

Fraud and Error in the Benefit System October 2005 to September 2006

INFORMATION DIRECTORATE

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Contact point for enquiries:

Nick Herbert

Tel: 0207 96 28693

Email: nick.herbert@dwp.gsi.gov.uk

Information Directorate, Fraud and Error Measurement

Department for Work and Pensions

4th Floor

The Adelphi

1-11 John Adam Street

London

WC2N 6HT

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www.dwp.gov.uk/asd/asd2/fraud_error.asp

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Summary

Background

1. This report gives estimates of the level of fraud and error in benefits administered by the Department for Work and Pensions (DWP) and Local Authorities.
2. The report has two main purposes. It provides new estimates of fraud and error in Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit for the year from October 2005 to September 2006, and estimates performance against the Department's Public Service Agreement (PSA) targets for the reduction of fraud and error. In particular, it gives the first estimates of progress against PSA target 10A, for the reduction of fraud and error in Income Support and Jobseeker's Allowance. It also gives the latest progress against PSA target 10B for Housing Benefit, and updates the Department's estimate of fraud and error across the whole benefit system during 2006/07.

Latest results and progress against targets

3. The key findings about the levels of fraud and error during the period October 2005 to September 2006 are:
 - Around **5.3%**, or **£610m**, of **IS and JSA** expenditure is estimated to have been overpaid;
 - Around **5.3%**, or **£760m**, of **Housing Benefit** expenditure is estimated to have been overpaid;
 - Around **5.2%**, or **£360m**, of **Pension Credit** expenditure is estimated to have been overpaid.
4. The Department currently has two targets for the reduction of the level of overpaid expenditure in the continuously measured benefits. Both were set as part of the 2004 Spending Review. The first covers Income Support and Jobseeker's Allowance.

PSA target 10A: To reduce the proportion of Income Support (IS) and Jobseeker's Allowance (JSA) expenditure overpaid through fraud and error between 2005/06 and 2009/10 by 15%.

5. The latest estimate, at 5.3%, is **9% above** the 4.9% baseline estimate. The 95

per cent confidence interval around this is between a 22% decrease and a 45% increase. Given that zero falls well within the interval, there is no evidence of a significant change in the level of fraud and error since the baseline, although an increase is more likely than not.

6. The second target is to achieve a reduction in fraud and error in Housing Benefit.

PSA target 10B: To reduce the proportion of working age Housing Benefit (HB) expenditure overpaid through fraud and error between 2002/03 and 2007/08 by 25%.

7. The central estimate of change in the proportion of Housing Benefit expenditure overpaid to working age customers since 2002/03, is a **7% increase** with a 95% confidence interval ranging from a 15% decrease to a 36% increase. Again, this is not a statistically significant change from the baseline level.

Fraud and error across the benefit system

8. During 2006/07, the Department spent £120 billion on benefits, of which it is estimated that roughly **2.2%**, or **£2.7 billion** was overpaid. As this figure relies on assumptions about the level of fraud and error in benefits that have not been measured, and only includes complete data for the continuously measured benefits up to September 2006, it is subject to a large degree of uncertainty.
9. This is an update of the estimate which was originally published in September 2007 as part of the Department's accounts for 2006/07.

Interpretation of results

10. The estimates presented in this report are based on analysis of reviews of random samples drawn from benefit caseloads. This means that they are subject to a relatively large degree of statistical uncertainty, which is quantified in the form of '95% confidence intervals'. These give the range in which we can be 95% sure that the true value lies for each of the estimates presented. Further uncertainties arise from imperfections in the design and operation of the review process. Where possible these have been quantified and incorporated into the 95% confidence intervals.
11. Care is needed when interpreting the results presented in this report. In particular:-
 - The results are imprecise, because of sampling and other uncertainties. 95% confidence intervals are used in the report to express the extent of

sampling uncertainty together with other uncertainties that we have been able to quantify;

- They do not encompass all fraud and error;
- Some overpaid benefit is subsequently recovered;
- Some incorrect payments may be practically unavoidable;
- Some expenditure cannot be reviewed by the measurement system.

Future reporting

12. This series will continue to monitor progress against PSA targets 10A and 10B, and to give an estimate of fraud and error across the whole benefit system. The Department may set further targets for the reduction of fraud and error as part of the 2007 Comprehensive Spending review. Progress against these targets will also be monitored in future reports.

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1. Introduction

Background

- 1.1 This report provides estimates of fraud and error in Income Support (IS), Jobseeker's Allowance (JSA), Pension Credit and Housing Benefit (HB), covering the period October 2005 to September 2006. It also assesses the evidence of changes in the level of fraud and error in these benefits over time. Further estimates are included for fraud and error across the whole benefit system.
- 1.2 Estimates of fraud and error in IS, JSA, Pension Credit and HB are produced by statistical analysis of data collected via continuous survey exercises, in which Department for Work and Pensions (DWP) staff review a randomly selected sample of cases each year.
- 1.3 For most cases, the review process involves:
 - *Preview*: the collation of information from a variety of DWP or Local Authority (LA) systems to build up an initial picture of the case and to identify any discrepancies between information from different sources;
 - *Interview*: the interview of the customer at their home, which follows a structured and detailed set of questions about the basis of the claim, aimed at identifying any discrepancies between the customer's current circumstances and the circumstances upon which their benefit claim was based.and if a suspicion of fraud is identified:
 - *Fraud Investigation*: carried out by a trained Fraud Investigator with the aim of resolving the suspicion.
- 1.4 Estimates of fraud and error across the whole benefit system are produced by combining the results of these survey exercises with earlier surveys in other benefits and by making other assumptions about benefits which have not previously been measured in a comparable survey exercise.
- 1.5 The Department has targets to reduce fraud and error in Income Support, Jobseeker's Allowance, and Housing Benefit. Progress against targets is monitored by comparing the latest estimates with the relevant baseline figures.

Structure

1.6 The report is structured as follows:

- Chapter 2 presents the headline overpayment results in Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit for the year from October 2005 to September 2006, with a commentary including notes on interpreting results from the tables.
- Chapter 3 presents estimates of changes in the levels of overpayments over time, including the Department's performance against its Public Service Agreement (PSA) targets.
- Chapter 4 presents estimates of overpayments and underpayments across the whole benefit system.
- Chapter 5 presents a breakdown of overpayments into the different causes and types of frauds and errors.
- Chapter 6 presents links to further information and outlines plans for future reporting.
- The Annexes give a glossary of abbreviations and statistical terms used in the report, and a list of other estimates and information available on fraud and error in the benefit system.

2. Headline Results: Estimates October 2005 to Sept 2006

Headline levels of fraud and error

2.1 *Figures 2A and 2B* give estimates of the overpayment during October 2005 to September 2006 for those benefits which are continuously measured. These estimates are expressed as a percentage of expenditure for that benefit and as a monetary amount. The key findings are:

- Around **5.3%**, or **£610m**, of **Income Support and Jobseeker's Allowance** expenditure is estimated to have been overpaid;
- Around **5.3%**, or **£760m**, of **Housing Benefit** expenditure is estimated to have been overpaid;
- Around **5.2%**, or **£360m**, of **Pension Credit** expenditure is estimated to have been overpaid.

Figure 2A: Estimated overpayments October 2005 to September 2006

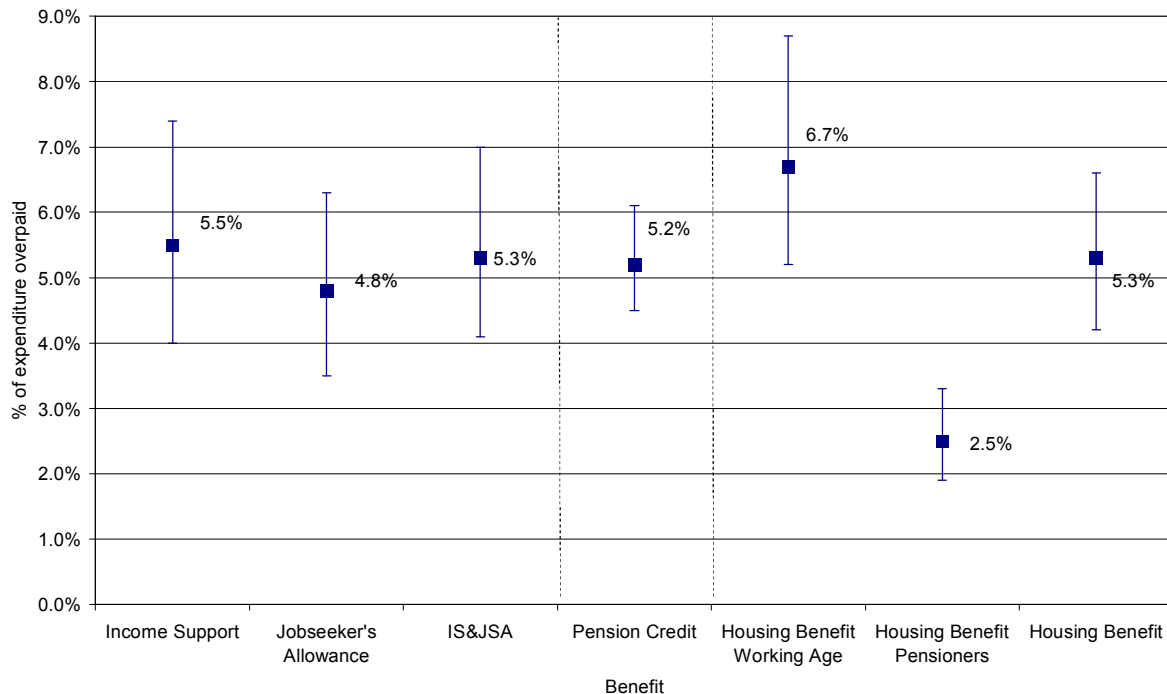
Estimated overpayments in the year to September 2006	Percentage overpaid			Amount overpaid		
	Central	Lower	Upper	Central	Lower	Upper
Income Support	5.5%	(4.0, 7.4)		£500m	(370, 680)	
Jobseeker's Allowance	4.8%	(3.5, 6.3)		£120m	(90, 150)	
IS & JSA Combined	5.3%	(4.1, 7.0)		£610m	(470, 800)	
Pension Credit	5.2%	(4.5, 6.1)		£360m	(310, 410)	
Housing Benefit Working Age	6.7%	(5.2, 8.7)		£640m	(490, 830)	
Housing Benefit Pensioners	2.5%	(1.9, 3.3)		£130m	(90, 170)	
Housing Benefit	5.3%	(4.2, 6.6)		£760m	(610, 960)	

2.2 *Figure 2B* overleaf illustrates the width of the confidence intervals relative to the size of the central estimates. It demonstrates, for example, that:

- Working age Housing Benefit is estimated to have the highest level of fraud and error, significantly higher than that in pension age Housing Benefit;

- The estimated levels of fraud and error in Income Support, Jobseeker's Allowance and Pension Credit are not significantly different.

Figure 2B: Estimated percentage of expenditure overpaid



2.3 For Income Support and Jobseeker's Allowance, the confidence limits around the estimates are wider when compared to the baseline for 2005/06, which reflects increased uncertainty in the results. The sample was designed to get an optimal result for a full financial year's data and a consequence of this is increased uncertainty when part years' data are used, as in this instance. Therefore, we would expect that the confidence intervals will narrow when the full year of 2006/07 data are used to produce the estimates.

2.4 The box overleaf outlines several points that users should bear in mind when using any of the estimates in this report.

The estimates are subject to uncertainties: All estimates are based on the examination of a random sample of benefit claims. With any survey sampling exercise, the estimates derived from the sample may differ from what we would see if we examined the whole caseload. Further uncertainties arise from assumptions that have had to be made to account for incomplete or imperfect data. Where possible, these further uncertainties have been quantified and combined with the sampling uncertainties to give an overall assessment in the form of 95 per cent confidence limits. These confidence limits show the range within which we can be 95% sure that the true value lies. Some remaining sources of uncertainty could not be quantified and have not been incorporated into the confidence limits; e.g. where the assessment of error involves subjective judgment that may be applied with different degrees of strictness for different review cases or for different periods of time.

The estimates do not encompass all fraud and error: While we have tried to make our measurement process as rigorous as possible, it will not capture all fraud and error. Examples include official errors relating to incorrect start and end dates for Housing Benefit payments, and Housing Benefit instrument of payment fraud. It is also likely that some fraud and error, if present on sample cases, would not have been uncovered, e.g. because fraud is by its nature a covert activity, because complex official error can be difficult to identify, and because some suspicions of fraud on sample cases cannot be proven. For example, unreported earnings in the informal economy will be much harder to detect than those in the formal economy.

Some overpaid benefit is subsequently recovered: These estimates are of the amount of benefit that is paid out incorrectly, rather than the eventual financial loss to the Department and Local Authorities. Overpayment recoveries are of the order of £500m annually, with over half of this coming from Housing Benefit. The loss to the public purse is therefore lower than the figures shown in this report.

Some incorrect payments may be unavoidable: The measurement methodology will treat a case as incorrect, even where the customer has promptly reported a change and there has been only a short delay in processing.

Some expenditure cannot be reviewed: A proportion of continuously measured benefit expenditure, currently estimated to be about 15%, cannot be captured by the sampling process. This is mainly because of (a) the delay between sample selection and the interview of the customer, and (b) the time taken to process new benefit claims, which excludes the newest cases from the review. The estimates in the tables in this report have been extrapolated to cover the missing expenditure. The confidence intervals reflect some of the uncertainty around the rates of fraud and error assumed for the groups not covered in the sample. Note that the confidence intervals do not reflect the range of possible assumptions that could have been made about these rates of fraud and error or the proportion of expenditure outside the scope of the sample. It is estimated that this missing uncertainty is relatively small.

Causes of incorrect payments

2.5 Incorrect benefit payments can be split between three causes, reflecting who was responsible and, where this was the customer, the level of intent:

- **Fraud:** This includes all cases where:
 - the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met;
 - the customer can reasonably be expected to be aware of the effect on entitlement; and
 - benefit stops or reduces as a result of the review.
- **Customer Error:** The customer has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the customer's part.
- **Official Error:** Benefit has been paid incorrectly due to inaction, delay or an incorrect assessment by the DWP, a Local Authority or Her Majesty's Revenue and Customs.

See Chapter 5 for a more detailed assessment of the different types of fraud, customer and official error.

Figure 2C: Estimated overpayments by cause

Estimated overpayments Oct 05–Sep 06	Fraud		Customer Error		Official Error		Total	
	%	(£m)	%	(£m)	%	(£m)	%	(£m)
Income Support	2.3%	(1.3, 3.8)	1.8%	(1.1, 2.6)	1.4%	(0.7, 2.0)	5.5%	(4.0, 7.4)
	£210m	(120, 350)	£160m	(100, 230)	£130m	(60, 180)	£500m	(370, 680)
Jobseeker's Allowance	2.3%	(1.0, 3.9)	0.4%	(0.0, 0.9)	2.1%	(1.1, 3.1)	4.8%	(3.5, 6.3)
	£60m	(20, 90)	£10m	(0, 20)	£50m	(30, 80)	£120m	(90, 150)
IS & JSA Combined	2.3%	(1.4, 3.6)	1.5%	(0.9, 2.1)	1.6%	(0.9, 2.1)	5.3%	(4.1, 7.0)
	£260m	(160, 420)	£170m	(100, 240)	£180m	(110, 250)	£610m	(470, 800)
Pension Credit	1.6%	(1.2, 2.2)	1.3%	(1.1, 1.6)	2.3%	(1.8, 2.9)	5.2%	(4.5, 6.1)
	£110m	(80, 150)	£90m	(70, 110)	£150m	(120, 190)	£360m	(310, 410)
Housing Benefit	1.0%	(0.5, 1.7)	2.8%	(2.2, 3.6)	1.4%	(0.7, 2.3)	5.3%	(4.2, 6.6)
	£150m	(80, 250)	£410m	(320, 520)	£200m	(110, 330)	£760m	(610, 960)

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. Rows may not sum to totals due to rounding.

3. Headline Estimates: Change over time and progress against targets

Introduction

- 3.1 The Department currently has two PSA targets for the reduction of fraud and error in the continuously measured benefits. Both targets were set as part of the 2004 Spending Review. This chapter presents an assessment of the Department's performance against these targets and gives time series of the estimated levels of fraud and error in the continuously measured benefits.
- 3.2 Estimates of change over time are produced by comparing the latest estimates of fraud and error overpayments against the estimate for the baseline period. This means the estimates of performance against targets are affected by sampling and other sources of error in both the baseline and the target years, and so are prone to larger statistical uncertainty.

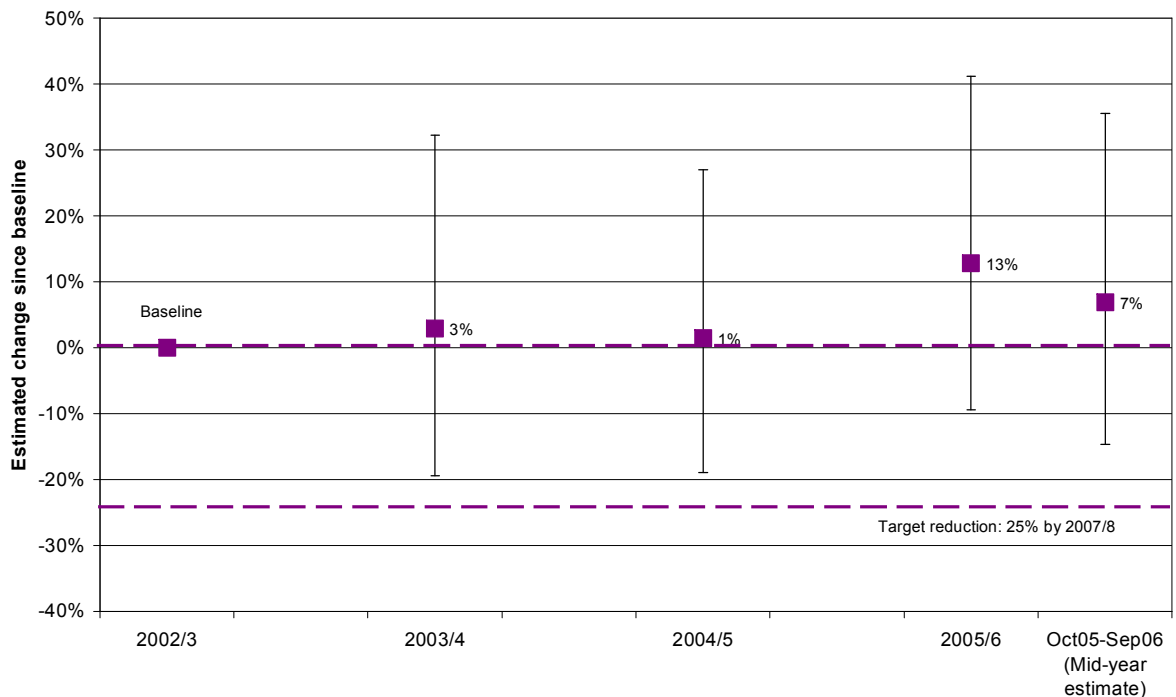
Change over time in Income Support and Jobseeker's Allowance (PSA Target 10A)

- 3.3 The Department has a PSA target to reduce the level of fraud and error in Income Support and Jobseeker's Allowance by 15% by March 2010 from a baseline period of April 2005 to March 2006.
- 3.4 The central estimate used for this target in the baseline year was that 4.9% of Income Support and Jobseeker's Allowance expenditure was overpaid through fraud and error. The central estimate for October 2005 to September 2006 is 5.3%, which is **9% above** the baseline estimate of 4.9%. The 95 per cent confidence interval around this is between a 22% decrease and a 45% increase. Given that zero falls well within this interval, there is no evidence of a significant change in the level of fraud and error since the baseline, although an increase is more likely than not.
- 3.5 Some uncertainty around this particular estimate of change is related to the use of part financial years' data. The sample was designed to get an optimal result for a full year's data and a consequence of this is increased uncertainty when part years' data are used, as in this instance.

Change over time in Housing Benefit (PSA Target 10B)

- 3.6 The Department has a PSA target to reduce the level of fraud and error in Housing Benefit paid to *working age customers* by 25% by March 2008, from a baseline period of 2002/03.
- 3.7 As discussed in paragraph 2.4, a significant proportion of Housing Benefit expenditure is outside the scope of the sample. For measuring the PSA target, only expenditure within the scope of the sample is used, so figures used for measuring progress against the target will differ from those presented earlier in this report which relate to all HB expenditure.
- 3.8 *Figure 3A* below shows estimates of change since 2002/03 in the level of overpayment in working age Housing Benefit expenditure. The estimates are presented with 95% confidence intervals which show that there is considerable uncertainty about the true level of change.
- 3.9 The central estimate is of a **7% increase** since 2002/03, with a confidence interval ranging from a 15% decrease to a 36% increase. This is not a statistically significant increase, but it is more likely than not that the true level of fraud and error has increased since 2002/03.

Figure 3A: Estimated progress against target to reduce fraud and error in Housing Benefit (PSA 10B)



The graph shows estimated change over time – a positive number shows an increase in the estimate of fraud and error. Bars give confidence intervals around estimates of change over time.

Change over time in Pension Credit

- 3.10 The central estimate of change is of an **11% increase** since 2005/06, with a 95 per cent confidence interval around this ranging from a 19% decrease to a 61% increase. As zero falls well within the interval, there is no evidence of a significant change in the level of fraud and error since the baseline, although an increase is more likely than not.
- 3.11 As with the change in Income Support and Jobseeker's Allowance, some of the uncertainty around this estimate is related to the use of part years' data. Uncertainty around the baseline estimate of fraud and error for Pension Credit is also contributing to the wide confidence intervals.

4. Fraud and error across the benefit system

Background

- 4.1 The Department publishes estimates of overpayments across the whole of benefit expenditure in its Resource Accounts¹. The time taken to produce fraud and error statistics has meant that these have relied on the measurement of fraud and error in the preceding financial year. This chapter presents an update to the estimate in the 2006/07 Resource Account.

Updated estimates for 2006/07

- 4.2 *Figures 4A and 4B* present revised estimates that incorporate results that were not available when the Resource Account was published. In particular they incorporate the estimates of the percentage of expenditure overpaid in Income Support, Jobseeker's Allowance, Pension Credit, and Housing Benefit that are presented in the preceding chapters.
- 4.3 Note that as the percentages have been applied to benefit expenditure for 2006/07, some cash values will differ slightly from those presented for the year to September 2006 in preceding chapters. They also include updated estimates of official error in Incapacity Benefit and State Pension during 2006/07. There has also been a slight change to the benefit expenditure figures, to make them more consistent with the measurement process.

Interpretation and composition

- 4.4 These estimates are subject to the same sort of statistical uncertainties and other limitations discussed in Chapter 2. They also rely on a variety of assumptions about benefits which are not regularly reviewed, and which are described below. The bottom row of each table gives confidence intervals for the total estimates of fraud, customer error and official error.
- 4.5 They exclude an estimated £700m of Disability Living Allowance expenditure, where the payment is legally correct, but the benefit award would cease or reduce if the case was reassessed.

¹ See Note 44 to DWP's Resource Accounts for 2006/7.

4.6 Three different types of estimate contribute to the total. These are:

Continuous measurement: Around a quarter of all benefit expenditure is covered by the main measurement exercises on Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit. Official error is measured continuously in Incapacity Benefit and Retirement Pension. There is also an annually updated estimate of 'Instrument of Payment' fraud, which captures, for example, fraudulent encashment of cheques.

One-off 'snapshot' measurement: Since 1995, the Department has carried out 'National Benefit Reviews' (NBRs) of some benefits to estimate the level of fraud and error in a single year. These benefits cover around two thirds of total expenditure. As these exercises are not carried out annually, we have assumed that the percentage level of fraud and error has remained constant since the last NBR.

Assumptions about and modelling of unmeasured quantities: Benefits where there has not been any recent measurement activity make up around 15% of total expenditure. For these, we have based the estimates on the level of fraud and error found in similar, measured benefits. For example, Council Tax Benefit has many similarities to Housing Benefit. The knock-on effect of overpayments of Disability Living Allowance on other awards is estimated using a modelling approach and is indicated in the table under 'Interdependencies'.

Figure 4A: Estimated overpayments during 2006/07

Estimated overpayments 2006/07	Expenditure	Fraud & Error	Fraud	Customer Error	Official Error	Last measured				
Continuously reviewed										
Income Support	£9.1bn	5.5%	£500m	2.3%	£210m	1.8%	£160m	1.4%	£130m	Oct 05 - Sep 06
Jobseeker's Allowance	£2.5bn	4.8%	£120m	2.3%	£60m	0.4%	£10m	2.1%	£50m	Oct 05 - Sep 06
Pension Credit	£6.9bn	5.2%	£360m	1.6%	£110m	1.3%	£90m	2.3%	£160m	Oct 05 - Sep 06
Housing Benefit	£14.9bn	5.3%	£780m	1.0%	£150m	2.8%	£420m	1.4%	£210m	Oct 05 - Sep 06
Instrument of Payment			£10m		£10m					Apr 06 - Mar 07
Occasionally reviewed										
Disability Living Allowance ¹	£9.2bn	1.9%	£170m	0.5%	£40m	0.6%	£60m	0.8%	£70m	Apr 04 - Mar 05
State Pension ^{2,3}	£53.7bn	0.2%	£110m	0.0%	£0m	0.1%	£40m	0.1%	£60m	Apr 05 - Mar 06
Carer's Allowance	£1.2bn	5.5%	£70m	3.9%	£50m	1.0%	£10m	0.6%	£10m	Apr 96 - Mar 97
Incapacity Benefit ³	£6.6bn	1.7%	£110m	0.1%	£10m	0.2%	£20m	1.3%	£90m	Apr 00 - Mar 01
Interdependencies ⁴			£30m		£10m		£10m		£10m	Apr 05 - Mar 06
Unreviewed										
Unreviewed (ex CTB) ⁵	£11.8bn	1.8%	£210m	0.6%	£70m	0.5%	£60m	0.7%	£80m	
Council Tax Benefit ⁶	£3.9bn	4.6%	£180m	0.9%	£30m	2.5%	£100m	1.3%	£50m	Oct 05 - Sep 06
Total⁷	£119.8bn	2.2%	£2.7bn	0.6%	£0.8bn	0.8%	£1.0bn	0.8%	£0.9bn	
Range⁸		(1.9-2.6)	(2.3-3.1)	(0.4-0.9)	(0.5-1.1)	(0.7-1.0)	(0.8-1.2)	(0.6-1.0)	(0.7-1.2)	

Notes

Figures expressed as percentages (%) give the overpayments as a percentage of the benefit paid out in the year.

- 1 The 2004/05 DLA National Benefit Review (NBR) identified cases where the change in customer's needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the customer to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what customers in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.7 billion (+/- £0.2 billion). This component is not included in the total above. Also, previous estimates have derived the percentage of expenditure overpaid from cash values published in the NBR report and expenditure estimates from a different source. Here, the percentage of expenditure overpaid is used directly from the NBR report, and differs slightly from previously published values.
- 2 The 2005/06 SP pilot National Benefit Review identified around £30 million of overpayments due to non-notification of death to the International Pension Centre. These have been included as customer error in this table - a small amount of these may be fraudulent.
- 3 Official error estimates for Incapacity Benefit and State Pension are derived from the 2006/07 measurement exercises.
- 4 Overpayments due to knock-on effects between DLA overpayments and premiums for caring and disability on income-related benefits.
- 5 The estimated rate of fraud and error on unreviewed benefits has been estimated by comparing

with reviewed benefits that are similar, where suitable proxies exist. Where such proxies are not available, the average of all measured benefits has been used.

- 6 Fraud and error in CTB has not been measured before. The estimate is based on the results of measurement of Housing Benefit, adjusted to account for the greater proportion of pensioners that are in receipt of CTB.
- 7 Rows and columns may not sum to totals due to rounding.
- 8 Approximate 95% confidence intervals are given. These are wider than in previous reports as they allow for non-sample error in periodically reviewed benefits, and the additional uncertainty that comes from the use of older measurements.

Underpayments

- 4.7 Using similar assumptions, it is estimated that underpayments across the benefit system totalled around **£1.0bn**, or **0.9%** of total benefit expenditure. Note that this only covers recipients who are getting less than they are entitled to, and does not include those who are entitled to benefits but do not apply, or whose applications are not awarded when they should be.²

² For estimates of 'non-take-up' of some benefits see www.dwp.gov.uk/asd/irb.asp

Figure 4B: Estimated underpayments during 2006/07

Estimated underpayments in 2006/07	Expenditure	Fraud & Error	Fraud	Customer Error	Official Error	Last measured				
Continuously reviewed										
Income Support	£9.1bn	1.2%	£110m	0.1%	£10m	0.5%	£40m	0.7%	£60m	Oct 05 – Sep 06
Jobseeker's Allowance	£2.5bn	0.5%	£10m	0.0%	£0m	0.1%	£0m	0.4%	£10m	Oct 05 – Sep 06
Pension Credit	£6.9bn	1.8%	£120m	0.0%	£0m	0.3%	£20m	1.5%	£100m	Oct 05 – Sep 06
Housing Benefit ¹	£14.9bn	1.4%	£210m	0.0%	£0m	0.7%	£100m	0.7%	£100m	Oct 05 – Sep 06
Occasionally reviewed										
Disability Living Allowance	£9.2bn	2.5%	£230m	0.0%	£0m	2.4%	£220m	0.1%	£10m	Apr 04 - Mar 05
State Pension ²	£53.7bn	0.2%	£80m	0.0%	£0m	0.0%	£0m	0.2%	£80m	Apr 05 - Mar 06
Carer's Allowance	£1.2bn	0.1%	£0m	0.0%	£0m	0.1%	£0m	0.0%	£0m	Apr 96 - Mar 97
Incapacity Benefit ²	£6.6bn	0.8%	£50m	0.0%	£0m	0.2%	£10m	0.5%	£40m	Apr 00 - Mar 01
Unreviewed										
Unreviewed (ex CTB) ³	£11.8bn	1.4%	£160m	0.0%	£0m	1.1%	£140m	0.2%	£20m	
Council Tax Benefit ⁴	£3.9bn	1.3%	£50m	0.0%	£0m	0.6%	£20m	0.6%	£20m	Oct 05 – Sep 06
Total⁵	£119.8bn	0.9%	£1.0bn	0.0%	£0.0bn	0.5%	£0.6bn	0.4%	£0.5bn	
Range⁶		(0.6-1.2)	(0.7-1.4)	(0.0-0.0)	(0.0-0.1)	(0.3-0.7)	(0.3-0.9)	(0.3-0.5)	(0.4-0.6)	

Notes

Figures expressed as percentages (%) give the underpayments as a percentage of the benefit paid out in the year.

- 1 The HBR does not publish extrapolated underpayment figures to cover the whole HB expenditure. The values given here represent the percentage underpaid applied to total expenditure. Published HB underpayments are not split by cause; in this table they have been apportioned equally between customer and official error.
- 2 Official error estimates for Incapacity Benefit and State Pension are derived from the 2005/06 measurement exercises.
- 3 The estimated rate of fraud and error on unreviewed benefits has been estimated by comparing with reviewed benefits that are similar, where suitable proxies exist. Where such proxies are not available, the average of all measured benefits has been used.
- 4 Fraud and error in CTB has not been measured before. The estimate is based on the results of measurement of Housing Benefit, adjusted to account for the greater proportion of pensioners that are in receipt of CTB.
- 5 Rows and columns may not sum to totals due to rounding.
- 6 Approximate 95% confidence intervals are given. These are wider than in previous reports as they allow for non-sample error in periodically reviewed benefits, and the additional uncertainty that comes from the use of older measurements.

Future estimates

- 4.8 The Department will continue to develop its methodology for estimating fraud and error across the whole benefit system. The next report in this series will revise the 2006/07 estimates to incorporate a full year of data for the continuously measured benefits.

5. Detailed estimates

Introduction

- 5.1 This chapter presents breakdowns of the estimates for the continuously measured benefits into detailed types and causes of incorrectness.
- 5.2 Note that the estimates are often very small percentages of expenditure, and will sometimes be based on only a few sample cases. This means that the statistical uncertainties can be large relative to the size of the central estimates, and they tend not to be suitable for examining changes over time in particular types of error. However, they can give a useful indication of which types of error are leading to the most overpaid expenditure, and how official error typically gets into the system.
- 5.3 Estimates for Income Support, Jobseeker's Allowance and Pension Credit are presented together as they have similar entitlement conditions and administration. Housing Benefit is administered by Local Authorities, but entitlement often hinges on the award of other benefits by DWP. This leads to quite different error types and a division of responsibility for official error between DWP and the LAs, so estimates for Housing Benefit are broken down in different ways and presented separately.
- 5.4 Additional tables including detailed estimates of underpayments, and historical results for Housing Benefit will be available on the DWP website at www.dwp.gov.uk/asd/asd2/fraud_error.asp shortly after publication of this report. A list of these tables is given in Annex 2 of this report.

Fraud and error in Income Support, Jobseeker's Allowance and Pension Credit

- 5.5 *Figure 5A* overleaf presents cash estimates of the amounts overpaid due to different types of fraud and customer error in the main income-related benefits. Explanations of the different error types are given below.

Earnings – incorrect or undeclared income from employment.

Partner Earnings – incorrect or undeclared earnings of customer's partner.

Capital – incorrect or undeclared amount of capital held.

Dependants – claiming incorrectly for number or type of dependants.

Other Income – other undeclared source of income e.g. occupational

pension or sick pay.

Living Together as Husband and Wife/ Living Together as Civil Partners (LTAHAW/ LTACP) – customer has a partner but is receiving benefit as a single person.

Identity (ID) – false or assumed identity.

Address / Not at Address – customer cannot be contacted at registered address, is no longer at address or provided a false address.

Housing – incorrectly declared housing costs or income from housing.

Benefits – customer receiving other benefit.

College – customer in education and may be receiving funding.

Abroad – customer continuing to receive benefit whilst living abroad.

Hospitalisation – customers not declaring long-term hospitalisation.

Maintenance – undeclared or incorrectly declared income from maintenance payments.

Non-dependants – claiming incorrectly for non-dependants.

Prison – receiving benefit whilst in detention.

Other – covers a range of different cases not covered in the categories above. Examples include alteration of documents (e.g. medical certificate) and appointee fraud.

5.6 The proportion of Pension Credit expenditure overpaid through fraud has doubled in comparison with the baseline and the difference between the two estimates is statistically significant. The key drivers behind the higher estimate are fraud by Pension Credit customers found to be receiving benefit whilst abroad and fraud associated with the customer not being contactable at their registered address.

5.7 Beyond these, the other major types of overpayment have remained broadly the same as in previous years. They were:

- fraud by Income Support and Jobseeker's Allowance customers where full- or part-time earnings are not declared;
- fraud by Income Support customers found to be living with a partner they had not declared;

- customer error by Income Support and Pension Credit customers with incorrect or undeclared capital;
- customer error by Income Support and Pension Credit customers who are receiving other benefits;
- customer error by Pension Credit customers with incorrect or undeclared sources of income.

Figure 5A: Estimated fraud overpayment in Income Support, Jobseeker's Allowance and Pension Credit for October 2005 to September 2006

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Earnings	0.4%	(0.2, 0.8)	£36m	(14, 76)
Partner Earnings	0.1%	(0.0, 0.3)	£8m	(1, 26)
Capital	0.2%	(0.1, 0.5)	£19m	(5, 42)
Dependants	0.2%	(0.1, 0.4)	£16m	(7, 40)
Income	0.1%	(0.0, 0.2)	£8m	(3, 19)
LTAHAW	0.7%	(0.4, 1.4)	£67m	(38, 130)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.2%	(0.1, 0.5)	£21m	(7, 46)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£4m	(1, 8)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.2%	(0.0, 0.4)	£17m	(4, 39)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.1%	(0.0, 0.2)	£5m	(1, 14)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.1)	£3m	(0, 12)
Other	0.0%	(0.0, 0.1)	£3m	(0, 8)
Total	2.3%	(1.3, 3.8)	£210m	(120, 350)
Jobseeker's Allowance				
Earnings	1.1%	(0.4, 2.1)	£27m	(11, 50)
Partner Earnings	0.1%	(0.0, 0.3)	£3m	(1, 6)
Capital	0.2%	(0.0, 0.4)	£4m	(1, 9)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.1%	(0.0, 0.2)	£2m	(0, 6)
LTAHAW	0.2%	(0.1, 0.4)	£5m	(1, 10)
ID	0.0%	(0.0, 0.1)	£0m	(0, 2)
Address / Not at Address	0.2%	(0.0, 0.4)	£4m	(1, 9)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.0)	£0m	(0, 0)
College	0.1%	(0.0, 0.2)	£1m	(0, 5)
Abroad	0.0%	(0.0, 0.0)	£0m	(0, 1)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 0)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.4%	(0.1, 0.9)	£9m	(2, 22)
Total	2.3%	(1.0, 3.9)	£60m	(20, 90)

Figure 5A continued: Estimated fraud overpayment in Income Support, Jobseeker's Allowance and Pension Credit

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support & Jobseeker's Allowance Combined				
Earnings	0.5%	(0.3, 1.0)	£62m	(35, 120)
Partner Earnings	0.1%	(0.0, 0.3)	£11m	(3, 29)
Capital	0.2%	(0.1, 0.4)	£23m	(8, 46)
Dependants	0.1%	(0.1, 0.3)	£16m	(6, 38)
Income	0.1%	(0.0, 0.2)	£11m	(4, 22)
LTAHAW	0.6%	(0.3, 1.1)	£72m	(40, 130)
ID	0.0%	(0.0, 0.0)	£0m	(0, 2)
Address / Not at Address	0.2%	(0.1, 0.4)	£25m	(10, 50)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£4m	(1, 8)
College	0.0%	(0.0, 0.1)	£1m	(0, 6)
Abroad	0.2%	(0.0, 0.3)	£18m	(4, 37)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.1)	£5m	(1, 13)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.1)	£3m	(0, 11)
Other	0.1%	(0.0, 0.3)	£12m	(5, 30)
Total	2.3%	(1.4, 3.6)	£260m	(160, 420)
Pension Credit				
Earnings	0.1%	(0.0, 0.3)	£8m	(0, 22)
Partner Earnings	0.0%	(0.0, 0.1)	£3m	(0, 8)
Capital	0.1%	(0.1, 0.2)	£9m	(4, 16)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.1%	(0.1, 0.2)	£10m	(5, 17)
LTAHAW	0.0%	(0.0, 0.1)	£2m	(0, 6)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.3%	(0.1, 0.5)	£21m	(8, 35)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£1m	(0, 4)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.8%	(0.4, 1.3)	£56m	(30, 87)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 0)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	1.6%	(1.2, 2.2)	£110m	(80, 150)

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

Figure 5B: Estimated customer error overpayment in Income Support, Jobseeker's Allowance and Pension Credit Oct 2005 to Sept 2006

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Earnings	0.1%	(0.0, 0.3)	£12m	(3, 28)
Partner Earnings	0.1%	(0.0, 0.2)	£6m	(0, 20)
Capital	0.2%	(0.1, 0.4)	£22m	(10, 40)
Dependants	0.1%	(0.1, 0.2)	£13m	(6, 20)
Income	0.2%	(0.1, 0.5)	£18m	(7, 42)
LTAHAW	0.1%	(0.0, 0.3)	£12m	(3, 28)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 1)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 1)
Benefits	0.6%	(0.3, 1.0)	£54m	(27, 87)
College	0.0%	(0.0, 0.1)	£2m	(0, 6)
Abroad	0.0%	(0.0, 0.1)	£3m	(0, 7)
Hospitalisation	0.0%	(0.0, 0.1)	£2m	(0, 7)
Maintenance	0.2%	(0.1, 0.2)	£14m	(6, 20)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 1)
Prison	0.0%	(0.0, 0.0)	£1m	(0, 2)
Other	0.0%	(0.0, 0.1)	£2m	(0, 5)
Total	1.8%	(1.1, 2.6)	£160m	(100, 230)
Jobseeker's Allowance				
Earnings	0.0%	(0.0, 0.2)	£1m	(0, 4)
Partner Earnings	0.1%	(0.0, 0.3)	£2m	(0, 7)
Capital	0.1%	(0.0, 0.2)	£2m	(0, 6)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 1)
Income	0.1%	(0.0, 0.3)	£3m	(0, 7)
LTAHAW	0.0%	(0.0, 0.1)	£1m	(0, 2)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 0)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£0m	(0, 2)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.0%	(0.0, 0.1)	£1m	(0, 3)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 0)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.0)	£0m	(0, 1)
Total	0.4%	(0.0, 0.9)	£10m	(0, 20)

Figure 5B continued: Estimated customer error overpayment in Income Support, Jobseeker's Allowance and Pension Credit

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support & Jobseeker's Allowance Combined				
Earnings	0.1%	(0.0, 0.3)	£13m	(4, 30)
Partner Earnings	0.1%	(0.0, 0.2)	£8m	(2, 23)
Capital	0.2%	(0.1, 0.4)	£24m	(12, 42)
Dependants	0.1%	(0.0, 0.2)	£13m	(6, 19)
Income	0.2%	(0.1, 0.4)	£21m	(9, 45)
LTAHAW	0.1%	(0.0, 0.2)	£13m	(3, 28)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 1)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 1)
Benefits	0.5%	(0.2, 0.7)	£54m	(26, 85)
College	0.0%	(0.0, 0.1)	£2m	(0, 6)
Abroad	0.0%	(0.0, 0.1)	£3m	(0, 9)
Hospitalisation	0.0%	(0.0, 0.1)	£2m	(0, 7)
Maintenance	0.1%	(0.1, 0.2)	£15m	(6, 19)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 1)
Prison	0.0%	(0.0, 0.0)	£1m	(0, 2)
Other	0.0%	(0.0, 0.0)	£2m	(0, 6)
Total	1.5%	(0.9, 2.1)	£170m	(100, 240)
Pension Credit				
Earnings	0.1%	(0.0, 0.2)	£6m	(1, 12)
Partner Earnings	0.1%	(0.0, 0.1)	£4m	(1, 8)
Capital	0.4%	(0.3, 0.6)	£29m	(20, 39)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.4%	(0.3, 0.6)	£28m	(19, 39)
LTAHAW	0.0%	(0.0, 0.0)	£0m	(0, 0)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 0)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.3%	(0.2, 0.5)	£21m	(12, 32)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.0%	(0.0, 0.0)	£1m	(0, 3)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 1)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.0)	£1m	(0, 2)
Total	1.3%	(1.1, 1.6)	£90m	(70, 110)

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

5.8 *Figure 5C* overleaf gives a breakdown by error type of official error in Income Support, Jobseeker's Allowance and Pension Credit. Explanations of the different error types are given below.

Mortgage and Housing Costs – Inaccurate consideration of mortgage interest and other housing costs such as ground rent and service charges.

Income and Other Benefits – Interfaces between benefit systems, incorrect attribution, arithmetic or transcription errors.

Premiums – Incorrect award of premiums or premiums omitted (e.g. severe disability premium). Poor interfaces can contribute to these errors.

Child Benefit (CHB) – Errors resulting from interfaces with this benefit.

Conditions of Entitlement – Incorrect consideration of fundamental entitlement to benefit e.g. customer no longer a single parent or no longer unfit for work.

Incorrect Treatment of Final Earnings – Treatment of final earnings affects the date the customer first qualifies for IS e.g. correct details for pay in lieu of notice or holiday pay not obtained from the employer.

Applicable Amounts – Incorrect action taken on hospital downrating, urgent need payments, partner or dependants incorrectly omitted/included in assessment, CSA reductions omitted or customer's award not updated.

Arrears – Overpayment or underpayment of arrears.

Date of Claim – Incorrect date of claim is used when the claim is registered.

Capital – Incorrect treatment of capital on Income Support or JSA(IB). Can involve property and/or income that is to be treated as capital.

Labour Market – Insufficient evidence of attempts to find work, unavailability for work, incorrect completion of the Jobseeker's Agreement.

Continuity – The contributory side of JSA. Failure to consider all/any linking benefits, or incorrect action during the claim lifetime.

Contributions – Errors surrounding the contribution conditions for JSA(C).

Retirement Provision Income – Errors surrounding the Assessed Income Period or retirement provision income.

Savings Credit – Errors with the Savings Credit part of the award e.g. not awarded when the customer is entitled, or awarded at the wrong level.

New Tax Credits – Errors where any New Tax Credits payable to the customer are not taken into consideration correctly.

Additional Amounts Guarantee Credit – Incorrect or missing award of additional amounts related to the Guarantee Credit component of the Pension Credit award (referred to as premiums in previous reports).

Others – Any error recorded in this category that does not fall into any of the other categories available.

5.9 The major types of overpayment found were broadly the same as in previous years. They were:

- overpayments on Income Support cases due to conditions of entitlement;
- overpayments in Income Support, Jobseeker's Allowance and Pension Credit cases belonging to the error category "Income and other benefits".

Figure 5C: Estimated official error overpayment in Income Support, Jobseeker's Allowance and Pension Credit Oct 2005 to Sept 2006

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Mortgage and Housing Costs	0.1%	<i>(0.0, 0.1)</i>	£5m	<i>(2, 9)</i>
Income and Other Benefits	0.3%	<i>(0.2, 0.5)</i>	£31m	<i>(15, 47)</i>
Premiums	0.2%	<i>(0.1, 0.3)</i>	£16m	<i>(7, 27)</i>
Child Benefit	0.0%	<i>(0.0, 0.0)</i>	£2m	<i>(1, 4)</i>
Conditions of Entitlement	0.6%	<i>(0.2, 1.0)</i>	£53m	<i>(20, 92)</i>
Incorrect Treatment of Final Earnings	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Applicable Amounts	0.1%	<i>(0.0, 0.3)</i>	£13m	<i>(3, 29)</i>
Arrears	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Date of Claim	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Capital	0.0%	<i>(0.0, 0.1)</i>	£3m	<i>(0, 6)</i>
New Tax Credits	0.0%	<i>(0.0, 0.1)</i>	£4m	<i>(1, 7)</i>
Other	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Total	1.4%	<i>(0.7, 2.0)</i>	£130m	<i>(60, 180)</i>
Jobseeker's Allowance				
Mortgage and Housing Costs	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 2)</i>
Income and Other Benefits	0.3%	<i>(0.1, 0.5)</i>	£7m	<i>(3, 13)</i>
Premiums	0.1%	<i>(0.0, 0.2)</i>	£2m	<i>(0, 4)</i>
Child Benefit	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Conditions of Entitlement	0.6%	<i>(0.2, 1.1)</i>	£14m	<i>(6, 26)</i>
Incorrect Treatment of Final Earnings	0.1%	<i>(0.0, 0.3)</i>	£3m	<i>(1, 7)</i>
Applicable Amounts	0.1%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 4)</i>
Arrears	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Date of Claim	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 1)</i>
Capital	0.1%	<i>(0.0, 0.2)</i>	£1m	<i>(0, 4)</i>
Labour Market Issues	0.6%	<i>(0.2, 1.0)</i>	£13m	<i>(6, 23)</i>
Continuity	0.0%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 1)</i>
Contributions	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
New Tax Credits	0.2%	<i>(0.1, 0.4)</i>	£5m	<i>(2, 9)</i>
Other	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 2)</i>
Total	2.1%	<i>(1.1, 3.1)</i>	£50m	<i>(30, 80)</i>

Figure 5C continued: Estimated official error overpayment in Income Support, Jobseeker's Allowance and Pension Credit October 2005 to September 2006

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support & Jobseeker's Allowance Combined				
Mortgage and Housing Costs	0.0%	<i>(0.0, 0.1)</i>	£6m	<i>(2, 10)</i>
Income and Other Benefits	0.3%	<i>(0.2, 0.5)</i>	£38m	<i>(21, 55)</i>
Premiums	0.2%	<i>(0.1, 0.2)</i>	£18m	<i>(9, 28)</i>
Child Benefit	0.0%	<i>(0.0, 0.0)</i>	£2m	<i>(1, 4)</i>
Conditions of Entitlement	0.6%	<i>(0.3, 0.9)</i>	£68m	<i>(32, 108)</i>
Incorrect Treatment of Final Earnings	0.0%	<i>(0.0, 0.1)</i>	£3m	<i>(1, 7)</i>
Applicable Amounts	0.1%	<i>(0.0, 0.3)</i>	£15m	<i>(4, 30)</i>
Arrears	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Date of Claim	0.0%	<i>(0.0, 0.0)</i>	£1m	<i>(0, 1)</i>
Capital	0.0%	<i>(0.0, 0.1)</i>	£4m	<i>(1, 9)</i>
Labour Market Issues	0.1%	<i>(0.1, 0.2)</i>	£13m	<i>(6, 22)</i>
Continuity	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Contributions	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
New Tax Credits	0.1%	<i>(0.0, 0.1)</i>	£9m	<i>(4, 14)</i>
Other	0.0%	<i>(0.0, 0.0)</i>	£1m	<i>(0, 3)</i>
Total	1.6%	<i>(0.9, 2.1)</i>	£180m	<i>(110, 250)</i>
Pension Credit				
Mortgage and Housing Costs	0.1%	<i>(0.1, 0.2)</i>	£7m	<i>(4, 13)</i>
Income and Other Benefits	0.9%	<i>(0.6, 1.1)</i>	£58m	<i>(41, 78)</i>
Conditions of Entitlement	0.2%	<i>(0.0, 0.5)</i>	£14m	<i>(2, 34)</i>
Applicable Amounts	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Arrears	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Date of Claim	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Capital	0.2%	<i>(0.2, 0.4)</i>	£17m	<i>(11, 24)</i>
Retirement Income Provision	0.2%	<i>(0.2, 0.4)</i>	£16m	<i>(10, 24)</i>
Savings Credit	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
New Tax Credits	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Additional Amounts Guarantee Credit	0.6%	<i>(0.4, 0.9)</i>	£41m	<i>(25, 61)</i>
Other	0.0%	<i>(0.0, 0.0)</i>	£1m	<i>(0, 3)</i>
Total	2.3%	<i>(1.8, 2.9)</i>	£150m	<i>(120, 190)</i>

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

Fraud and Error in Housing Benefit

- 5.10 *Figure 5D* overleaf gives a breakdown of HB overpayments into types of fraud and error. Note that unlike the previous chapter, these estimates include fraud, customer error *and* official error together in one table. The estimates are also split between those where the overpayment has occurred on the passporting benefit (and has affected Housing Benefit) and those where the overpayment is specific to Housing Benefit. *Figure 5E* gives a separate assessment of how responsibility for official error is split between the DWP, LAs and Her Majesty's Revenue and Customs (HMRC).
- 5.11 Both tables present extrapolated estimates. We have assumed the breakdown in the expenditure outside the scope of the sample is the same as the breakdown within the scope of the sample. However, there are certain error types which we might expect to be more or less likely in new claims, so we may have under- or overstated the amount of expenditure overpaid for these errors. The different types are explained below:

Non-residence: Errors where we can confirm the customer no longer lives at the HB address. This also includes a proportion of cases where non-residence is suspected but not proven and where the Review Officer was unable to contact the customer. The likelihood that these cases really were non-resident is estimated as part of the final calculation.

Death, Temporary Absence and Institutions: Errors where the customer has died, has breached the temporary absence rules or has moved into an institution (prison, nursing home or hospital) and is therefore no longer entitled to HB.

Earnings: Errors where the amount or existence of earnings was incorrect in the HB assessment or has changed since the original HB assessment, affecting eligibility to HB.

Tax Credits: This covers incorrect treatment of a Tax Credit award in the HB assessment. The review process cannot assess the correctness of the Tax Credit award itself. It includes Disabled Persons Tax Credit, Working Families Tax Credit, and from April 2003 Child Tax Credit and Working Tax Credit.

Living Together: Errors where a partner has been incorrectly included or excluded from the HB assessment, or related passporting benefit, or Pension Credit Savings Credit only assessment.

Capital: Errors where the amount or existence of capital was incorrect in the HB assessment.

Other Benefits: Errors where the amount or existence of other benefits means that the HB award is incorrect.

Other Income: Errors where the amount or existence of other income (excluding Tax Credits) means that the HB award is incorrect.

Other Means Testing: Errors due to changes in other parts of the means test not already mentioned above e.g. number of children or assessment of entitlement to premiums.

Non-dependants: Errors in HB due to an incorrect or missing non-dependant deduction.

Tenancy: Errors which occur because the customer has no rent liability or is ineligible for HB.

Rent: Includes incorrect declaration of rent and incorrect conversion to a weekly amount.

Incorrectly Treated as Passporting: This covers all errors where information about passporting benefits has not been used or has been used incorrectly by the LA, but does not cover errors in entitlement to the passporting benefits.

Notification of Passporting Benefit: This covers all errors where information about passporting benefits has not been notified or has been incorrectly notified to Local Authorities. This does not cover errors in entitlement to the passporting benefits.

Figure 5D: Estimated fraud and error in HB Oct 2005 to Sep 2006

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Working Age				
Housing Benefit specific overpayment				
Non-residence	1.4%	(0.7, 2.4)	£130m	(70, 230)
Death, institution, temporary absence	0.1%	(0.0, 0.3)	£10m	(0, 30)
Earnings	1.3%	(0.9, 2.0)	£130m	(90, 190)
Tax Credits	0.7%	(0.5, 1.0)	£60m	(40, 90)
Living Together	0.1%	(0.0, 0.2)	£10m	(0, 20)
Capital	0.0%	(0.0, 0.1)	£0m	(0, 10)
Other Benefits	0.2%	(0.1, 0.3)	£20m	(10, 30)
Other Means testing	0.2%	(0.0, 0.5)	£20m	(0, 40)
Other income	0.2%	(0.0, 0.4)	£20m	(0, 40)
Non Dependants	0.4%	(0.1, 0.8)	£40m	(10, 70)
Tenancy	0.3%	(0.0, 0.9)	£30m	(0, 90)
Rent	0.1%	(0.0, 0.3)	£10m	(0, 30)
Incorrectly treated as passported	0.5%	(0.1, 1.0)	£40m	(10, 90)
Notification of passporting benefit	0.3%	(0.0, 1.2)	£30m	(0, 120)
Overpayment on Passporting Benefit				
Earnings	0.5%	(0.0, 1.5)	£50m	(0, 140)
Tax Credits	0.0%	(0.0, 0.1)	£0m	(0, 10)
Living Together	0.2%	(0.0, 0.5)	£20m	(0, 50)
Capital	0.2%	(0.0, 0.7)	£20m	(0, 70)
Other Benefits	0.0%	(0.0, 0.1)	£0m	(0, 10)
Other Means testing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other income	0.0%	(0.0, 0.2)	£0m	(0, 20)
Total	6.7%	(5.2, 8.7)	£640m	(490, 830)
Pensioners				
Housing Benefit specific overpayment				
Non-residence	0.3%	(0.0, 0.7)	£20m	(0, 40)
Death, institution, temporary absence	0.3%	(0.0, 0.6)	£10m	(0, 30)
Earnings	0.1%	(0.1, 0.1)	£0m	(0, 10)
Tax Credits	0.0%	(0.0, 0.0)	£0m	(0, 0)
Living Together	0.0%	(0.0, 0.0)	£0m	(0, 0)
Capital	0.2%	(0.1, 0.4)	£10m	(0, 20)
Other Benefits	0.2%	(0.1, 0.2)	£10m	(10, 10)
Other Means testing	0.0%	(0.0, 0.1)	£0m	(0, 0)
Other income	0.3%	(0.1, 0.5)	£20m	(10, 20)
Non Dependants	0.2%	(0.0, 0.3)	£10m	(0, 20)
Tenancy	0.1%	(0.0, 0.2)	£0m	(0, 10)
Rent	0.1%	(0.0, 0.1)	£0m	(0, 10)
Incorrectly treated as passported	0.2%	(0.0, 0.4)	£10m	(0, 20)
Notification of passporting benefit	0.1%	(0.0, 0.4)	£10m	(0, 20)
Overpayment on Passporting Benefit				
Earnings	0.0%	(0.0, 0.1)	£0m	(0, 0)
Tax Credits	0.0%	(0.0, 0.0)	£0m	(0, 0)
Living Together	0.0%	(0.0, 0.0)	£0m	(0, 0)
Capital	0.2%	(0.0, 0.6)	£10m	(0, 30)
Other Benefits	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other Means testing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other income	0.1%	(0.0, 0.3)	£10m	(0, 10)
Total	2.5%	(1.9, 3.3)	£130m	(90, 170)

Figure 5D continued: Estimated fraud and error in Housing Benefit

Oct05-Sep06				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Combined working age and pensioners				
Housing Benefit specific overpayment				
Non-residence	1.0%	(0.5, 1.7)	£150m	(80, 240)
Death, institution, temporary absence	0.2%	(0.0, 0.4)	£30m	(0, 60)
Earnings	0.9%	(0.6, 1.2)	£130m	(90, 180)
Tax Credits	0.4%	(0.3, 0.6)	£60m	(40, 90)
Living Together	0.0%	(0.0, 0.1)	£10m	(0, 20)
Capital	0.1%	(0.0, 0.3)	£20m	(0, 40)
Other Benefits	0.2%	(0.1, 0.3)	£30m	(20, 40)
Other Means testing	0.1%	(0.0, 0.3)	£20m	(10, 40)
Other income	0.2%	(0.1, 0.4)	£30m	(10, 60)
Non Dependants	0.3%	(0.1, 0.6)	£40m	(20, 80)
Tenancy	0.2%	(0.0, 0.5)	£30m	(0, 80)
Rent	0.1%	(0.0, 0.2)	£10m	(0, 30)
Incorrectly treated as passported	0.4%	(0.1, 0.7)	£50m	(20, 100)
Notification of passporting benefit	0.3%	(0.0, 0.8)	£40m	(0, 110)
Overpayment on Passporting Benefit				
Earnings	0.3%	(0.0, 0.9)	£50m	(0, 130)
Tax Credits	0.0%	(0.0, 0.0)	£0m	(0, 10)
Living Together	0.1%	(0.0, 0.3)	£20m	(0, 50)
Capital	0.2%	(0.0, 0.6)	£30m	(0, 90)
Other Benefits	0.0%	(0.0, 0.1)	£0m	(0, 10)
Other Means testing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other income	0.1%	(0.0, 0.2)	£10m	(0, 30)
Total	5.3%	(4.2, 6.6)	£760m	(600, 940)

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which quantify sampling uncertainty only. A figure of £0m indicates that the unrounded estimate is less than £5m. Columns may not sum to row totals due to rounding.

5.12 *Figure 5E* overleaf gives a breakdown of official error overpayments in Housing Benefit. This shows how official errors can occur through incorrect assessments by DWP or the LA, but can also be due to late or incorrect transfer of information between the two.

Figure 5E: Reasons for official error in Housing Benefit Oct 2005 to September 2006

Oct05-Sep06				
Reason for official error	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Working Age				
LA causes				
Incorrect assessment by LA, or software error	0.7%	(0.0, 1.6)	£60m	(0, 150)
Post not yet actioned, or overlooked by LA	0.7%	(0.2, 1.3)	£60m	(20, 130)
DWP causes				
Incorrect assessment by DWP	0.0%	(0.0, 0.1)	£0m	(0, 10)
Post not yet actioned, or overlooked by DWP	0.0%	(0.0, 0.1)	£0m	(0, 10)
Problems with DWP notification	0.3%	(0.0, 1.2)	£30m	(0, 150)
Percentage uprating	0.0%	(0.0, 0.0)	£0m	(0, 0)
Incorrect IR notification	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	1.7%	(0.7, 3.2)	£160m	(70, 300)
Pensioners				
LA causes				
Incorrect assessment by LA, or software error	0.2%	(0.1, 0.3)	£10m	(10, 20)
Post not yet actioned, or overlooked by LA	0.3%	(0.0, 0.5)	£10m	(0, 0)
DWP causes				
Incorrect assessment by DWP	0.1%	(0.0, 0.1)	£0m	(0, 10)
Post not yet actioned, or overlooked by DWP	0.0%	(0.0, 0.0)	£0m	(0, 0)
Problems with DWP notification	0.2%	(0.0, 0.7)	£10m	(0, 30)
Percentage uprating	0.0%	(0.0, 0.1)	£0m	(0, 0)
Incorrect IR notification	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	0.8%	(0.4, 1.3)	£40m	(20, 60)
Combined				
LA causes				
Incorrect assessment by LA, or software error	0.5%	(0.1, 1.1)	£70m	(20, 150)
Post not yet actioned, or overlooked by LA	0.5%	(0.2, 1.0)	£80m	(30, 140)
DWP causes				
Incorrect assessment by DWP	0.0%	(0.0, 0.1)	£10m	(0, 10)
Post not yet actioned, or overlooked by DWP	0.0%	(0.0, 0.1)	£0m	(0, 10)
Problems with DWP notification	0.3%	(0.0, 0.9)	£40m	(0, 120)
Percentage uprating	0.0%	(0.0, 0.0)	£0m	(0, 10)
Incorrect IR notification	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	1.4%	(0.7, 2.3)	£200m	(110, 330)

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which quantify sampling uncertainty only. A figure of £0m indicates that the unrounded estimate is less than £5m. Columns may not sum to row totals due to rounding.

6. Further information and future reporting

Further information

- 6.1 Further figures and background documentation is presented on the DWP website as National Statistics at:

www.dwp.gov.uk/asd/asd2/fraud_error.asp

- 6.2 In 2007, the Department published its strategy to reduce error in the benefit system. This is available on the DWP website at:

www.dwp.gov.uk/publications/dwp/2007/error_strategy.asp

- 6.3 Estimates of fraud and error across the whole benefit system are also published in the Department's Resource Account. The estimates in this report supersede those in the 2006/07 Resource Account, which was published in September 2007 and is available on the DWP website at:

www.dwp.gov.uk/publications/dwp/2007/res_acc/report_2006_07.pdf

- 6.4 The Office for National Statistics maintain a release schedule of all National Statistics publications, available on their website at:

www.statistics.gov.uk/ReleaseCalendar/currentreleases.asp

Future reporting

- 6.5 This series will continue to monitor progress against the PSA targets for IS, JSA and HB. The Department may set further targets for the reduction of fraud and error as part of the 2007 Comprehensive Spending Review, and it is likely that PSA 10A will be subsumed within the Department's Strategic Objectives. Progress against will continue be monitored by these reports.

- 6.6 The National Statistics Code of Practice allows for revisions of figures under controlled circumstances:

“Statistics are by their nature subject to error and uncertainty. Initial estimates are often systematically amended to reflect more complete information. Improvements in methodologies and systems can help to

make revised series more accurate and more useful.”

- 6.7 Unplanned revisions of figures in reports in this series may be necessary from time to time. Under this Code of Practice, the Department has a responsibility to ensure that any revisions to existing statistics are robust and freely available, with the same level of supporting information as new statistics.

Annex 1: Glossary of abbreviations and statistical terms

Abbreviations

CHB	Child Benefit
CTB	Council Tax Benefit
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
HB	Housing Benefit
HMRC	Her Majesty's Revenue and Customs
IS	Income Support
JSA	Jobseeker's Allowance
JSA(C)	Jobseeker's Allowance (contributory)
JSA(IB)	Jobseeker's Allowance (income-based)
LA	Local Authority
SR	Spending Review

Statistical terms

Confidence Interval:	The range of values in which we can be 95% sure that the true value we are trying to estimate lies. It is used as a measure of the statistical uncertainty in an estimate.
Estimate:	An indication of the value of an unknown quantity based on observed data.
Population:	A population is any entire collection of things from which we may collect data. It is the entire group we are interested in, which we wish to describe or draw conclusions about (generally benefit customers or expenditure in the context of this report).
Sample:	A group selected (randomly in the context of this report) from a larger group (known as the population). By studying the sample it is hoped to draw valid conclusions about the larger group.

Statistic: A statistic is a quantity that is calculated from a sample of data. It is used to give information about unknown values in the population we are trying to measure.

Statistically significant: A statement about figures derived from samples is 'statistically significant' if there is less than a 5% chance (in the context of this report) that a particular result came about by chance rather than because of genuine underlying trends in the population.

Annex 2: Supporting material

Income Support, Jobseeker's Allowance and Pension Credit extra tables

1. Breakdown of 2005/06 overpayments by client group:
 - Income Support lone parents
 - Income Support disabled, sick and other
 - Jobseeker's Allowance
 - Pension Credit
 - Total Income Support, Jobseeker's Allowance and Pension Credit
2. Breakdown of 2005/06 underpayments by client group
3. Breakdown of 2005/06 number of cases incorrect by client group
4. Breakdown of 2005/06 underpayments by the different causes of frauds and errors.

Income Support, Jobseeker's Allowance and Pension Credit documentation

1. Income Support, Jobseeker's Allowance and Pension Credit Technical Annex

Housing Benefit documentation

1. Housing Benefit Review Technical Annex

Housing Benefit tables

1. Headline estimates of Housing Benefit fraud and error, split by year and client group (working age, pensioners)
2. Estimates for Housing Benefit fraud and error by the cause of incorrectness, split by error category, year and client group:
 - Working age in receipt of Income Support
 - Working age not in receipt of Income Support
 - Pensioner in receipt of Pension Credit (Guarantee Credit)
 - Pensioner not in receipt of Pension Credit (Guarantee Credit)
 - Total in receipt of Income Support / Pension Credit (Guarantee Credit)
 - Total not in receipt of Income Support / Pension Credit (Guarantee Credit)
3. Estimates for Housing Benefit incorrect payments and underpayments, split by year and client group:
 - Working age in receipt of Income Support

- Working age not in receipt of Income Support
 - Pensioner in receipt of Pension Credit (Guarantee Credit)
 - Pensioner not in receipt of Pension Credit (Guarantee Credit)
4. Estimates for Housing Benefit fraud and error by the component of the Housing Benefit assessment that was incorrect, split by year and client group (working age, pensioner)
 5. Estimates for Housing Benefit fraud and error by the component of the HB assessment that was incorrect, split by year and error category
 6. Extrapolated estimates for the whole Housing Benefit caseload and expenditure, split by error category, year and client group (working age, pensioner)
 7. Estimates for Housing Benefit official error overpayments by the cause of the incorrectness, by year and client group (working age, pensioner)
 8. Estimates of fraud and error due to non-residence, broken down by the outcome of fraud investigations, split by year
 9. 2005/06 sample information by the component of the Housing Benefit assessment that was incorrect

Housing Benefit charts

1. Estimates for working age expenditure overpaid by the cause of incorrectness
2. Estimates of change since the 2002/03 baseline for working age expenditure
3. Estimates for working age expenditure overpaid by the component of the Housing Benefit assessment that was incorrect

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