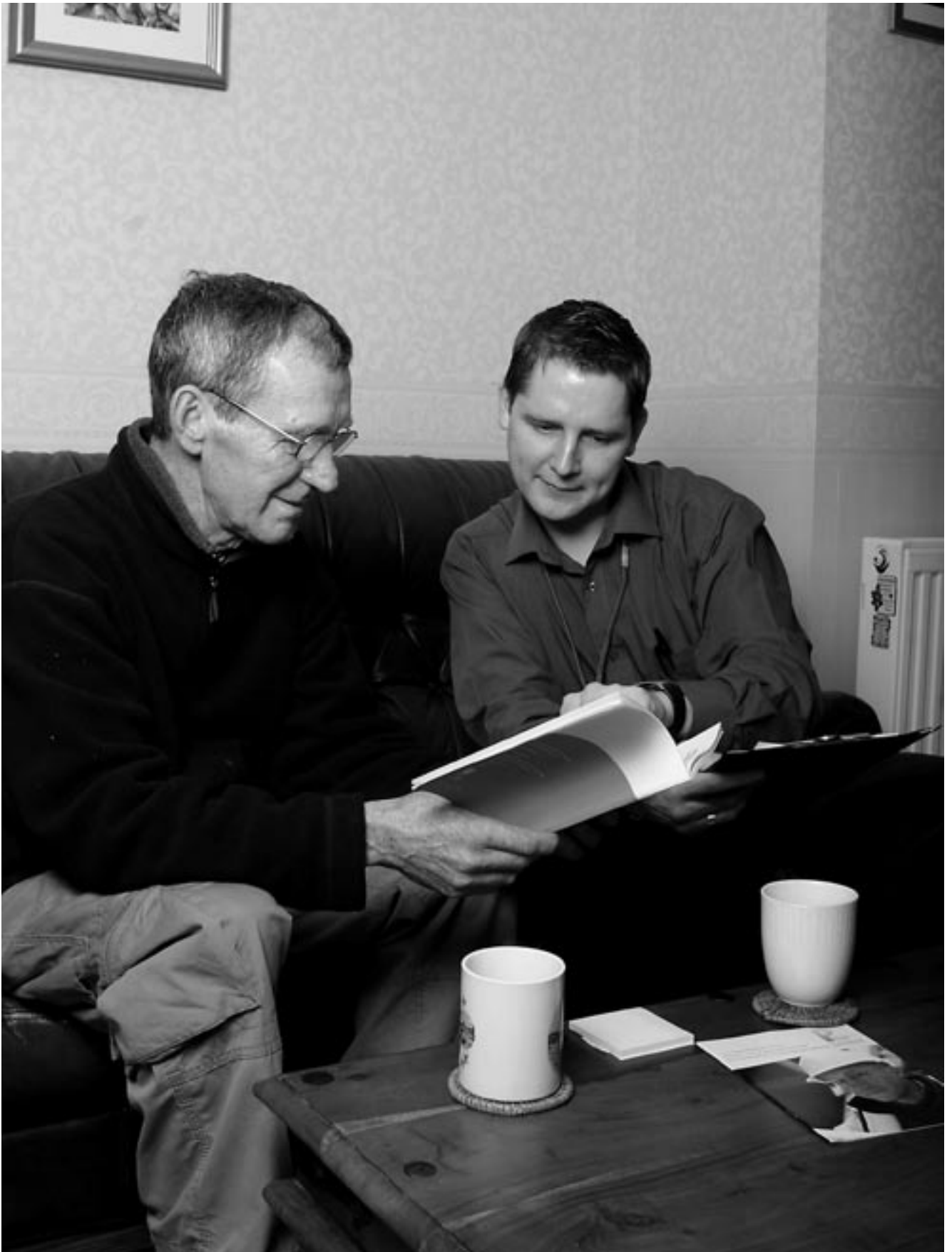
**11** The number of pages for major claim forms



Source: National Audit Office, Difficult Forms, HC 1145, 2002-03

17 NAO (2003): Difficult Forms, HC 1145, 2002-03.

18 Jobcentre Plus, Jobcentre Plus Customer Satisfaction 2003: Findings from Qualitative Research, February 2004.



## PART THREE

### The effects of complexity



**3.1** This Part examines the effects of complexity for the overall performance of the Department, for its customers and those who advise them, and for its staff.

**3.2** Links between the complexity of benefits and specific consequences are not always obvious or direct. Payment errors may result from the complexity of the benefit, but may also be a result of failures in staff recruitment or training. Low take-up of benefits may be influenced by a complex system or may also reflect engrained attitudes amongst some citizens to claiming benefits. **Figure 12 overleaf** summarises the consequences of complexity.

## Incorrect and inconsistent decisions and payments arise from complexity

**3.3** The processing of benefits requires the collection of evidence, interpretation of facts, use of judgement, and calculation of payments. Difficulties in obtaining complete and accurate information may lead to a higher likelihood of errors.

### Complexity leads to official and customer errors

**3.4** Errors resulting in incorrect benefit payments can be generated by **staff** or **customers**. Staff may overlook entitlement to premiums or rules for particular groups of customers, while customers can misunderstand evidence requirements and thus inadvertently supply incorrect or incomplete information. Such errors result in over as well as underpayments.

**3.5** The main causes are consistent with the causes of complexity described in Part 2, in particular, incorrect considerations of fundamental entitlement, problems with the interfaces between benefits systems, incorrect attribution, arithmetic or transcription errors, the incorrect award of premiums, and the applicable amount (e.g. partner or dependants incorrectly omitted/included in assessment). **Figure 13 on page 43** shows the areas of official error leading to the highest overpayments of key benefits in the most recent year for which data is available.

**3.6 Customer error.** The Department defines customer error as a discrepancy in the claim leading to a change in benefit entitlement, when there is no suspicion of fraud or any fraudulent intent on the customer's part.<sup>19</sup>

In particular, detailed rules on reporting changes of circumstance can lead to customers being unaware or confused about when to provide updated information. In 2003-04, the Department estimates that at any one time there were around 125,000 incorrect cases resulting from customer error for Income Support (5.7 per cent of cases in payment), 35,000 for Jobseeker's Allowance (4.5 per cent) and 245,000 for the Minimum Income Guarantee and Pension Credit (12.0 per cent).

**Figure 14 on page 43** shows the main causes for customer error.

<sup>19</sup> Department of Social Security Public Service Agreement 2001-2004: Technical Note, p. 9.

## 12 Consequences of complexity

		Paragraph
<b>Incorrect and inconsistent decisions</b>		
Error	Errors may occur because staff and customers do not understand the benefit and what is required of them. Staff may make wrong decisions because they do not know what to take into account or do not follow complex processes properly. Customers may not understand what information they need to provide.	3.4 – 3.6
Fraud	Complex regulations and delivery structures make fraud easier to conceal and more difficult to detect, and may encourage people not to disclose relevant information.	3.7 – 3.9
Low uptake	The customer may be put off claiming by the bureaucracy they think is involved, or onerous claim forms, or may not understand their entitlements.	3.10 – 3.15
Increased volume of appeals	Errors and confusing regulations reduce confidence in decisions made about benefit award, and a lack of understanding of the reasons for decisions. Both could lead to increased numbers of customers appealing against decisions.	3.16 – 3.17
Inconsistency in decision-making	Differing local interpretations of regulations lead to inconsistency in award durations, decision-making and requirements for additional evidence. Inconsistency leads to a loss of credibility in the system and more appeals.  Poor performance in some delivery units (e.g. local authorities for HB and CTB) and can result in inconsistent service in different localities	3.17
<b>Administrative burden</b>		
Heavy requirements on staff (incl. high costs and need for training)	Administration of benefits can be resource intensive, especially where complex information needs to be considered and where there are interdependencies, requiring extensive training and lengthy periods of consolidation to enable understanding of all aspects of even one benefit, and mastery of complex guidance.	3.18 – 3.23
Heavy requirements on administrative systems	Complex linkages, for instance to records of National Insurance contributions, place high recording and processing demands on systems. The need to accommodate many exceptions and frequent changes increases the complexity of system design and the risk of failure.	3.24 – 3.31
<b>Adverse effects on government policy objectives</b>		
Customers are affected in a number of ways	Some customers are deterred from taking up employment by poor administration. They may receive more than one benefit and so may need to deal with different rules and regulations. They may need to seek assistance from advisory bodies. Complexity may discourage take-up of some benefits or discourage saving for retirement.	3.32 – 3.33
Complexity makes it harder for the Department to communicate adequately with customers	Complexity in the system adds to the information required to claim. It also makes it harder to provide accurate information and presents a challenge for staff in keeping up to date with changes.	3.34 – 3.38
<b>Service levels</b>		
Delays in processing/ payment	Applying complex regulations in processing applications, and the need to check decisions, mean long processing times and an increased risk of delay in payment. Delays in processing Housing Benefit are a major cause of rent arrears in some local authorities.	3.39 – 3.40



### 13 Underpayments and overpayments resulting from official errors 2002-03

Type of official error	Overpayments			Underpayments		
	IS (£m)	JSA (£m)	MIG (£m)	IS (£m)	JSA (£m)	MIG (£m)
Mortgage and Housing Costs	5	1	3	3	2	3
Income and Other benefits	29	8	14	6	2	6
Premiums	23	2	10	36	1	21
Child benefit interfaces	4	1	1	5	0	0
Conditions of entitlement	51	38	4	0	0	0
Applicable Amounts	18	5	4	10	1	1
Capital	4	0	8	0	0	1
Availability/ASE	0	49	0	0	0	0
Other	2	6	1	1	0	3
<b>Total</b>	<b>140</b>	<b>110</b>	<b>50</b>	<b>61</b>	<b>7</b>	<b>36</b>

Source: DWP, 2004, *Fraud and Error in Income Support and Jobseeker's Allowance from April 2002 to March 2003* [Equivalent data for 2003-04 was not published by the DWP in 2005 due to data quality problems whereby the individual fraud and error types could not be used to examine trends over time]. The overpayment totals are rounded to the nearest £10 million. They may not therefore equal the sum of their components.

#### NOTE

IS = Income Support, JSA = Job Seekers' Allowance, MIG = Minimum Income Guarantee.

### 14 Estimated amount of overpayments resulting from customer error 2002-03

Type of customer error	IS (£m)	JSA (£m)	MIG (£m)
Incorrect or non-declaration of capital	15	2	26
Claiming other benefits	22	3	9
Other sources of income	8	1	24
Claiming incorrectly for dependants	22	1	4
Part-time work	7	1	1
Other	23	2	9
<b>Total</b>	<b>100</b>	<b>10</b>	<b>70</b>

Source: DWP, 2004, *Fraud and Error in Income Support and Jobseeker's Allowance from April 2002 to March 2003* [Equivalent data for 2003-04 was not published by the DWP in 2005 due to data quality problems whereby the individual fraud and error types could not be used to examine trends over time. The totals are rounded to the nearest £10 million. They may not therefore equal the sum of their components.

#### NOTE

IS = Income Support, JSA = Jobseeker's Allowance, MIG = Minimum Income Guarantee.

## Complex regulations may facilitate fraud

**3.7** While it is widely recognised that complexity generates error, the link with benefit fraud appears less clear. Complexity has often been linked with fraud, which is estimated at £900 million in overpayments of benefit in 2004-05. Income Support and Jobseeker's Allowance are particularly vulnerable, and this has been linked to the highly detailed information requirements on income or behaviour. In addition, we and the Committee of Public Accounts have concluded that fraud in Housing Benefit is likely to be facilitated by the benefit's highly complex regulations.<sup>20</sup>

**3.8** Complexity may be associated with fraud because complex regulations and separate administrative systems for different benefits reduce the Department's ability to detect and prevent abuse of the system. Differing qualifying criteria and the need to report changes of circumstance for each benefit received may also contribute to customers knowingly withholding information, for example, about undeclared earnings amongst those on Jobseeker's Allowance and Income Support, or couples living together.<sup>21</sup> But the situation is not straightforward. Alternative arguments are that complexity might make it

20 NAO (2003): *Tackling Benefit Fraud*, HC393, Session 2002-03; Committee of Public Accounts, *Measures to combat Housing Benefit fraud*, Twenty-Seventh Report 1997-98, March 1998.

21 NAO (2003), *Tackling Benefit Fraud*.

difficult for some would-be defrauders to understand the system well enough to exploit it, whilst some argue that fraud is driven by individual motivation, rather than the complexity of individual benefits. From this point of view, some will find ways to defraud the system regardless of its complexity.

**3.9** Nevertheless, most people we interviewed agreed that regardless of the role of complexity as a driver of fraud, complex regulations and onerous processes and delays discouraged some customers (**Box 14**) from supplying the required information, often over long periods. In addition, the sheer amount of information to be processed in the context of means-testing requires the Department to take certain statements on trust, which may persuade some people that fraud is a risk worth taking.<sup>22</sup> Allied to this, complex sets of arrangements, difficulties in communication and information sharing can provide scope for fraud.

### Complexity is one reason for non-take up of some benefits

**3.10** The complexity of the system is also a reason why some people – particularly pensioners – do not claim all the benefits to which they are entitled. Since our 2002 report on Tackling pensioner poverty, the numbers taking up the main pensioner benefits have grown, following concerted efforts by the Department and other organisations, but significant numbers still do not claim. In 2004, take-up of Pension Credit was 74 per cent of eligible households, and the Government expects that it may be difficult to get beyond 75 per cent in the future.<sup>23</sup> In the previous year, around one-third of pensioners entitled to Council Tax Benefit did not claim.<sup>24</sup>

**3.11** Such people may be unaware that they are eligible for a specific benefit, or they may find the claims process too bothersome and not worth the effort. Research by the Disability Alliance has concluded that for disabled people, claiming benefit can require a degree of physical and mental commitment that would tax perfectly fit people. For example, it found that the application process posed obstacles for those with limited manual dexterity in completing forms, impaired sight, hearing or speech difficulties, or problems with comprehension.<sup>25</sup>

## BOX 14

### Fraud and complexity

'There is not a direct link between fraud and complexity as there is between error and complexity because if you are going to defraud you are doing it deliberately. But I think that if the system is complex it is probably easier to conceal fraud... If a system is very easy and clear then if you fail to do something it is difficult to find an excuse. If it is very complicated it is easier to say that you have made a mistake. To that extent, a system that is very complicated makes it easier for people to conceal fraud.

It also makes it easier for people to justify fraud to themselves because you can say "I am probably meant to tell the department about this but it is all so complicated I cannot be bothered". You become negligent and you get away with it and so you go on doing it. Because it is hard work keeping your benefit claim right, it is easier for people to sort of excuse the fact that they don't do it'. (Interview Fraud Strategy Unit).

**3.12** Alternatively, some people may make an error in their claim and not be awarded the benefit although they are entitled to it, and give up instead of appealing. While it is difficult to identify how many cases of non-take up relate to the complexity of the system rather than other factors (such as the perceived stigma associated with claiming certain benefits), there is evidence it plays a role in preventing some people from claiming support.

**3.13** Many observers acknowledge that Pension Credit has made many aspects of the system simpler (see Part 4), but Age Concern and the Pensions Policy Institute have recently suggested complexity was continuing to deter some pensioners from claiming.<sup>26</sup> For example, they considered the calculation of the savings credit was hard to explain or understand. This is significant since departmental research has shown that often those entitled but not claiming will only do so if they are sure they are entitled. To encourage pensioners to claim, The Pension Service has contacted nearly every pensioner inviting them to claim Pension Credit and, where required, provided a face-to-face service to discuss potential eligibility.

22 NAO (2003), Tackling Benefit Fraud, 1.4.

23 Pensions Policy Institute, Submission to the House of Commons Work and Pensions Committee's inquiry into the introduction of Pension Credit, October 2004, 13, referring to DWP long-term projections, [www.dwp.gov.uk/asd/asd4/long-term.asp](http://www.dwp.gov.uk/asd/asd4/long-term.asp); HMT (2004) Prudence for a Purpose: A Britain of Stability and Strength, Budget 2004.

24 DWP (2005), Take-up of Income Related Benefits 2002-03.

25 Race inequality in the benefits system (2004) Disability Alliance.

26 Age Concern (2004) Age Concern's Response to the Work and Pensions Committee's Inquiry into the Introduction of Pension Credit; also see Pensions Policy Institute, Submission to the House of Commons Work and Pensions Committee's Inquiry into the introduction of Pension Credit, 35.

## The state and private pension systems and how they interact is also complex

**3.14** The complexity of the pensions system has deterred many from saving adequately for retirement. According to the 2004 Pension Commission<sup>27</sup> report, the United Kingdom has the most complex pension system – state and private combined – in the world. The report commented that whilst individual decisions appeared to make sense at the time, ‘the cumulative effect... has been to create bewildering complexity in the state system, the private system, and in the interface between them.’ The system has been characterised by regular change, making it very difficult for individuals to know what they can expect. The report concluded that the United Kingdom has introduced a unique complexity in the contracting-out option. As a result, only 44 per cent of people claimed to have a good or reasonable understanding of pension issues.

**3.15** The consequence of this complexity has been, amongst other things, that many people may have been discouraged from deciding on their pension choices or procrastinate, often indefinitely, even where they are persuaded by the need to act. For example this could be in part because of individual inertia, but is also related to shying away from complexity. Partly as a result of the complexity, it is estimated that at least 10 million people have not made sufficient provision.<sup>27</sup> In an attempt to counter this, The Pension Service provides a forecasting service which enables any person of working age, or beyond state pension age, to obtain a pension forecast based on their existing national insurance contributions and projected contributions to state retirement age, to help them plan for retirement.

## In complex environments, official decisions are vulnerable to error and challenge

**3.16** As well as payment errors discussed above, we have reported before on errors in the Department’s decision-making on eligibility. Many of these errors do not result in inaccurate payments, but they can require internal reviews or result in customer appeals, which are costly.<sup>28</sup> About 20 per cent of benefit decisions contain errors of

some kind (**Box 15**). Decisions are judged to be correct if the decision-maker has seen all the necessary evidence, asked any necessary clarifying questions, correctly determined the facts of the case and considered and applied the appropriate statute and case law – a complex combination. Reasons for errors include decision-makers obtaining insufficient information and arriving at incorrect decisions based on the evidence available.

**3.17** In part, the occurrence of actual and perceived inconsistencies in the decision-making process arises from the complexity of concepts and processes, and the interpretation of evidence, which the Appeals Service considers the most significant cause of decision overturn rates.<sup>29</sup> For Disability Living Allowance, for example, there are two components – mobility and care – which are awarded at different rates to cover the costs of meeting customers’ needs, rather than on the basis of medical conditions. Thus, two people with the same condition can receive different support. This can be hard to explain to applicants, and causes uncertainty about the likely outcome of claims and misunderstanding of the decision made. In turn, this contributes to requests for re-consideration of decisions and a high number of appeals. In 2003, a total of 230,000 appeals were received by the Appeals Service, of which 45 per cent were successful.<sup>30</sup> **Figure 15 overleaf** shows the proportion of appeals by benefit.

### BOX 15

#### Common causes of decision making error

- Failure to award, or incorrect award of Severe Disability Premium (Income Support)
- No Jobseeker’s Agreement, or not signed by claimant (Jobseekers Allowance)
- Contribution records not correctly taken into account; dependants not correctly taken into account (Incapacity Benefit)

*Source: Department of Work and Pensions, Decision Making Standards Committee, Annual Report 2003-04*

<sup>27</sup> Pension Commission (2004) Pensions: Challenges and choices, First report of the Pensions Commission.

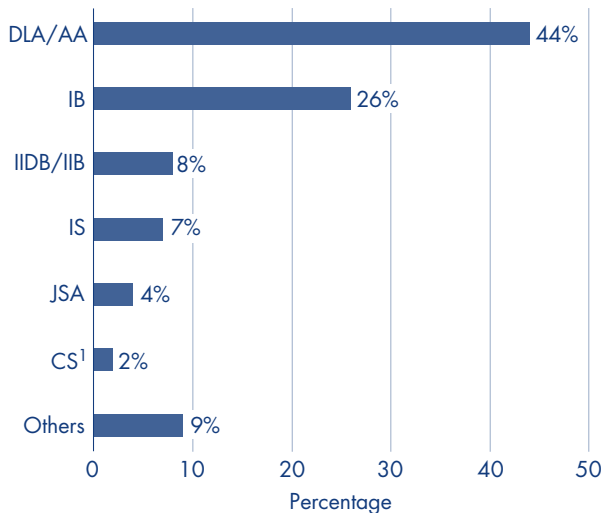
<sup>28</sup> National Audit Office, Citizen redress: What citizens can do if things go wrong with public services, Report by the Comptroller and Auditor General, HC 21 Session 2004-2005, March 2005, 12-16.

<sup>29</sup> Department of Work and Pensions, Decision Making Standards Committee, Annual Report, April 2003 – March 2004, 2005, 3.3.

<sup>30</sup> Analysis of DWP Quarterly Appeals Tribunal Statistics, December 2004: National Audit Office, Citizen redress, 1.10.

**15** Proportion of appeals by benefit 2003-04

The figure is particularly high in Disability Living Allowance, although this is not entirely attributable to complexity. At the time of the appeal, the customer’s case may be better presented or new evidence may be produced. In response to this problem, the Department’s Decision Making Standards Committee has recommended the review and improvement of the process of information gathering and customer communication, especially at the early stages of contact.



Source: President of the Appeals Tribunals’ Report

NOTE

1 Child Support Assessments/Departures.

## The complexity of the benefit system leads to a high administrative burden

**3.18** The direct cost of administering different benefits varies considerably (Figure 16, which makes use of the best information currently available). Our recent report on the Social Fund highlighted the varied costs of administering the different awards, with grants being more expensive to process than loans. Cost is increased by the number of steps in the administrative process and the range of evidence to gather and consider which generally increase the time involved. Box 16 summarises the cost elements associated with administering a complex system.

**3.19** However, the full cost of complexity is impossible to measure. In some cases costs are hidden. For example, staff training costs may be increased by the need to ensure that staff can deal with particularly difficult elements. Other costs are exported – for example, the costs incurred by voluntary bodies providing advice to customers are hidden to the Department. A number of voluntary bodies have expressed concern at the amount of work they carry out to assist customers complete application forms or understand their rights.

### Departmental staff can struggle to keep up with new information

**3.20** Traditionally, the administration of the benefit system has been heavily reliant on staff to process benefits. This in turn has meant that the Department has needed to ensure that its widely dispersed staff are conversant with detailed guidance.

**3.21** The complexity of the system places considerable demands on the knowledge of staff and their ability to keep up to date with changes in regulations and with case law relevant to their work. The enormous range of rules and conditions associated with each benefit means that it is unrealistic to expect someone to have a detailed knowledge of a range of benefits (even though this may help in identifying where people are not taking up all benefits for which they are eligible). This makes it more difficult to ensure customers are aware of all their entitlements.

**3.22** New guidance is issued through bulletins, which appear frequently. These bulletins are produced for individual benefits, whilst some have relevance across different benefits. The changes announced can cover administrative procedures, but also provide material such as standard draft letters.

**3.23** Recruitment and retention of personnel is important as knowledge and experience is crucial to the handling of benefit claims at the front line. Staff turnover is a major obstacle to developing such experience. Offices with high turnover not only lose valuable experience, but face the challenge of recruiting and training new staff. Interviews with staff highlighted other impacts. Amongst those dealing with Disability Living Allowance, the large numbers of overturned appeals – generated in part by the complex nature of the judgements required – can be demoralising, not least because of limited feedback about the reasons for the reversals which they have tended to receive.

## 16 The average unit costs of processing new claims for key benefits 2003-04

Benefit	Average unit costs (£)
Income Support Claims	60.54
Jobseeker's Allowance Claims	21.81
Social Fund Crisis Loans	15.58
Social Fund Loans excl. Crisis Loans	15.30
Social Fund Grants	24.01
Incapacity Benefit Claims	46.51

Source: Department for Work and Pensions

### NOTE

The data collected by the Department's new unit costing system has limitations, for example, the calculations are based on initial application volumes only and do not reflect the varying levels of internal reviews for each type of award.

## BOX 16

### Costs of complexity include:

- Staff training in the detail of benefit rules
- Staff provision of information and advice to clients on benefit issues
- Staff determination of benefit issues
- Staff error in benefit outlays
- Supervision and checking to reduce or minimise error rates
- Rework, review and appeals due to error
- Costs flowing from inconsistent administration
- Staff retraining to implement legislative or policy change
- Inflexible work structures, due to reliance on specialised staff knowledge
- Inflexible delivery structures, due to reliance on staff knowledge
- Constrained service delivery due to the need for detailed staff knowledge
- Costs and risks associated with staff turnover

## Complexity makes heavy demands on Departmental information technology systems

**3.24** In principle, IT offers the prospect of managing complexity and shielding both staff and customers from it. In particular, it provides the possibility of customised contact with customers, for example, with shorter, tailored claim forms. It offers the opportunity of efficiency and quality of service gains from better sharing of information within the Department, and, where appropriate, between the Department and other organisations, reducing the burden on customers.

**3.25** The Department has 35 major IT systems and is currently undergoing one of the largest modernisation programmes in Europe. The Department's IT developments were considered in detail by the Work and Pensions Select Committee in 2004. The Committee concluded that there was need for continuing assessment of concept viability for all major Departmental IT projects, consultation of key stakeholders on the impact on business processes, contingency plans for system failure, and full post mortems of previously failed projects.<sup>31</sup> The Department's problems are not unique, but the scale and age of its systems – many of which date from the 1980s – provide significant challenges.

**3.26** When new IT systems are developed, the complexity of underlying processes is a significant obstacle to their successful design and delivery. The weaknesses in the current IT arrangements, coupled with the complex system and the need to take account of interactions between benefits, make for problems. For example, the administration of benefits is made harder in some cases by a lack of link-up between different systems, and the resulting inability of members of staff to access all relevant files when dealing with customer queries.<sup>32</sup> Therefore, rather than assisting staff in coping with the demands of a complex system, at present, aspects of the information technology infrastructure act as a factor undermining staff efficiency, as staff may have to work around technology problems. This is the case, for example, with the newly introduced Child Support arrangements, and the current Social Fund computer system.<sup>33</sup>

31 House of Commons Select Committee on Work and Pensions, Third Report, 2004.

32 House of Commons Work and Pensions Committee (2004), Department for Work and Pensions Management of Information Technology Projects: Making IT Deliver for DWP Customers, Third Report of Session 2003-04, HC 311, 7 July 2004.

33 Child Support Agency report on accounts (2004), C&AG's Report: Helping those in financial hardship: the running of the Social Fund.

**3.27** Although Government's ability to simplify policy is limited by the desire to meet a range of circumstances, Departmental IT contractors have highlighted a range of issues around complexity which they consider affect implementation. In particular, they considered:

- the detail of policy was usually developed before a request for proposals for an IT solution was issued, with limited consultation with those who will provide it;
- last minute policy changes were often made that could seriously affect the technical decision making process; and
- there was insufficient consideration of the customer experience in developing IT solutions, so that the effect could be unnecessary complexity for the customer.

**3.28** Suppliers also highlighted that even where there are major rules simplifications – for example, in the case of Child Support – the IT solution has remained complex because of the number of exceptions which needed to be accommodated and required different processes. For example, the need to handle Child Support cases under both the old and new rules on the new system has added technical complexity. The Department advised the Work and Pensions Select Committee in 2004<sup>34</sup> that wherever possible it tried to balance policy aims with the desire to ease the process of technical and operational implementation. For example, IT capability was taken into account when Pension Credit was developed. In addition, the Department has endeavoured to address the problems by better co-ordination between individual systems through the Department's modernisation programme, as well as increased investment in its IT skills base. It told us that its Programme and Systems Delivery team now worked with policy makers at early stages of developments.

**3.29** Government and suppliers both conclude that the impact of complexity is to increase the risks associated with IT implementation. In particular, more complex requirements take longer to develop, have an increased likelihood of problems and failure, and ultimately cost more. IT developments need to be integrated with the overall business context to succeed.

**3.30** To reduce the risks, EDS – one of the Department's main suppliers – told us that it welcomed the opportunity to participate in discussions about policy simplification and which solutions were possible and affordable. It argued strongly that a range of stakeholders should be involved at an early stage in discussing the feasibility of proposals, including timescales, risks and costs when they could influence developments. This would increase the chance of successful implementation.

**3.31** The development of new technology holds out the prospect of assisting staff to make common connections and gives access to essential information. The Department is developing the infrastructure to enable existing systems to be replaced with new, more accessible technology. The systems will use a variety of channels to more efficiently handle routine cases and simplifying and automating processes and removing the need for unnecessary human intervention. Dependence on detailed staff knowledge should also be reduced as systems will incorporate benefit rules and associated knowledge, allowing eligibility and award recommendations to be made for more complex cases. In advance of full replacement, initial steps are being taken to reduce clerical involvement and reduce the need for expert knowledge to process claims. The use of rule-based technology to improve the consistency and quality of decision making is being used, for example, for Disability Living Allowance.

## Complexity affects the service provided to customers in a number of ways

**3.32** For those customers who claim benefits, the experience of doing so is affected in a variety of ways by the consequences of the complex system. **Figure 17** illustrates a range of effects on different client groups. Many customers receive more than one benefit, and so may need to deal with different rules and requirements. For example, of those on Income Support, more than 75 per cent are in receipt of at least one other benefit – 25 per cent at least two. Of necessity, the processes and language employed in administering benefits – with reference to legal requirements and sanctions for failure to act – may be unfamiliar to many or a challenge to those with limited basic skills.

<sup>34</sup> Memorandum submitted by Department for Work and Pensions to Work and Pensions select committee at [www.publications.parliament.uk/pa/cm200304/cmselect/cmworpen/311](http://www.publications.parliament.uk/pa/cm200304/cmselect/cmworpen/311)

## 17 Factors affecting different client groups

Sub-group	Particular issues
Unemployed	<ul style="list-style-type: none"> <li>■ Requirements associated with the return to work, including detailed administrative procedures for reclaiming benefits, can affect which jobs people apply for and accept.<sup>36</sup></li> <li>■ Low levels of awareness of potential for transitional support, coupled with some limited staff understanding of complex criteria.<sup>37</sup></li> <li>■ Complex arrangements can act as a deterrent to undertake community based learning activities.<sup>38</sup></li> </ul>
People on low incomes	<ul style="list-style-type: none"> <li>■ Structure and administration of Housing Benefit is a major cause of rent arrears through delays in payment.<sup>39</sup></li> <li>■ Lack of understanding of the different awards available under the Social Fund, leading to claims which are likely to be unsuccessful.<sup>40</sup></li> </ul>
Pensioners	<ul style="list-style-type: none"> <li>■ Not knowing how to apply or perceiving the system as too complex was a major reason given by low income pensioners for not claiming.<sup>41</sup></li> <li>■ Uncertainty over whether eligible because of complex rules also discourages take-up of entitlements.<sup>42</sup></li> </ul>
Sick and disabled	<ul style="list-style-type: none"> <li>■ Under claiming due to complexity and demands of administrative systems such as difficulties with filling in forms.<sup>43</sup></li> <li>■ Poor quality explanations in decision letters, for example, on Disability Living Allowance.<sup>44</sup></li> <li>■ Many people with mental health problems may have difficulty in filling in and interpreting benefit claim forms which ask a wide variety of questions – some of which are inevitably personal in nature.<sup>45</sup></li> </ul>
Ethnic minorities	<ul style="list-style-type: none"> <li>■ The complexity of the system also makes it more challenging for the representative organisations, who often have limited number of people or lack expertise in benefits, to provide help and advice.<sup>46</sup> Particular issues for those who go abroad for weeks or months, which can complicate benefit claims.</li> </ul>

**3.33** Unsurprisingly, research suggests the system is not well understood by many customers and potential customers. The contacts by departmental customers with organisations such as Citizen's Advice – more than 1.3 million cases a year relating to benefits (the largest single area of business) – show the scale of the need for assistance. Departmental research has shown the level of knowledge and understanding about the detailed operation of the social security system is low, and that there is a strong desire for greater simplicity and transparency. Research specifically amongst ethnic minority older people<sup>35</sup> also indicates a desire for a system which did not change so often and where they did not need to know about different benefits as it was hard to keep up with names – for example, the changes in recent years from Income Support, to Minimum Income Guarantee to Pension Credit.

Complexity makes it harder for the Department to communicate adequately with customers and their advisers, both orally and in writing

**3.34** Most people receive complete and accurate information from the Department but the complexity of the system and the resulting difficulty of keeping up with new information, presents a challenge for staff dealing with customers (**Box 17 overleaf**). Our focus groups with both staff and representatives of voluntary bodies highlighted concerns about the ability of often junior staff to convey to customers accurate information. This supports departmental research which indicated a lack of confidence among some Jobcentre Plus personal advisers in discussing tax credits with customers.<sup>47</sup>

35 Disability alliance (2003) *Out of sight: race equality in the benefits system*.

36 DWP research report 175 *Easing the transition to work: a qualitative evaluation of transitional support for clients returning to employment*.

37 DWP research report 175 *Easing the transition to work: a qualitative evaluation of transitional support for clients returning to employment*.

38 National Advisory Group for Continuing Education and Lifelong Learning 2nd Report.

39 Audit Commission (2002) *Housing Benefit: the national perspective*.

40 NAO (2005) *Helping those in financial hardship: the running of the Social Fund* (HC 179, 2004-05).

41 NAO report *Tackling pensioner poverty: encouraging the take-up of entitlements* (HC37 2002-03).

42 Age Concern's Response to the Work and Pensions Committee's Inquiry into the Introduction of Pension Credit.

43 International Journal of Social Psychiatry (2003) 'A welfare benefits outreach project to users of community mental health services'.

44 NAO report *Getting it right, putting it right: improving decision-making and appeals in social security benefits* (HC1142 2002-03).

45 International Journal of Social Psychiatry (2003) *A welfare benefits outreach project to users of community mental health services*.

46 Disability alliance (2003) *Out of sight: race equality in the benefits system*.

47 Department for Work and Pensions research report 220 (2004) *Jobcentre Plus' delivery of New Tax Credit policy*.

**BOX 17****Customer experience of limited staff expertise**

A JSA customer was due to go into the office for a rapid reclaim interview. She was unable to attend because she had temporary work, and called the office to let them know she would not be attending. However *“...the person on the phone didn't know what she was talking about ... and I thought they don't know what a rapid reclaim is .... I was put through to another contact who had more of an idea, and she was really good and knew her job very well. Staff are knowledgeable about their own job, but have no idea about anybody else's. If it's not what they usually do, you usually get stuck”*.

Source: Jobcentre Plus, Customer satisfaction study

**3.35** Departmental research<sup>48</sup> also suggests the complex system can act as a deterrent to staff volunteering information, with advisers feeling the need to be vague about possible benefits when talking with clients. This might occur due to:

- **fear of misdirection** – previous experience of ongoing changes in regulations and criteria governing benefits meant that some staff were intentionally wary of providing information, and guidance in case advice became out-of-date (this was particularly relevant to transitional benefits).
- **fear of confusing clients** – the complexity and unpredictability of delivery of benefits lead some staff to hold back on giving a full explanation to clients, fearful that they might lose interest. Such information would be given only when the client had actually secured a job;
- **lack of time** – advisers did not always have time to check all the benefits (because of their complexity) for which a client might be eligible and so were forced to be vague about possible benefits. Our focus groups with departmental staff confirmed this was an issue for financial assessors.

This can be compounded where staff do not always have access to all relevant data and previous correspondence relevant to an individual claim.

**3.36** Correspondence with customers has been a concern for the Department for some time, with the need to convey often complex messages about benefits requiring technical language. Many letters are standard and generated by computer. They are often seen as confusing, not necessarily relevant to an individual's circumstances, and in some cases written in an unwelcoming tone.

Although the Department has given attention to improving the quality of many standard letters, there is inevitably the need for decisions to quote the relevant regulations, and customers are, therefore, still confronted with specialist legal language. Poor written communication means some customers may not understand the reasons for decisions (**Box 18**).

**3.37** In extreme circumstances, customers can suffer maladministration arising in part from the complex system. The Parliamentary Commissioner for Administration (the Ombudsman) deals with a small but significant number of cases where citizens claim they have been provided with inadequate information or service by the Department for Work and Pensions (some 41 per cent of the complaints received by the Ombudsman). In 2003-04, the Ombudsman received 812 complaints (a tiny proportion of all customer interactions) about the Department and its agencies, many of which related to errors and misunderstandings, as well as oral and written misdirection (**Box 19**). The Ombudsman has emphasised that citizens should be able to rely on the accuracy and relevance of the official information that is given to them and to plan their affairs accordingly.

**3.38** The Department has recognised the provision of accurate and complete information on complex benefit issues as a major risk area and monitors it routinely. The Comptroller and Auditor General reported in 2000 and 2003 on the Inherited State Earnings Related Pension Scheme (SERPS) problem, which highlighted the risks of staff providing inaccurate and complete information. The Department has since put in place arrangements to try to provide assurance on the accuracy of information provided in literature, as well as mystery shopping visits to check on the quality of advice given to customers. However, in 2004 the Social Security Advisory Committee expressed some concerns about the effectiveness of assurance processes for literature and the Department's internal auditors have identified continuing evidence of some staff not providing accurate and complete information to customers. We will report separately on communicating clearly with the public.

48 Department for Work and Pensions research report 175 (2002) Easing the transition to work: a qualitative evaluation of transitional support for clients returning to employment.



**BOX 18****Extracts from letters from Jobcentre Plus received by a 59 year old male with partner, both disabled and in receipt of various benefits**

*"I am writing to tell you that your Income Support will change. This is because there will be a change to the Incapacity benefit your partner has coming in."*

A week and a half later his partner (who received Incapacity Benefit) received a further letter from Jobcentre Plus, which included the following explanation:

*"I am writing to tell you that your recent change in circumstances does not affect the amount of Income Support we pay you".*

Between them the two letters contained seven different statements of the total amount of benefits that the customers could expect to receive. The client and his partner could not understand either letter, even with the accompanying explanatory pages. They were extremely concerned that on reaching 60 they faced a substantial fall in income. Staff at their local Citizens Advice Bureau were also confused by these letters and spent considerable time trying to gain an adequate explanation from staff at the Department. This involved several calls to different sections and ended with a formal complaint being made. Essentially, what the office wanted to communicate was simple enough: that on turning 60, the client would no longer receive Income Support but would instead receive Pension Credit and that the couple's net income would not go down, but may go up slightly as a result.

*Source: Citizens Advice Bureaux files*

**BOX 19****Example of a successful complaint to the Ombudsman**

Mrs C's entitlement to statutory sick pay ended in August 1998. Jobcentre Plus advised her that a pension which she was due to receive from an income replacement plan would mean that she would not be eligible to receive incapacity benefit. That was incorrect. Mrs C made a claim for incapacity benefit two years later, but the claim failed because she no longer had the necessary national insurance contribution record to qualify.

Following intervention by the Parliamentary Ombudsman, Jobcentre Plus accepted that had Mrs C received the correct advice she would have been entitled to incapacity benefit continuously from August 1998. They therefore paid Mrs C £22,130 with £2,290 interest; agreed to continue making payments in line with the incapacity benefit which she would have received for as long as she remains eligible; and made a consolatory payment to Mrs C of £200 for the inconvenience caused.

*Source: Parliamentary Ombudsman, Annual Report 2003-04*

**Processing times increase with complexity**

**3.39** For many customers, a major concern is the speed at which they receive the service they require. In many cases they have immediate need for certain benefits. The Department has acknowledged, for example, that processing delays for Housing Benefit by local authorities can leave customers facing serious difficulties, such as eviction.<sup>49</sup> The ability of staff to turn around applications in a timely manner can be affected by difficulties in interpreting and applying complex and changing regulations, detailed requirements for checking of financial and other evidence, and the need to seek expert advice.

**3.40** Delays as a consequence of complexity are, for example, prominent in the administration of Housing Benefit, although they are also caused by customers' failure to provide the information and evidence needed to the local authority. Here, complexity arises from highly specific, and frequently changing, regulations. It also stems from the process of claims assessment, which requires claims from private sector tenants to be referred to a rent officer, who determines the appropriate amount of rent to be supported through the benefit. In 2000-2001, some local authorities took more than 100 days on average to turn around new applications.<sup>50</sup> In 2004-2005, the national standard of processing new claims was set at 36 days from receipt of the initial claim. However, this was only met by half of the local authorities.<sup>51</sup>

49 DWP (2002), *Building Choice and Responsibility: A radical agenda for Housing Benefit*, Department for Work and Pensions, p. 3.

50 Audit Commission, *Housing Benefit: The National Perspective*, June 2002; NAO, *Tackling Benefit Fraud*, 3.13.

51 DWP (2004), *Housing Benefit Quarterly Performance Statistics*, data for second quarter 2004/05. The national standard represents the performance achieved by the top 25 per cent in 2000-01.

## PART FOUR

### Tackling complexity



**4.1** The previous parts examined the causes and consequences of complexity. In this Part, we examine what action the Department has taken to address the complexity.

## Simplification is not always either possible or desirable

**4.2** Figure 6 summarised Government statements on the desirability of simplification where possible. In its Five Year Strategy, published in early 2005, the Department repeated this stating that ‘Tackling complexity would make the benefits system easier for our customers to understand and access. We are actively considering the possibilities for future benefit simplification – which could substantially cut the large sums both overpaid and underpaid because of mistakes and misunderstandings.’ In addition, in 2005, the Department’s Better Regulation minister is chairing a group whose aim is to reduce excessive regulation for stakeholders, primarily by cutting back regulation that is considered redundant or excessive. Such ambitions are part of the Department’s wider programme for improved services for its customers.

**4.3** However, simplification of the benefit system is not an easy option (**Box 20**). Part 2 showed a substantial amount of the complexity of the benefits system is partly due to the incremental development of policy, and the desire to direct resources towards certain priorities, as well as being introduced to help constrain expenditure and prevent fraud. In addition, radical reform is a rare, costly, time-consuming, and potentially controversial act. Even when such reform is agreed, the process from consultation

through to changes in primary legislation may take several years. Thus, simplification requires consideration of trade offs, including between:

- anticipated increased administrative efficiency (which may not be delivered) and savings and increased programme expenditure (which is more predictable);
- a simple, non-intrusive application process and the need to avoid increased susceptibility to fraud;
- the needs and rights of benefit customers and the wider responsibilities to other taxpayers and considerations about the impact on the economy; and
- tailoring the system to meet a wide range of circumstances and the desirability of a relatively simple set of rules.

### BOX 20

**Simplification may not be possible or desirable for a range of reasons. They include:**

- Politically undesirable to create too many losers from a specific change
- Changes may be costly and may not fit with public expenditure plans and timescales
- Simplification may undermine policy objectives
- There may be competing demands for parliamentary time and other legislation has priority
- A more broad-brush system would be less targeted to individual customer circumstances

## Simplification will not necessarily save money and may be costly

**4.4** Simplification of the benefits system is likely to help reduce a number of the negative consequences identified in Part 3. However, any Departmental consideration of action needs to take account of the significant costs associated with changes to the system. For example, change requires preparation of new regulations, revised training for staff, and a possible fall in performance (e.g. error rates, reduction in clearance times) as staff become familiar with the new system. These costs may be relatively minor, although they may be harder to accommodate at a time of reducing staff numbers.

**4.5** Considerably more significant, however, are programme costs arising from changes. Past simplifying measures have sometimes been intended to reduce programme costs, but as explained in Part 2 one of the drivers of complexity is the need to tailor and fine tune regulations to ensure they achieve their objectives at the lowest possible cost. Thus, while complexity is viewed as increasing the costs of the system, major reduction of complexity is likely to lead to increased spending. This is illustrated in the hypothetical case examples. Consideration of the costs and benefits of particular changes requires economic modelling by departmental analysts to identify likely outcomes or options for reform. Included in this analysis is often an examination of the changes in processes, impact on staff and overall operational delivery that may arise, including costs.

### CASE EXAMPLE 1

#### Hospital down-rating

From April 2006, hospital patients claiming most social security benefits will no longer have these payments reduced after 52 weeks. This also means that pensions and benefit will not need to be re-assessed upon discharge from hospital after 52 weeks; couples receiving income-related benefits will continue to be treated as single units if one is hospitalised; child personal allowances will not be withdrawn and the rules for detained patients will be aligned across all benefits. Rules linking the hospital rules with Housing Benefit and Council Tax Benefit will also be abolished. The Department estimates this will cost £63 million in benefit expenditure in 2006-07, and produce administrative savings estimated in the order of thousands.

### CASE EXAMPLE 2

#### Living together as husband and wife

A problematic area of Income Support is the failure to disclose 'living together as husband and wife', which was estimated to cost some £190 million in 2001-02. Under this rule two people in a relationship but living separately receive more benefit than if they lived together as if they were married. This created a strong financial incentive to conceal the true living arrangements. One way to simplify the rule would be to increase the allowance for couples to twice the allowance for single people. The Department advised the Public Accounts Committee this would cost £2.2 billion in Income Support and Jobseeker's Allowance in 2003-04 in order to save £190 million, and might also have a detrimental effect on work incentives.

### CASE EXAMPLE 3

#### Moving working age households in receipt of both contributory and means tested benefits off means tested benefits by increasing their weekly contributory benefit awards by an amount similar to their current weekly amount of means testing benefit award

Means-tested benefits are expensive to administer. This potential change would transfer households claiming Jobseeker's Allowance (contributory) and Incapacity Benefit (short-term) in receipt of additional means tested benefits to full contributory benefits only by increasing their Jobseeker's Allowance (contributory) or Incapacity Benefit award by an amount equivalent to what they currently receive from means tested benefits. In many cases, however, a means test would still be required for assessing additions for dependants or Housing Benefit and Council Tax Benefit claims. Benefit expenditure would rise by up to an estimated £117 million. The Department was unable to estimate administrative savings because the costs of administering the contributory and means-tested elements of these benefits cannot be identified separately, but it would be small compared with programme expenditure.

## The Department has made efforts to tackle complexity

**4.6** The cost implications of simplification highlight the need to tackle complexity in a variety of ways (**Box 21**). This includes initiatives to reduce or manage complexity, varying from major design reforms of the benefits system to making piecemeal changes to specific regulations to take away problematic aspects of regulations. In addition, the Department has sought ways of managing complexity that it cannot simplify through improved delivery and co-ordination with others. However, it recognises that in the past, it has not focused sufficiently on how to help staff handle complexity.<sup>52</sup>

### Design reforms

**4.7** In recent years, a small number of major structural reforms have been introduced or trialled, including changes to Housing Benefit, Child Support and Pension Credit (**Figure 18 overleaf**). In each case, significant performance problems had been identified which made proposed simplification worth investing in. In the case of **Pension Credit**, the Department was concerned about low take up of benefits amongst many pensioners which was undermining its anti-poverty objectives (paragraphs 3.10-3.13).

#### BOX 21

##### Means of tackling complexity

**Design reforms** – major changes to the benefit system

**Patchwork reforms** – smaller, specific changes to regulations

**Reforms of horizontal interfaces** – measures to improve consistency and co-operation between organisations administering benefits

**Reforms of vertical interfaces** – measures to reduce the complexity of the chain of management through the Department to its agencies and delivery bodies

**Delivery reforms** – simplifications and improvements in the way in which benefits are delivered to the customer

**Policing measures** – measures to review and scrutinise regulations in advance of implementation or to consider more strategic developments of the system

**4.8** The administration of **Housing Benefit** has also been problematic, with many local authorities taking too long to make payments. The testing of Local Housing Allowances – initially in nine Pathfinder areas starting in 2003 and 2004 – was designed to meet a number of objectives including fairness, choice, transparency and greater work incentives. In addition, a fundamental aim was greater simplicity by no longer needing complex rent restrictions and individual referral of rents to rent officers, which had led to delays in processing claims by private tenants. Instead, the approach pays standard housing costs based on locality and household size. The Government has announced that it will extend Local Housing Allowance to all tenants in the private rental sector by March 2008, following the outcome of the current trials.

**4.9** With **Child Support**, the complexity of the arrangements was widely seen as one of the main factors causing long running performance problems. The Work and Pensions Select Committee reported that under the old scheme, staff spent an average of 90 per cent of their time making assessments and keeping them up to date. Under the old regime, more than 100 pieces of information were required to enable assessments to be made. In March 2003, a new scheme for Child Support was introduced, starting with new clients and will gradually be phased in for all, although there is not yet a date for migration of existing cases. The new formula reduces the number of relevant variables to consider to four, adjusted by a shorter list of fixed numbers defined by legislation. However, some complexity remains, for instance tax credits, pension contributions and benefit payments need to be considered in determining relevant income.

**4.10** The impact of these simplification reforms has yet to be fully seen. Local Housing Allowances are still being trialled in Pathfinder areas, reflecting the importance of careful consideration of fundamental reforms and they have not yet been fully evaluated. There was considerable support for the simplified aspects of Pension Credit, although other aspects remain complex, such as calculation of the Savings Credit. The example of Child Support shows that policy simplification in itself cannot generate improved performance immediately. This attempt at simplification has been criticised because of the continuing complexity of the new statement and the need to administer two different systems. In addition, some new cases have been handled clerically, whilst some old cases are being dealt with on the new computer system.

52 Evidence to Public Accounts Committee, *Getting it right, putting it right: Improving decision-making and appeals in social security benefits*, 12th Report 2003-04, HC 1142.

## 18 Key reforms driven by the desire for simplification of complex systems

### Housing Benefit

#### Problems experienced

- Housing Benefit is calculated by reference to actual rents, which creates a large administrative burden and leads to complexity for the local housing authorities.
- Rates complex in order to constrain expenditure and limit fraud.
- Need to determine household composition, means testing, eligibility and changes of circumstances.
- Interaction between Housing Benefit and other benefits add to complexity.

#### Action taken and impact

The 2002 reform of Housing Benefit envisaged a three stage reform. These were: improvement to administration; creation of a more market-like structure in the social rented sector, and the restructuring of benefit support for low-income customers to create a simpler, fairer system.

From 2003, Local Housing Allowances have been tested to significantly reduce complexity by:

- removing the individual Rent Officer referral and replacing it with benefit amounts based upon average rents;
- paying benefit to tenants rather than to landlords directly, and allowing any differences between the average amount and the rent to be retained by the recipients.

This is designed to reduce the complexity of administering the Housing Benefit, including reducing processing times, error rates and stress on customers.

### Pension Credit

- The previous income-related pensioner benefit, the Minimum Income Guarantee, was a higher rate of Income Support for which only pensioners were eligible, using a new name and adding a layer of complexity to Income Support
- Under the Minimum Income Guarantee, a pound of additional income meant a pound withdrawal of benefit
- Lack of clarity amongst pensioners about definitions of savings, and what information therefore needed to be disclosed when applying for benefit
- Under Income Support rules, the amount payable could vary from week to week depending on changes of circumstances
- The postal application process required pensioners to send savings books to the Department by post, which many were reluctant to do

- Sought to simplify where possible in designing Pension Credit. For example, there is now a list of the types of income to be considered and items such as charitable payments and mortgage protection insurance are taken out of the equation altogether. By concentrating on the main sources of income and listing the types to be taken into account the benefit is more transparent.
- Pensioner premiums in Income Support subsumed in the standard amount for single people and couples within Pension Credit.
- Introduced the assessed income period (AIP) for those aged 65 and over or couples where one partner is aged 65 and over. Most of those with an AIP will have their main sources of retirement provision fixed for up to five years. No need to report changes to capital, pensions and income from annuities over the period of the AIP. Predictable changes such as annual increases and pensions will be taken into account automatically.
- No income assumed from savings of £6,000 or less so the majority of pensioners (around 85% of those entitled to Pension Credit) do not have to provide proof of the level of their capital. For those with savings over £6,000 a level of £1 of income is assumed for every £500 (or part of £500) above that level.

### Child Support Reforms

Calculating child support payments took over 100 separate factors into account, required a four-stage process, and reduced parents' confidence in the system and their likely willingness to cooperate with it.

- New simpler formula is currently being phased in.
- This simplifies the way child support payments are calculated, reducing the number of relevant variables to four (absent parent's net income, number of qualifying children, number of children in absent parent's household and number of nights per week when the absent parent cares for the qualifying children).
- Telephone completion of claim is possible, with no signature required.

## Patchwork reforms

**4.11** Major design reforms are not usually necessary, desirable or possible. While patchwork changes have added to complexity, the Department has also taken regular opportunities to achieve piecemeal improvements of the benefit administration (**Figure 19**).

**4.12** In **Housing Benefit**, for example, simplification is seen as a key part of on-going reform and measures have been included in successive Budget and Pre-Budget reports. There has been a conscious desire to ‘chip away’ at the income test by making it less complex and intrusive. Removal of the requirement for recipients to renew their claim every 6-12 months has removed a time consuming element of work which was regarded by customers as unwelcome as they had to go through the whole process of claiming again. Elsewhere, routine changes to **Income Support** legislation are made twice yearly, and in the

2005 Budget the Government announced that upper capital thresholds for Income Support and Jobseeker’s Allowance would be raised from £8,000 to £16,000 to create alignment between Housing Benefit and Council Tax Benefit with the intention of encouraging households to save.

**4.13** The administration of disability benefits has been made more complex by the addition of case law to regulations. Patchwork reforms to **Disability Living Allowance** have responded to this. The ‘Dualeh regulations’ are one such example. Following a decision by the Commissioners, which the Government considered had led to an unintended widening of the gateway for Disability Living Allowance (Lower Rate Mobility Component) and had significant cost implications, regulations were passed which for the first time differentiated in the approach to assessment between those with severe mental disability and those with severe physical disabilities.

### 19 Examples of introduced and proposed simplifying patchwork changes

Issue	Response
Disability Living Allowance	<ul style="list-style-type: none"> <li>■ Regulations have been introduced that remove areas of uncertainty arising from judicial decisions with the effect that decision makers can take more straightforward decisions. For example:               <ul style="list-style-type: none"> <li>■ <b>Foley regulation:</b> In 2000, the DLA and AA regulations were amended so that attention can only count if it “is required to be given in the physical presence of the disabled person” (SI 2000 No 2313).</li> <li>■ <b>Dualeh regulation:</b> In 2002, an amendment to the Social Security (Disability Living Allowance) Regulations 1991 introduced clarification that claims for DLA and AA made on the grounds of fear and anxiety would only succeed if that fear or anxiety was a symptom of a mental disability and so severe that it would stop the person walking unfamiliar routes out of doors without guidance or supervision.</li> <li>■ <b>Change of age rules for entitlement to DLA higher mobility component:</b> On 9 April 2001 the law changed to allow children aged 3 and 4 to qualify for the higher rate of the mobility component of DLA. Until then, children had to be 5 years old before they could qualify for this component.</li> </ul> </li> </ul>
Social Fund	<ul style="list-style-type: none"> <li>■ Major simplification of <b>Budgeting Loan</b> scheme in 1999, reducing the extent of discretion from the decision-making process. This enabled less intrusive evidence gathering with attention focused on applicant’s ability to repay, and made the process far quicker and cheaper to handle.</li> <li>■ Removal of the ‘<b>double debt rule</b>’, whereby the customer’s personal credit limit is reduced by twice the amount of any debt already outstanding, which was difficult to explain to customers.</li> </ul>
Housing Benefit	<ul style="list-style-type: none"> <li>■ From April 2005 changes will take place in the way in which income from tax credits is taken into account in Housing Benefit and Council Tax Benefit claims to speed up administration.</li> <li>■ The definition of eligible childcare costs for Council Tax Benefit and Housing Benefit will be altered to ensure that families on Working Tax Credit receive the full benefit of the childcare element.</li> <li>■ From October 2005 all charitable, voluntary and personal injury payments will be ignored when Housing Benefit and Council Tax Benefit is calculated to allow charities to donate support to individuals without affecting benefit.</li> <li>■ Removing the provision for ‘benefit periods’ – the requirement for each recipient to renew their claim periodically (usually 6-12 months).</li> </ul>

**4.14** Amendments in other benefits have come in response to perceived injustices or to remove overlaps and complex linkages. For example, in 2003 changes were made to the arrangements for payment of benefit to hospital inpatients after a certain period of stay. This was seen as leading to financial insecurity and distress, especially amongst pensioners who had their State Retirement Pension reduced after 6 weeks. Arrangements were complex and the delays in notifying the time spent in hospital meant that benefit and pension entitlements were often adjusted in the period after the patient returned home. In 2003, the Government announced that all pensioners in hospital would receive their full state pension for stays of up to 52 weeks.<sup>53</sup> As part of efforts to assist people during the transition from benefits to work, the Lone Parent Run-on and Back to Work Bonus were abolished in 2004 and financial support replaced by a single Job Grant for all families worth £250 and £100 for single people and couples without children.

### Reforms of horizontal interfaces to improve co-ordination

**4.15 Co-ordination with others:** There have also been reforms in the interaction between different organisations involved in benefit administration and in some cases between the benefits themselves. An example of working across organisations is The Pension Service's current work to develop **Joint Teams**, in which Pension Service staff will work with staff from local authorities and voluntary bodies such as Age Concern to gather data from individual pensioners to identify potential entitlement for Pension Credit, Attendance Allowance and Housing Benefit/ Council Tax Benefit, as well as undertake a care finance assessment. The intention is to boost take up of benefits and reduce the number of visits needed per person, cutting out duplication in information gathering. The Department has gained agreement in principle from many local authorities and aims for full roll out across the country in 2006, although there are concerns amongst many voluntary organisations about the initiative. Members of Joint Teams are authorised to carry out administrative functions such as information gathering and verification on behalf of each of the partners. In addition, pension age customers in some areas will be able to make benefit claims through Alternative Offices, which are either the local office of a voluntary organisation or a local authority administering Housing Benefit and Council Tax Benefit.

**4.16 Greater standardisation across agencies:** Jobcentre Plus aims to achieve productivity improvements by centralising benefit processing, using contact centres for more customer contact and standardisation. These provide the opportunity for greater consistency in processes and the way customers are treated, as well as the chance to release resources for face-to-face interaction with customers who need it. To achieve this depends on streamlined processes and IT improvements. Jobcentre Plus is therefore developing:

- **centralisation of benefit processing:** work previously done in a large number of social security offices and jobcentres is now being centralised in 77 Jobcentre Plus benefit processing centres, to provide greater consistency in handling and allow staff to develop greater expertise;
- **a standard operating model** for the processing of claims for Jobseeker's Allowance, Income Support and Incapacity Benefit, and for the Social Fund, with the intention of developing a common national service based on best practice. For the Social Fund, as we noted in our report (HC 179 2004-05), awards have been administered in 90 districts and a range of practices have developed. In December 2004, a model to standardise administrative processes, workload planning and the gathering of information was introduced in two districts in Wales. Components for employer services and for tackling fraud and error are also being developed.
- a new **Customer Management System** is being introduced into Jobcentre Plus offices, with roll out due to be completed by March 2006. This will provide an integrated, interactive electronic information gathering process for working age customers who claim Income Support, Jobseeker's Allowance and Incapacity Benefit. Moreover, it is to be linked to associated forms of support such as the Housing Benefit, Council Tax Benefit, Child Support and Social Fund Crisis Loan. The aim is to build on and refine previous customer service initiatives and improve the reliability of data available, reduce the paperwork burden on Department staff and customers, and simplify the entire process.

53 Budget 2003, <http://budget2003.treasury.gov.uk/>



**4.17** The Customer Management System will be integrated with the Jobcentre Plus Office Implementation. To date, rollout has been slower than anticipated and there have been some initial problems. For example, some claims are not being completed with sufficient information so that customers must be contacted for further information. The system is not always available and because of legal requirements, information provided on the telephone has to be supplemented by a printed statement and a signature.

**4.18 Improved data gathering across benefits:** In addition, the Department proposes to implement the systematic gathering of longitudinal customer data. To produce a comprehensive database, the Department's plans to work with HM Revenue and Customs, as well as other government departments. It is hoped that this information will help to centralise information provision for different benefits, reduce fraud, target services and encourage take-up. In the shorter term, by 2006, the new Customer Information System is designed to help to optimise the use of departmental information to reduce fraud and overpayments, and streamline business processes.<sup>54</sup> It will operate 24 hours a day and is expected to be one of the biggest databases in Europe.

## Reforms of vertical interfaces

**4.19** The Department has acted in a number of instances to better manage the complexities in the vertical chain of management. **Housing Benefit** has been particularly active in this regard, both with reference to private and council housing. For example:

- From 2002, staff employed by private sector contractors have been able to make determinations on claims (now referred to as "decisions"). Local authorities accept The Pension Service's information when processing an individual's Housing Benefit claim where the customer is in receipt of Pension Credit.
- The introduction and roll-out of Remote Access Terminals has provided local authorities with improved access to benefit information held by the Department. Through these terminals, local authorities administering Housing Benefit and Council Tax Benefit staff can link into the departmental mainframe systems and obtain specified, relevant benefit data. The purpose of the

design is to facilitate the investigation of fraud and overpayments, and the assessment of entitlement, for example with regard to non-dependants. The Department plans to start rolling out a new system in early to mid 2006 which will eventually allow each Housing Benefit and Council Tax Benefit assessor desktop access to Departmental information, further speeding up processing times.

- The Department's Housing Benefit Strategy Division has sought to improve communication with local authorities by providing additional guidance on the operation of the Housing Benefit and Council Tax Benefit schemes, for example, on the impact of tax credits on housing benefit. Channels of communication used include consultations, surveys, staff secondments and road shows.

**4.20** Jobcentre Plus has sought to secure greater consistency across its offices to reduce the complexity that arises from delivery units adopting varying practices. Under the Benefits Agency, regional and district differences had developed over the years in response to differences in client mix. Jobcentre Plus introduced the concept of "cluster groups" of similar population structures across regions to facilitate the development of consistent policies for comparable localities. This would allow managers, guided by cluster group specifications, to better focus on performance. Cluster groups were also intended to facilitate learning from best practice. Jobcentre Plus found that improved performance followed, but it was difficult to establish a causal connection with the cluster initiative.

## Delivery reforms

**4.21** Delivery reforms are designed to protect customers from the complexity of the system or guide them through it. They encompass a range of activities (**Figure 20 overleaf**) including:

- making application for benefit easier for customers;
- providing direct contact with customers where necessary;
- tailoring information more closely to the needs of particular groups and making it easier to understand;
- simplifying decision-making and appeals processes.

54 Department for Work and Pensions (2005), *Five Year Strategy*, Cm 6447.

## 20 Examples of delivery reform to manage complexity

### Payment modernisation

To reduce complexity of receiving benefits and pensions

#### Response

- Formerly, many people collected their money over the counter from post offices or via the mail. Payments directly into bank accounts have been possible since the 1980s but became the standard for Departmental benefits, pensions and tax credits from April 2003. It is anticipated that this simplified way of managing payments will reduce theft, error and fraud, as well as reducing administrative costs. It will require less action on the part of the customer. In December 2004, the Department reported that it had exceeded its target of 85% of customers having their benefit paid into a bank account. Customer research in 2004 showed 91 per cent were satisfied with the process.

### Telephony

To assist in making application for benefit as simple as possible

- Delivery of Pension Credit is mostly over the telephone and the process avoids asking any unnecessary questions. The Pension Service then sends the pre-populated form to the customer to check information, sign the form and return it with any documentation requested. Most of the complexity is therefore hidden from the customer. Those unable or unwilling to use the telephone application line can obtain a paper application form or arrange a face to face meeting with the local service.
- Extensive use of telephony for Child Support is the preferred method of contact for the Agency. Customers can also use the internet and a web-based calculator to work out their maintenance liabilities.
- Contact by phone is more efficient and effective for the handling of Crisis Loan and Community Care Grant awards under the Social Fund. It allows missing information to be gathered quickly.

### Improved design of forms and reduction of length

To make it easier for customers to claim

- Pension Credit – a simpler reduced claim form was introduced for Minimum Income Guarantee. This was continued with Pension Credit. The paper application form is relatively short with supplementary forms sent only to those people who need to provide additional information.
- Attendance Allowance – a shorter version of the Attendance Allowance claim form was introduced in October 2003.
- Disability Living Allowance – shorter DLA claim forms have been tested.
- Suite of new national model claim forms (HCTB1 series) was introduced for Housing Benefit and Council Tax Benefit.

### Continuous learning approaches and support tools

To help identify training needs of staff working on complex benefits (e.g. Income Support)

- In 2004, the Effective Case Management Framework and supporting products was introduced to help staff focus on benefit processing and manage complexity. Support products include desk aids on the most common errors on specific areas.
- For processing officers a technical evaluation package has been designed. This package helps evaluate the competence of processing officers on administering complex benefits, by using scenarios to assess their knowledge. This can then be used from a continuous improvement point of view to improve the competency of our benefit processors when dealing with complex benefits.
- Decision makers guidance is available on line.

### Rapid Reclaim

To simplify the process for those reclaiming benefits after a short period off benefit

- Rapid Reclaim was introduced in 2001 for both Income Support and Jobseeker's Allowance customers. It aims to streamline the reclaim process for customers who return to the same benefit within 12 weeks of entitlement ceasing on their previous claim where there have been no changes in circumstance; increase the incentive to take up employment, including short term periods of full time work; and ease concerns about reclaiming benefits if a job ends unexpectedly.

### Personal assistance from Financial Assessors

To assist customers understand the system better

- Financial Assessors advise the customer on what is required to make a claim and when they can expect payment. Also provides some basic benefit advice.

### Strategic branding review

- The Department has developed a set of principles to control how its brands are used and ensure that brands for products, services and businesses complement each other. Action teams have been set up to examine the naming of products and services and the consistency of communications with customers.

**4.22** The Department has taken steps to simplify the **claim process** for several benefits. Applications for Pension Credit and key Jobcentre Plus benefits can now be taken by telephone, with the completed form returned to the applicant to check and sign. This represents a major change from the previous Income Support arrangements. The Department is moving to a similar approach for some Social Fund applications. Retirement Pension can be claimed over the phone in its entirety and pensioner benefits can be claimed at offices administering Housing Benefit and Council Tax Benefit. Shorter forms have been introduced for Attendance Allowance claims and the same approach trialled for Disability Living Allowance, while Carer's Allowance can be claimed electronically. For Jobseeker's Allowance and Income Support, where customers might often have short periods on and off benefit, a shorter claim form and streamlined process (known as Rapid Reclaim) have been introduced for those returning to benefit within 12 weeks. Although the Department provides pre-populated claim forms for customers to check as part of the telephone based application, it is still some way from being able to offer pre-populated forms where claims are made in writing or a single entry point for applications.

**4.23** The need to help the customer deal with the complex benefit system is part of the reason why the Department is increasingly encouraging customers to use its **contact centres**. There are currently more than 70, including for example, Pensions Direct (Retirement Pension claims and queries), Jobcentre Plus Direct (initial claims and job search advice over the telephone), The Pension Credit Application line, and Employer Direct (for on-line placement of jobs). The Pension Service and the Child Support Agency offer telephone contact as the preferred means for customers to make contact. In 2004-05, for example, Jobcentre Plus Direct received more than 6 million calls. Calls are taken by staff trained to complete the application form using scripted questions.

**4.24** The move to using contact centres is part of the Department's modernisation process and is also an integral part of the Department's plans for realising the agreed target of £962 million annual efficiency gains by 2007-08. Contact centre staff may be able to hide complexity from customers by working to pre-determined scripts, having access to customer information, and completing application forms by obtaining information directly from the customer. There remain problems, however. Where call centre staff have limited benefit knowledge and are not using scripts, the risk of errors being made at the start of a claim is increased. This can lead to the need for reworking by local office staff. Other problems include being passed between operatives, or IT problems reducing the effectiveness of the telephony.

**4.25** Telephone contact is not suitable for all customers. The Department's Five Year Strategy states that **face-to-face contact** will be focused on those who require such support the most. Jobcentre Plus provides face-to-face advice to customers from financial assessors, who provide information about benefit entitlements and financial help. Recent research suggests some progress has been made in developing the skills of assessors to process benefit claims and generally, customers' responses to the assistance provided were positive. However, many assessors feel that the 20 minutes allocated for meetings is insufficient for more complex cases (for example, for those with health conditions)<sup>55</sup>, and any extension of the role into processing will require further training.

**4.26** Face to face contact is important in other areas. There are around 10,000 personal advisers in Jobcentre Plus, who provide advice and guidance to help people find work or improve their skills, and with whom customers are expected to keep in touch and inform of changes of circumstances. The Pension Service has moved its processing work from local benefits offices to telephone-based pension centres, based on evidence that for many this is the preferred mode of communication. In parallel, for those who need it, The Pension Service has developed targeted local service teams to make home visits, provide face-face advice and develop the partnerships with local organisations discussed in paragraph 4.15. This local service includes local surgeries and drop-in centres, as well as attending out-reach events, and making one-to-one customer calls. The significance of these contacts – face to face and over the telephone – for the accurate and complete gathering of evidence and effective direction of customers, further highlights the need for effective staff training.

55 Delivering the Jobcentre Plus vision: qualitative research with staff and customers (Department for Work and Pensions 2004).

**4.27** The need to convey often complex information is a constant challenge for the Department. On the one hand there is a duty to ensure that the information provided is complete and accurate, but on the other, it is essential that details are concise and accessible to people with a range of understanding. Some parts of the Department are simplifying their approach to the **information they provide to the public**. During 2005, Jobcentre Plus is introducing a new set of leaflets based around a set of customer focused guides for specific groups – such as lone parents or school and college leavers. The intention is that information sheets will then supplement the guide and provide more detail. This follows research which suggested the need for greater personalization. The Pension Service’s ‘Pensioners’ Guide’, issued originally in 2002, consolidates information about pensioners’ entitlements in one guide which explains the linkages between benefits.

**4.28** Nevertheless, communicating simply remains a challenge. For example:

- **there remains an array of products and services** – there are over 300 brands, products and services associated with the Department and its agencies, as well as more than 230 separate leaflets. There is also a lack of corporate identity which makes some of the Department’s key products difficult to identify. The Department is reviewing the branding of its products, services and constituent businesses, and has developed a set of principles to control how its brands are used and ensure that brands for products, services and businesses complement each other. The National Audit Office will report separately on how the Department uses its literature to communicate with the public about services and entitlements;
- **terminology remains complex** – there are, for example, 14 ways of describing a payment, and individual products can be confusing. Pension Credit is not a credit in the way that is generally understood, and some assume that it is linked to the pension (and thus not means tested), whilst, for instance, Constant Attendance Allowance payments are premiums not allowances;

- **there are fewer systematic ways of communicating easily with customers** – for example, the ending of the benefit order book for most people has reduced one opportunity to provide information. The scripted exchanges with those calling contact centres also reduce the opportunity for informal conversation;
- **there has not been systematic use of the review of information products remit taken on by the Social Security Advisory Committee** – the Committee looks at products to see whether they are clear enough for a reasonable person to understand. Its 2004 report suggested that relatively limited use had been made of the role to date.

**4.29** The Department has also sought to manage some complexity through **administrative reform** to standardise and reduce the complexity of the processes, particularly for appealing against benefit decisions. In the light of concerns about the complexity of arrangements for examining and changing benefit decisions, the Department introduced new arrangements for decision making and appeals. In 1999-2000, the (then) Department of Social Security introduced changes designed to provide a more accessible service, improve customers’ understanding of decisions, streamline the appeals service, and provide a faster service to customers who are dissatisfied with decisions.

**4.30** Our work in 2003 showed that there had been a drop in appeals, although there has been an increase in the number of appeals in Disability Living Allowance from 50,000 before the reforms to around 90,000 in 2002-03. The Department has improved payment accuracy, the time taken to clear cases and the quality of service to customers visiting its offices. However, it has not yet led to widespread improvement in the quality of decisions. As discussed in Part 3, there are still high levels of errors in some benefits, and staff who have direct contact with customers require better training and feedback. In addition, the overall clearance times for appeals had not reduced significantly. And there is scope to improve the quality of performance monitoring, with numerous checking systems in operation which do not allow consistent monitoring of local performance.<sup>56</sup>

56 Department of Work and Pensions (2005) Decision Making Standards Committee, Annual Report, 2003-04.

## Means of scrutinising complexity have developed both externally and internally

**4.31** The tendency for legislation to grow in complexity means that it is important that there are some factors working in the other direction. We consider two forces; an external element – the Social Security Advisory Committee – and an internal element – on-going strategic consideration of the future development of the welfare system.

**4.32** The Social Security Advisory Committee was established in 1980 and is the main statutory advisory body on social security matters (**Box 22**). Since 1995 it has examined several hundred sets of draft regulations and raised a wide range of concerns formally in reports or informally in the form of advice to the Department (**Figure 21**), many of which relate to the complexity of the system.

### BOX 22

#### The Social Security Advisory Committee's role is to:

- **give advice on social security issues as it sees fit** – it examines policy issues, such as the Department's public information strategy, and puts its views to the Secretary of State. To help with this, the committee meets outside organisations, visits the department's staff and customers, and maintains a close interest in social security-related subjects.
- **consider and report on proposals for regulations** – proposals for new regulations must be submitted to the Committee unless they are exempt (changing benefit rates and regulations to bring Northern Ireland into line with Great Britain, for instance, is exempt). The Committee generally carries out public consultation before reporting formally. The Secretary of State is obliged to take account of the Committee's recommendations, and when regulations are laid before Parliament, the Committee's report and a statement explaining the response to its recommendations must also be published.
- **consider and advise on any matters referred to it** – the Secretary of State may seek views informally on a variety of topics.

## 21 Examples of concerns expressed by the Social Security Advisory Committee in recent years

<b>Legislation</b>	<ul style="list-style-type: none"> <li>■ Amendment of legislation creating greater complexity</li> <li>■ Speedy introduction of legislation increasing pressure on communication with the public and low awareness amongst staff</li> <li>■ Ambiguity of regulations leading to confusion amongst staff</li> <li>■ Lack of comprehensive legal definitions leading to confusion in decision making processes</li> </ul>
<b>Policy design</b>	<ul style="list-style-type: none"> <li>■ Lack of streamlining in benefit provision</li> <li>■ Introduction of too many new initiatives</li> <li>■ Legislation to avoid minor inequities between beneficiaries can sometimes result in disproportionate administrative costs</li> </ul>
<b>Claims process</b>	<ul style="list-style-type: none"> <li>■ Greater complexity for those with particular problems e.g. mental health problems, language or literacy problems</li> </ul>
<b>Interaction with other organisations</b>	<ul style="list-style-type: none"> <li>■ Poor interface between agencies and local authorities</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>■ Clumsy use of technical terms and acronyms in public information</li> <li>■ Customers not always advised about the whole system</li> </ul>

Source: National Audit Office review of Social Security Advisory Committee reports 1999-2004

**4.33** The Committee provides a valuable form of external, independent scrutiny of proposals for secondary legislation. Departmental officials prepare background papers for the Committee's consideration, and attend its meetings to present and discuss the proposals. Members can question, for example, whether the regulations will achieve their chosen policy intention or whether elements of the regulations are consistent with other regulations. On the basis of the Committee's advice, the Department may make changes (generally minor) in order to provide greater clarity or avoid unintended consequences.<sup>57</sup> On occasions, the Secretary of State may formally refer proposals to the Committee. This leads to a consultation process and a report to the Secretary of State. This is published and responded to, normally in the form of a Command paper.

**4.34** In 2002, the Committee's role was considered in a Quinquennial review. This concluded that it provided a unique and very important function in welfare policy and strongly endorsed its role. It proposed extensions of its role, for example to enable it to offer advice on tax credits and other matters. This has been implemented and Ministers are currently reviewing a further proposal in relation to social security issues.

**4.35** The Quinquennial Review voiced some concern that the Committee's scrutiny of Departmental information products could divert resources away from its core activities scrutinising regulations and commenting on social security issues. However, the Committee has highlighted the need for this role due to the importance of communication in a complex system. Regarding the role in commenting on regulations, the report warned that due to an increasing tendency to introduce changes to the benefit system through primary legislation, the number of referrals to the committee was falling.

**4.36** Although the Committee provides a valuable challenge to the Department in specific areas prior to implementation of regulations, there is also a need for an internal longer term view of the future delivery of the benefit system as a whole. The Department recognises that simplification is a long term process involving the need for simpler, more transparent policies which make it easier for customers to claim their entitlements and understand their responsibilities, and for staff to administer these entitlements correctly. There is ongoing strategic consideration of the future development of the benefit system, including ways to tackle benefit complexity while continuing to protect social security expenditure, to ensure that the best support is provided for helping people into work while protecting the position of those most in need. In addition:

- a small team in the Housing Benefit Strategy Division has worked on simplification for some years, identifying small step by step changes that can be made to existing rules to simplify Housing Benefit and better align it with tax credits and Pension Credit; and
- regulations for Pension Credit are under regular review to consider whether further amendments are needed.

<sup>57</sup> The Quinquennial review of the Social Security Advisory Committee (May 2004) Response and Final Report Cm 6189.

# APPENDIX 1

## Methodology

**1** The National Audit Office and RAND Europe used a number of methods in gathering evidence for this report. The following paragraphs provide a short description of each of these elements.

### Scoping Study

**2** Prior to undertaking the main research study, we identified the key issues facing the Department for Work and Pensions with regard to complexity in benefit regulations through a scoping study. This exploratory research was based on interviews with Department staff at all levels, audit staff from the National Audit Office responsible for the audits of the Department and HM Revenue and Customs, academics working on benefits issues, and private sector companies providing benefits decision support software. Desk research was also undertaken into the theory of complexity and the current administrative and legislative framework for benefits. Through this we identified the main drivers of complexity within the benefits system, and a shortlist of benefits for case studies through which these drivers might be most effectively explored.

### Departmental questionnaire

**3** To provide different parts of the Department for Work and Pensions with the opportunity to comment on the key issues relating to complexity we sent a short list of questions to 12 parts of the Department including the Child Support Agency, Disability and Carers Directorate, Housing Benefit Strategy Division, Fraud Strategy Unit and Jobcentre Plus. The aim was to obtain an overview of the perceptions of key parts of the Department about the causes and effects of complexity and what they were doing to address its negative consequences, as well as forthcoming developments that may influence complexity in the benefits system.

### Case studies

**4** To allow for more detailed consideration of the issues around complexity, we undertook brief case studies of three main benefits – the Jobseeker’s Allowance, Disability Living Allowance, and Housing Benefit – and drew on existing knowledge of a further benefit, Pension Credit. The benefits were chosen for a number of reasons. In particular:

- **Housing Benefit** is heavily affected by the requirements for means-testing and administering changes of circumstance. Additionally, its administration requires co-ordination between the Department and local authorities. As a ‘passport’ benefit, Housing Benefit is highly susceptible to knock-on effects of changes to other parts of the benefits system.
- **Jobseeker’s Allowance** is a major benefit which involves means-testing, the administration of changes of circumstance and benefit interactions. In addition, staff need to take into account labour market conditions, and face the demands of a customer population which can be highly transient.
- **Disability Living Allowance** poses specific challenges with the need for judgement in taking account of a range of evidence. The use of broad or loosely defined terms such as ‘virtually’ or ‘severe’ in the legislation, the difficulty of assessing a customer’s needs, and differing interpretation of the rules by individual decision-makers can lead to inconsistent decisions and generate appeals. The benefit is subject to developing case law.
- **Pension Credit** was deliberately designed to remove some of the complexity associated with its predecessors, Minimum Income Guarantee and Income Support. Examining Pension Credit allowed us to consider the effect of the reduction of the size of the claim form and changes to reporting requirements.

**5** Our case studies involved desk research reviewing relevant publications, reports and statistics. In addition, we examined guidance material for decision-makers and welfare advisers. This research was complemented by a series of semi-structured interviews and focus groups with staff working on these benefits.

## Semi-structured interviews and focus groups

**6** We undertook interviews with a wide range of departmental staff with responsibilities ranging from policy and planning to operational management and front line services. We also interviewed informants with a cross-benefit perspective, such as representatives of the Department's research division, the Fraud Strategy Unit, the Solicitors' Office, and Information Technology Department. In addition, interviews were held with staff in the Benefit Fraud Inspectorate, EDS, The Appeals Service, the Local Government Association, the Local Government Ombudsman and the Social Security Advisory Committee.

**7** A series of focus groups were held with staff working on three of the chosen benefits – Housing Benefit, Disability Living Allowance and Jobseeker's Allowance. We also held focus groups with representatives of the voluntary sector and welfare advisers from Age Concern, Alzheimer's Society, Child Poverty Action Group, MIND, RNIB, RNID, Shelter, Disability Alliance, Gingerbread, Help the Aged, MENCAP, NACAB and One Parent Families. We are grateful to everyone who gave their time for this work.

## Use of existing National Audit Office knowledge and previous publications

**8** The National Audit Office audits the accounts of the Department and its agencies and thus deals with the complexity of the benefit system in auditing the benefits covered by these accounts. Therefore, this report has also been able to draw on the extensive knowledge of National Audit Office financial audit staff. It also draws on a wide range of previous National Audit Office value for money reports relevant to the subject, including reports on tackling pensioner poverty, benefit fraud, and decision making and appeals arrangements.

## Literature review: complexity and social benefits

**9** We undertook a review of relevant literature including academic coverage of social security, government publications and voluntary sector material. We also made considerable use of evaluations of programmes and initiatives published by the Department for Work and Pensions, reports from the House of Commons Work and Pensions Select Committee, the Department's own independent Decision Making Standards Committee, and the Social Security Advisory Committee. Material from the voluntary sector helped to draw out issues about the customer's perspective. In particular, we reviewed 40 anonymised case files held by Citizen's Advice.



## APPENDIX 2

### The evolution of the UK social security system

- 1601** The Elizabethan **Poor Law** recognised the state's responsibility to prevent destitution, in return for work by those who were physically able.
- 1908** **The Old Age Pensions Act** established the first benefit outside the Poor Law for people aged 70+.
- 1911** The **National Insurance Act** introduced contributory National Insurance for sickness and unemployment. Contributory old age pensions at 65, and widows' benefits, followed in 1925. However, the schemes were fragmented and aimed at lower earners.
- 1935** **Unemployment Assistance** was introduced to provide full support – including housing costs – to unemployed workers who had exhausted contributory entitlement or had higher needs. This was the ancestor of modern income-related benefits such as Income Support.
- 1942** **Sir William Beveridge's report** on "Social Insurance and Allied Services" was published and had a crucial influence on how social policy and the benefits system developed. Beveridge recommended the introduction of national insurance and assistance, family allowances, and stressed the importance of full-employment. Beveridge aimed to introduce a unified system of social insurance based on flat rate benefits in exchange for a single flat-rate contribution. The scheme covered the whole population not just low earners.
- 1945** The **Family Allowances Act** introduced a regular sum for second and subsequent children to be paid to the mother.
- 1946** The **National Insurance Act**, which came into force in 1948, created a comprehensive system of unemployment, sickness, maternity and pension benefits funded by employers, employees and the government. It effectively established the welfare state as recommended by the Beveridge Report.
- 1948** The Poor Law was abolished by the **National Assistance Act** which set up a single scheme for people in need. The Act established the National Assistance Board as well as standard rates for customers and allowed for discretionary payments to provide additional help for customers in exceptional circumstances.
- 1959** The **National Insurance Act** introduced graduated retirement benefits and contributions. This was a major departure from Beveridge's principle of flat rate contributions and pensions. The scheme became effective in 1961.
- 1966** The **Social Security Act** abolished National Assistance and replaced it with Supplementary Benefit, although the concept of the benefit did not change. It continued to be a means-tested benefit with set rates dependent upon individual circumstances.
- The Ministry of Social Security was established to replace the Ministry of Pensions and National Insurance and the National Assistance Board.
- 1970** The **National Insurance Act** extended eligibility for widows' pensions; and introduced Attendance Allowance for disabled people.
- The **Family Income Supplements Act** introduced a new benefit for families in work with small incomes.

- 1972 Introduction of a **national scheme of rent rebates**.
- 1973 The **Social Security Act** introduced earnings related contributions; annual reviews; abolished the graduated pension scheme, and laid the groundwork for regulation of the occupational pensions sector.
- 1975 The **Child Benefit Act** consolidated family allowances and child tax allowances into a single child benefit.
- Introduction of **Non-contributory Invalidity Pension and Mobility Allowance**
- 1976 Introduction of **Invalid Care Allowance**
- 1978 The State Earnings-Related Pension Scheme (SERPS) was introduced to provide earnings-related pensions.
- 1982 The **Social Security and Housing Benefit Act** transferred the existing local authority administered rent and rate rebate system into the social security system as Housing Benefit. It also reduced social security benefits to reflect announcements in the 1980 budget. The earnings-related supplements to unemployment and sickness benefit were abolished.
- 1986 The **Fowler Reforms**, named after the then Secretary of State Norman Fowler, were codified in the **1986 Social Security Act** and aimed to simplify means-testing. The main features, fully operational from 1988, were:
- Income Support replaced Supplementary Benefit as the safety net payment
  - Family Credit was introduced to replace family income supplement
  - Housing Benefit was reformed and aligned with other income-related benefits
  - State Earnings-Related Pension Scheme (SERPS) was restructured and reduced to 20% of life time savings (rather than best 25% of the best 20 years).
  - Private money-purchase pensions were introduced and it was possible to opt out of SERPS.
- 1988 The **Social Security Act** amended the law relating to Attendance Allowance, Family Credit, Income Support and Child Benefit.
- 1989 The **Social Security Act** abolished earnings-related additional pension with Invalidity Benefit.
- 1991 The **Disability Living Allowance and Disability Working Allowance Act** introduced these two new allowances for disabled people.
- 1992 Alongside new benefits for disabled people, changes in the threshold between in-work and out-of-work benefits made it easier for lone parents and disabled people to move into work.
- 1994 The **Social Security (Incapacity for Work) Act** replaced long-term sickness benefit and invalidity benefit with incapacity benefit.
- 1995 The **Jobseekers Act** introduced Jobseeker's Allowance which replaced Unemployment Benefit and Income Support for unemployed customers. Jobseeker's Allowance was effective from 1996.
- 1995 **Pensions Act** set the framework for equalising the pension age for men and women between 2010 and 2020
- 1998 The Department of Social Security's **Green Paper A New Contract for Welfare** (Cm 3805) set out the government's analysis of the connections between the benefits system, poverty and social exclusion. It sought to 'rebuild the welfare state around work' through 'a change of culture among benefit customers, employers and public servants' designed to 'break the mould of the old, passive benefit system'.
- The **Social Security Act** introduced new arrangements for decision-making and appeals for all social security benefits and child support.

**1999** The **Welfare Reform and Pensions Act** introduced the stakeholder pension; amended to the existing pensions regulatory framework; modernised benefits for widows and widowers; proposed the framework for the Single Gateway – “One” – aimed at providing a one-stop-shop for customers; introduced sanctions for non-attendance at work focused interviews; amended existing legislation to enable the development of Employment Zones (EZs) – special schemes for customers of Jobseeker’s Allowance; and introduced a number of reforms to disability benefits and Jobseeker’s Allowance (JSA).

The **Tax Credit Act** introduced working families’ tax credit and disabled person’s tax credit, which replaced family credit and disability working allowance respectively.

The Minimum Income Guarantee (MIG) (income support for poorest pensioners) was introduced following its proposal in the 1998 Green Paper *A New Contract for Welfare*.

**2000** The **Child Support, Pensions and Social Security Act** introduced the State Second Pension (effective from April 2002). This made the second pension more generous for lower earners.

**2001** Department for Work and Pensions was created with the aim of implementing the Government’s Welfare to Work strategy.

**2002** The Benefits Agency and Employment Service were replaced by JobCentre Plus, The Pension Service and the Disability and Carers Service.

**State Pension Credit Act** introduced a new State Pension Credit for persons aged 60 and over. This replaced the Minimum Income Guarantee (the minimum level of Income Support payable to persons aged 60 and over) from October 2003.

The **Tax Credit Act** made provision for the child tax credit and the working tax credit. The **child tax credit** brought financial support for children under a single scheme. The **working tax credit**, for low-income earners, superseded the working families’ tax credit; disabled person’s tax credit; and the employment credit under the New Deal 50plus programme. The credits were introduced in April 2003.

## APPENDIX 3

# Observations on complexity by the Committee of Public Accounts 1998-2004

Year	Reference	PAC observation	Government response
1998	<b>Measures to combat housing benefit fraud</b> 27th Report 1997-98	<ul style="list-style-type: none"> <li>■ A better balance needed to be struck between equity and simplicity.</li> <li>■ Guidelines and potential deductions were excessively complex, leading to confusion, error and rendering fraud harder to detect.</li> </ul>	The Welfare Reform Green Paper (Cm 3805) made clear the Government's view that Housing Benefit was excessively complex and too open to abuse.
2000	<b>Appropriation Accounts 1997-98</b> 3rd Report 1999-2000	<ul style="list-style-type: none"> <li>■ Complexity a key cause of error and fraud in Income Support. Benefits Agency said that without simplification, 10 per cent of payments would always be wrong. Creates confusion and uncertainty for those most in need, extra costs, and high levels of uncollectable debt.</li> </ul>	Government had already accepted this general point, and were addressing the problems of IS, for instance, through new gateway procedures.
2000	<b>Appropriation Accounts 1998-99</b> 32nd Report 1999-2000	<ul style="list-style-type: none"> <li>■ Asked what progress had been made in simplification of the benefits system as a whole.</li> </ul>	IS was extremely complex, but increased training was addressing this problem. Radical simplification would normally increase expenditure to avoid worsening customers' position.
2002	<b>Fraud and Error in Income Support</b> 55th Report 2001-02	<ul style="list-style-type: none"> <li>■ Despite efforts to simplify benefit rules and their administration, amendments and additions to already complex rules over time have exacerbated the problem.</li> <li>■ Significant simplification would require major changes in policy and legislation. Payments would be less closely related to individual needs, which could potentially increase costs.</li> <li>■ In the short term at least, it is probable that transitional payment arrangements to protect customers' existing entitlement would have to be implemented.</li> </ul>	Every time it considered an area of new policy, the Department looked at the administrative consequences and the implications for fraud and error of making the change. Complex benefits are difficult to administer tautly and Income Support depends on self-declaration of means and circumstances. In some cases steps had been taken to reduce complexity e.g. Pension Credit will be paid for longer periods, to reduce need to report changes in circumstances so frequently.

Year	Reference	PAC observation	Government response
2003	<b>Tackling pensioner poverty: encouraging take-up of entitlements</b> 12th Report 2002-03	<ul style="list-style-type: none"> <li>■ Complexity of the pensions system (and other benefits such as DLA) is major barrier to take-up. Information on benefits is difficult to access.</li> <li>■ Clients still needed to provide the same information to several entities and no clear progress had been made on delivering the new IT necessary to the overall modernisation plan.</li> </ul>	<p>A broad media strategy in place to ensure widest possible dissemination of information. On IT, new and improved systems would be online from 2004 and clients would notice the difference. New shorter claim forms being introduced for DLA and MIG. Pension Credit designed for ease of use.</p>
2003	<b>Tackling benefit fraud</b> 31st Report 2002-03	<ul style="list-style-type: none"> <li>■ Fraud and error rates were worsened by complexity.</li> <li>■ Hoped that the LHA and other reforms would reduce complexity of HB.</li> <li>■ The extra cost of simplified benefits might be offset by reductions in costs and fraud.</li> </ul>	<p>Complexity derived from the need to match the system to individual needs.</p> <p>The new Pension Credit and LHA were suggested as relevant examples of this kind of approach.</p>
2004	<b>Getting it right, putting it right: improving decision making and appeals in social security benefits</b> 12th Report 2003-04	<ul style="list-style-type: none"> <li>■ Benefits system complexity remained a major problem for both staff and customers. It led to confusion amongst customers and mistakes by staff.</li> </ul>	<p>Department seeking to improve procedures for claiming benefits: Jobcentre Plus introducing electronic Customer Management System and appointing Financial Assessors. Disability and Carers Service working to shorten claim form and make more use of telephone. Pension Service introducing new claim procedures.</p>