Fraud and Error in the Benefit System

2015/16 Final Estimates

Department for Work & Pensions

Biannual | **Published: 8 December 2016**
Great Britain

The Department for Work and Pensions administers welfare benefits to around 22 million people. ‘Fraud and Error in the Benefit System’ estimates **overpayments** (the total amount of money lost to the department because claimants are paid too much) and **underpayments** (the total amount of money lost to claimants who are not paid enough). This is the first year that we have measured fraud and error on Universal Credit and we have refined the methodology since the preliminary estimates in May 2016. Further information on the change of categorisation of overpayments can be found in the Background and Methodology document.

Main stories

1.9% of expenditure overpaid

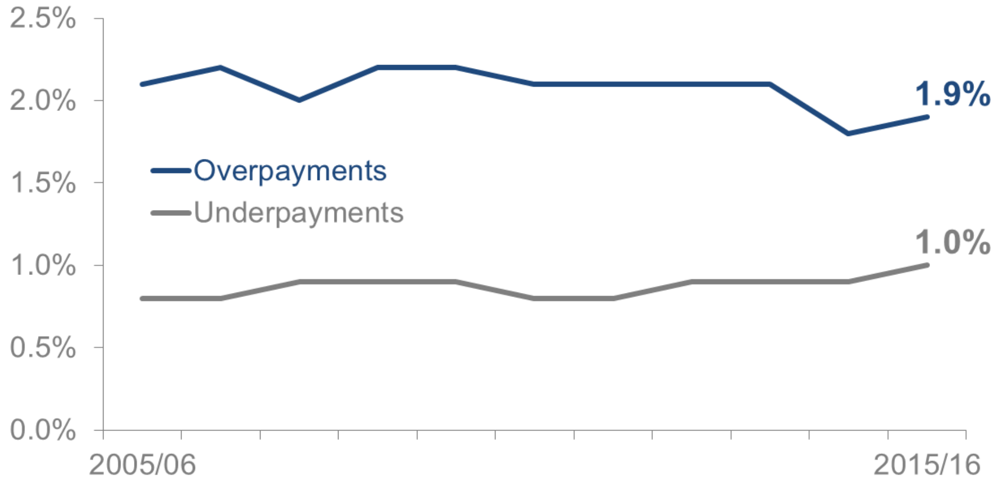
This has increased from the **lowest recorded rate of 1.8% in 2014/15**. It amounts to **£3.3bn** of overpayments.

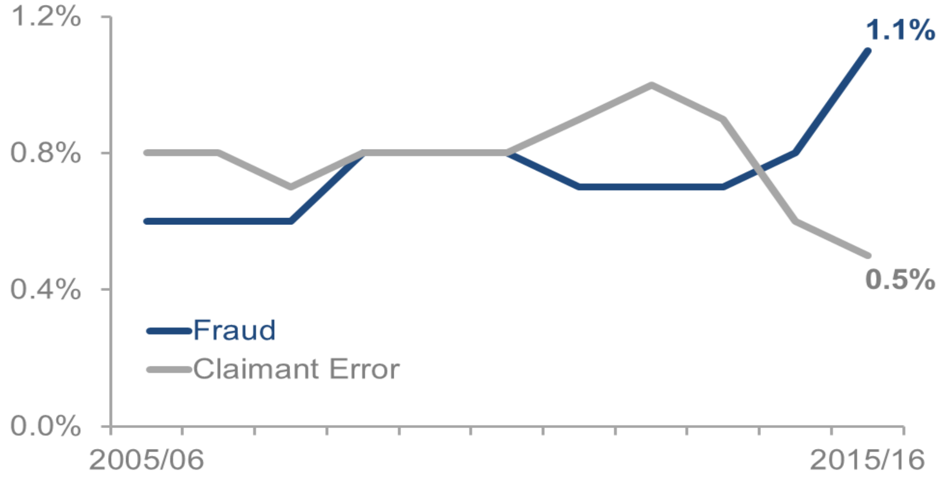
1.0% of expenditure underpaid

This remains the **highest recorded rate**. It amounts to **£1.7bn** of underpayments.

We changed the way we categorise overpayments after 2014/15

This change means some overpayments have switched to being categorised as fraud rather than claimant error. This is driving recent trends: fraud is now at its **highest recorded rate**; claimant error is at its **lowest recorded rate**.





What you need to know

In this document

This report provides estimates of fraud and error in benefits funded by the Department for Work and Pensions (DWP). It includes the final 2015/16 financial year estimates, covering the period April 2015 to March 2016. These statistics have been developed in accordance with the Code of Practice for Official Statistics and supporting Principles.

It contains estimates of **overpayments** (when a claimant is paid more in benefit than they are entitled to) and **underpayments** (when a claimant is not paid enough). We measure fraud and error all the time for some benefits, randomly sampling people and checking that the information we hold is up-to-date. For benefits we don't measure all the time we use either old estimates or a proxy (based on a similar benefit or an average rate). This allows us to estimate the total rate of overpayments or underpayments for all benefits funded by DWP. More information about which benefits we measure and how we measure them can be found in the Background and Methodology document. Throughout the document we have rounded monetary values of totals and error categories (fraud, claimant error and official error) to the nearest £10m; monetary values of error causes are rounded to the nearest £1m. Universal Credit is the exception to this rule; because the monetary values are small, we have rounded all values to the nearest £1m.

Summary of additional available data

All the information underlying the charts and figures featured in this document is included in accompanying Excel reference tables. Sources in this document that state a Table number refer to the reference Tables spreadsheet available on the gov.uk website:

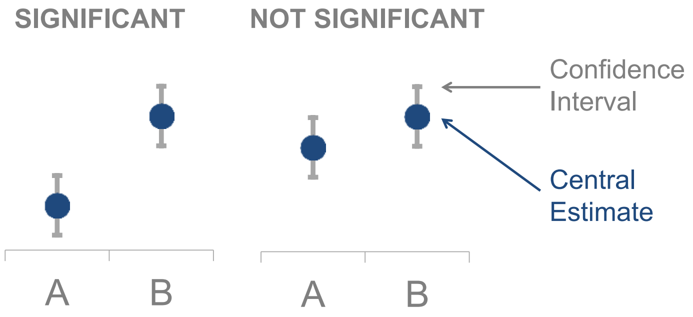
https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates

The tables show the rates and monetary values of overpayments and underpayments for each benefit going back to 2005/06, split by fraud, claimant error and official error. The tables also show the net loss of overpayments measure with a time series and a breakdown by benefit.

For the benefits we measure all the time, we can also show more detail about the cause of the error (for example, incomes, savings and who lives in the house) and the demographics of the claimants. We also estimate the percentage of cases that are incorrect, and the amount of money that is incorrectly paid.

Statistical significance

These estimates are based on a sample of benefit claims in payment. **Statistical significance** is an expression that says whether an estimated value is likely to have arisen only from variations in the sampling. It is most often used when talking about a change or a difference: a *significant change or difference* is one that is not likely to be due only to the sampling, and therefore likely to be a real change/difference. Plotting estimates and their confidence intervals (a measure of the uncertainty of an estimate) gives an indication of whether or not a difference is significant. In general, if the confidence intervals of two estimates do not overlap, the estimates are significantly different:



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Comments? Feedback is welcome

Report Benefit Fraud

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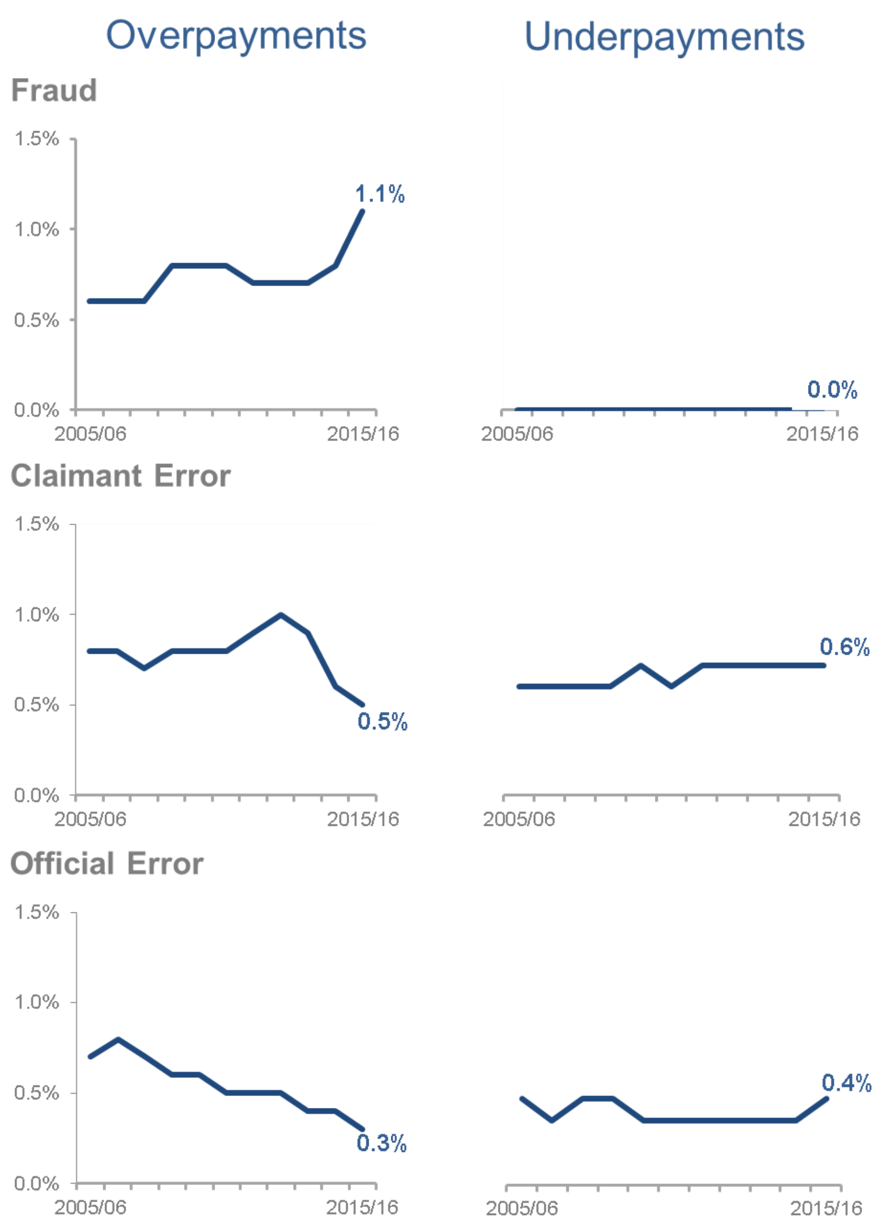
Total overpayments have risen compared with 2014/15



Fraud and Error in the Benefit System: 2015/16, Tables 2 and 8

Main Messages

The total rate of overpayments has increased in 2015/16 to 1.9%, up from 1.8% in 2014/15. The monetary value of overpayments has increased from £3.0bn to £3.3bn. Benefit expenditure has increased from £168.1bn in 2014/15 to £172.3bn in 2015/16.

There was an increase in the rate of fraud overpayments, from 0.8% in 2014/15 to 1.1% in 2015/16, the highest recorded rate. The rate of claimant error and official error overpayments decreased in the same period, to 0.5% and 0.3% respectively. Both rates are now at their lowest recorded value. We changed the way we categorise overpayments after 2014/15. This change means some overpayments have switched to being categorised as fraud rather than claimant error. This switch is especially marked in Housing Benefit. Further information is available in the Background and Methodology document.

The total rate of underpayments increased slighty between 2014/15 and 2015/16, from 0.9% to 1.0%, the highest recorded rate. This amounts to an increase in monetary value from £1.5bn to £1.7bn. The rate of official error underpayments increased from 0.3% to 0.4%.

Overpayments and underpayments on continuously measured benefits: 2015/16

Arrows denote the direction of change in rate since 2014/15

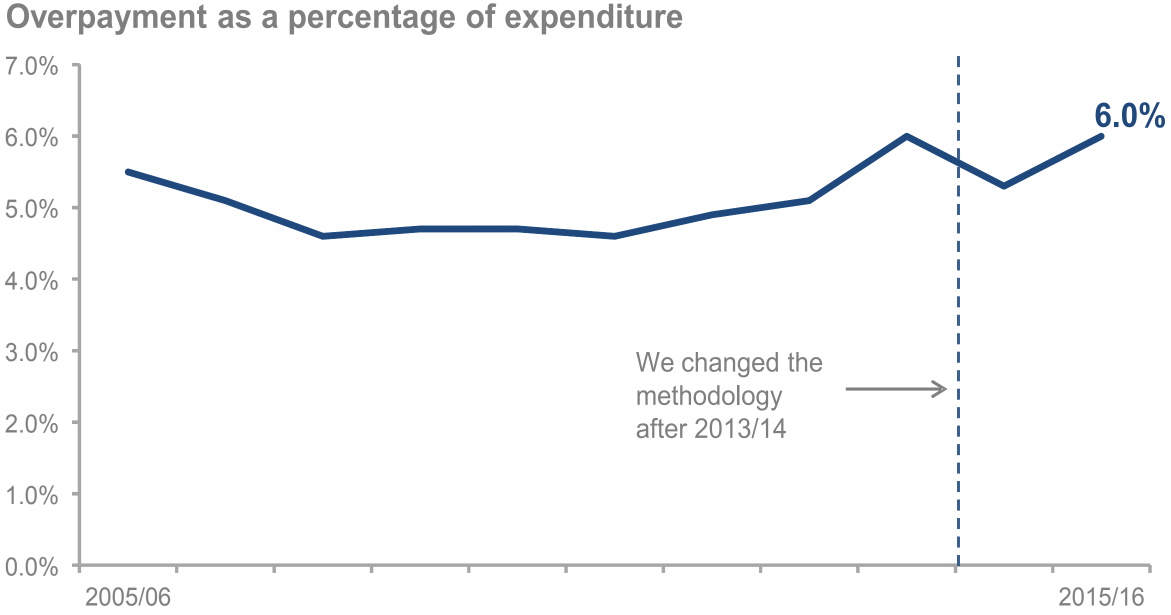
Benefit	Overpayment rate (monetary value)	Underpayment rate (monetary value)
Housing Benefit	↑ 6.0% (£1,460m)	↔ 1.4% (£340m)
Employment and Support Allowance	↑ 3.1% (£450m)	↑ 2.4% (£350m)
Pension Credit	↑ 5.3% (£330m)	↑ 2.5% (£150m)
Jobseeker's Allowance	↓ 4.3% (£100m)	↓ 0.7% (£20m)
Universal Credit	4.0% (£19m)	1.5% (£7m)

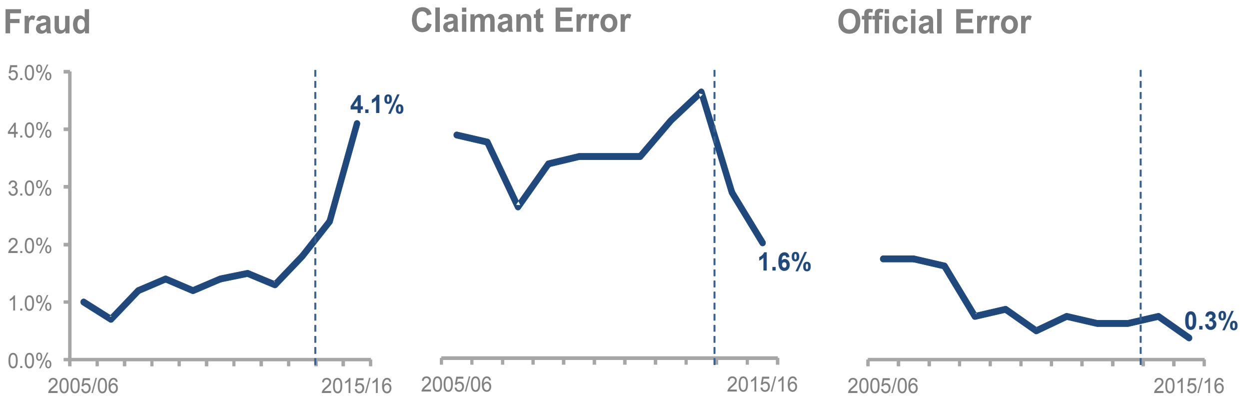
Net loss from overpayments

Not all of these overpayments are lost because the department can recover overpayments. In 2015/16, we recovered £1bn of overpayments, an increase of £70m since 2014/15. **The net rate of loss from overpayments is 1.3%, or £2.2bn, an increase from 1.2% or £2.1bn last year.**

Housing Benefit overpayments have increased to equal their highest recorded rate

People get Housing Benefit to help pay rent if they're on a low income. How much you get depends on your income and circumstances. You can apply for Housing Benefit whether you're unemployed or working.





Fraud and Error in the Benefit System: 2015/16, Table 2

*These changes are statistically significant

Main Messages

The rate of overpayments on Housing Benefit increased between 2014/15 and 2015/16, from 5.3% to 6.0%, the highest recorded rate. This amounts to a rise in monetary value from £1,280m to £1,460m.

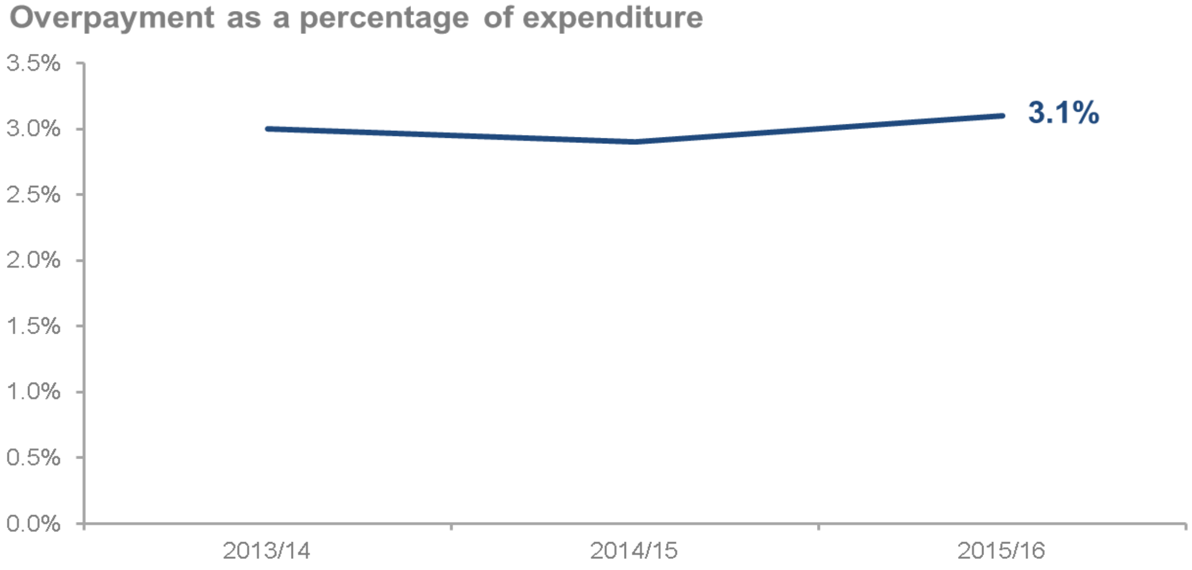
The rate of fraud overpayments increased* significantly, from 2.4% to 4.1%, the highest recorded rate, whilst the rate of claimant error overpayments decreased, from 2.3% to 1.6%, the lowest recorded rate. This continues the trend we observed last year. The change in the way we categorise overpayments has had a particularly large effect on the Housing Benefit estimates. This switch means the rates of fraud and claimant error overpayments have almost reversed since 2013/14: the rates in 2013/14 were 1.8% and 3.7% respectively. The rate of official error overpayments decreased to 0.3%, the lowest recorded rate.

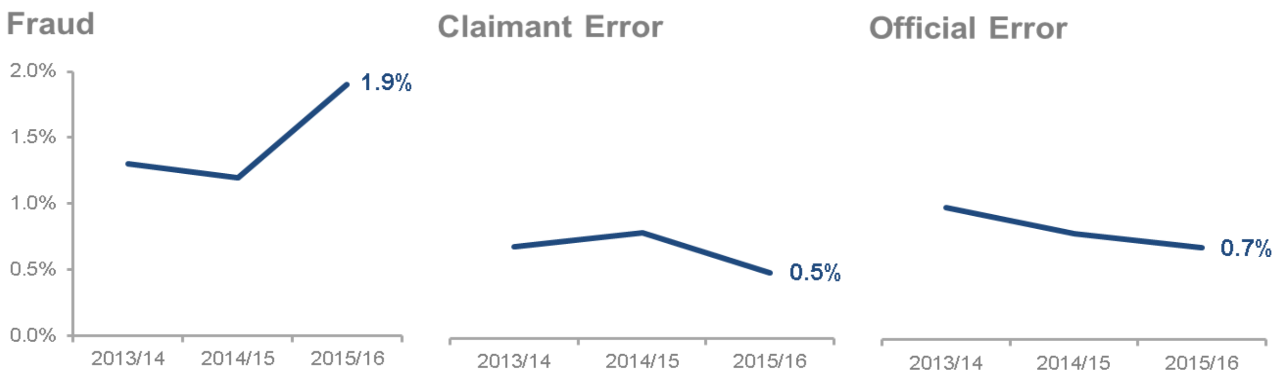
Failure to declare earnings and employment continues to be the main cause of fraud and claimant error overpayments, accounting for £658m of overpayments, an increase of £96m since last year. Loss of Claimant Contact is the second biggest cause of fraud overpayments, accounting for £200m. There was a reduction in claimant error overpayments across several error reasons, including a reduction of £29m for failure to report circumstance changes for non-dependant household members, and £12m for incorrectly reporting income from occupational and personal pensions.

The rate of underpayments on Housing Benefit in 2015/16 remains the same as last year, 1.4%. This amounts to a monetary value of £340m. The rate of claimant error underpayments decreased by 0.1%, to 1.0%, whilst the rate of official error underpayments increased* significantly by 0.1%, to 0.4%.

The rate of Employment and Support Allowance overpayments has increased to their highest recorded rate

If you're ill or disabled, Employment and Support Allowance offers you financial support if you're unable to work, or personalised help so that you can work if you're able to.





Fraud and Error in the Benefit System: 2015/16, Table 2

*These changes are statistically significant

Main Messages

The rate of overpayments on Employment and Support Allowance increased between 2014/15 and 2015/16, from 2.9% to 3.1%.

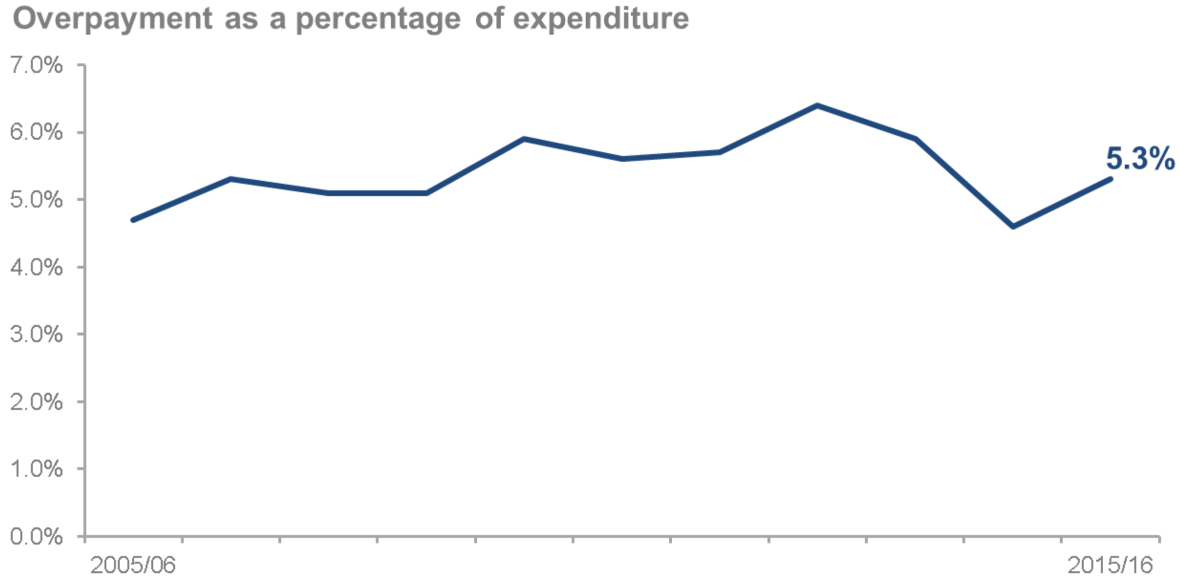
Expenditure on Employment and Support Allowance increased from £12.8bn to £14.5bn. The monetary value of overpayments also increased, from £370m to £450m.

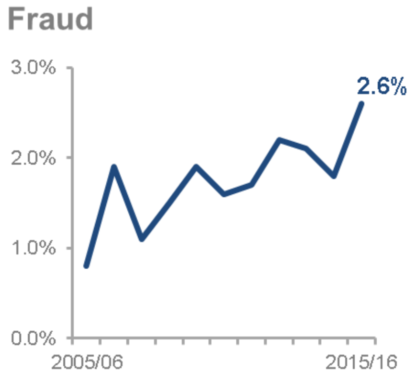
The rate of fraud overpayments increased* significantly, from 1.2% to 1.9%. The rate of claimant error and official error overpayments both decreased, to 0.5% and 0.7% respectively. The change in fraud was partiallly driven by an increase in Abroad fraud overpayments, from £3m to £38m. Loss of Claimant Contact is the main cause of fraud overpayments, accounting for £65m. Incorrectly reporting the amount of capital remains the main cause of claimant error overpayments, accounting for £33m.

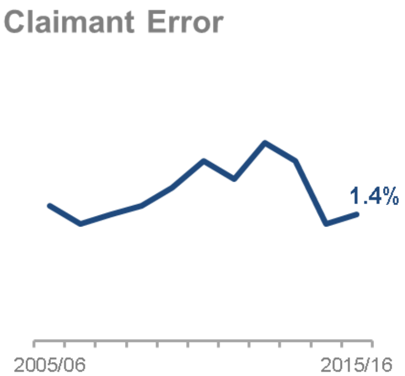
The rate of underpayments on Employment and Support Allowance increased between 2014/15 and 2015/16, from 2.0% to 2.4%. This amounts to an increase in monetary value from £260m to £350m. The rate of claimant error* underpayments increased significantly to 1.3% whilst official error underpayments decreased to 1.1%. The largest increase in claimant error underpayments was associated with income from other benefits; it increased from £44m to £93m. The decrease in official error underpayments was driven by a decrease in underpayments associated with control activities, from £83m to £34m.

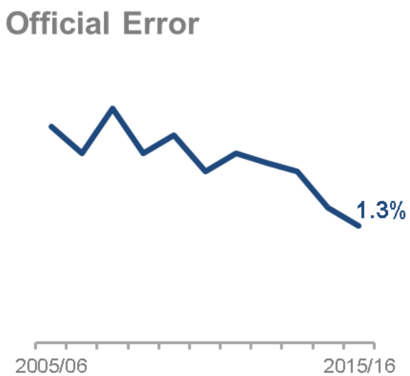
Pension Credit overpayments have increased, mainly due to an increase in fraud

Pension Credit provides support to people older than the female state pension age. The Guarantee Credit element guarantees an income at a set level and people aged 65 or over (and couples where one member is 65 or over) may also be entitled to Savings Credit if they have modest income from savings, investments or a second pension.









Fraud and Error in the Benefit System: 2015/16, Table 2

*These changes are statistically significant

Main Messages

The rate of overpayments on Pension Credit increased between 2014/15 and 2015/16, from 4.6% to 5.3%. Although expenditure decreased, from £6.7bn to £6.2bn, the monetary value of overpayments increased, from £310m to £330m.

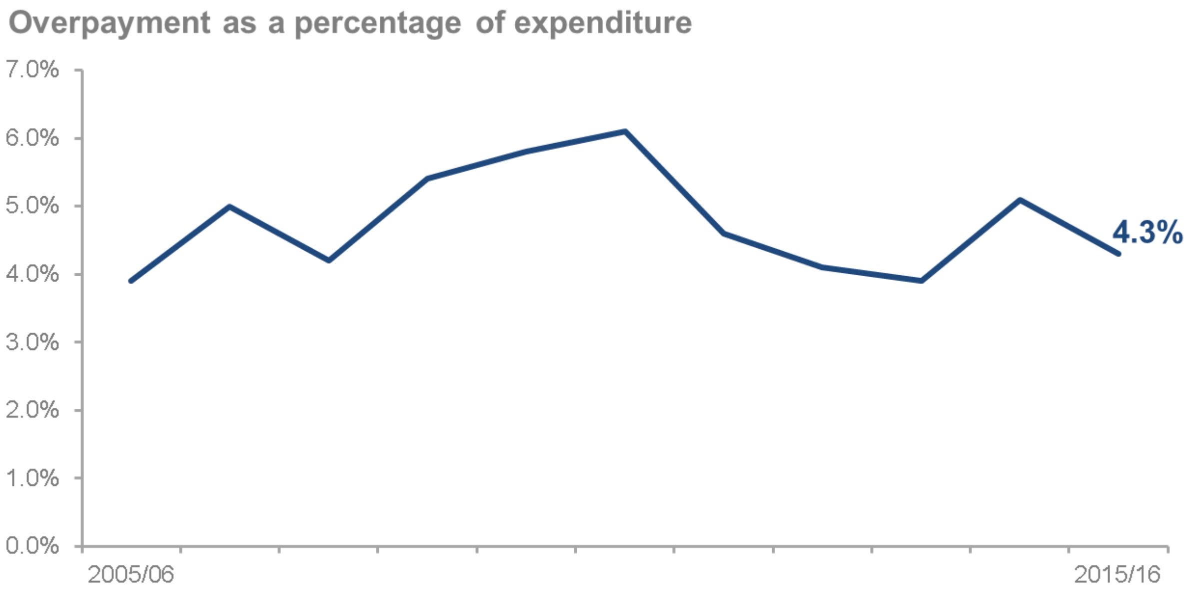
The rate of fraud overpayments increased, from 1.8% to 2.6%, the highest recorded rate. The main cause of fraud overpayments is Abroad fraud, which accounts for £70m, an increase of £55m since last year. Abroad fraud occurs when claimants that are normally resident in the UK fail to notify the department before leaving the country, and are abroad for a period longer than the allowable absence limit.

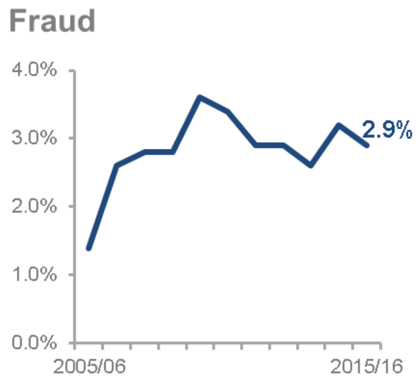
The rate of claimant error overpayments increased to 1.4%, whilst official error overpayments decreased to 1.3%. The increase in claimant error was mainly due to an increase in overpayments associated with household composition, from £15m to £33m. The decrease in official error was mainly due to a decrease in overpayments associated with control activities, from £29m to £9m.

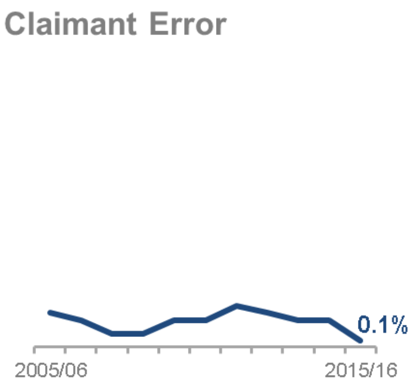
The rate of underpayments on Pension Credit increased* significantly from 1.7% in 2014/15 to 2.5% in 2015/16. This amounts to an increase in monetary value from £110m to £150m. This increase was mainly due to a significant increase* in the rate of official error underpayments, from 1.0% to 1.7%. This was driven by an increase in underpayments associated with premiums, from £30m to £67m. The rate of claimant error underpayments increased to 0.8%.

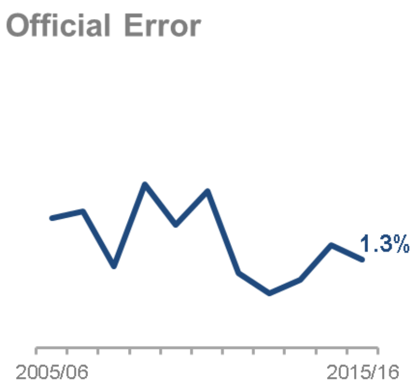
The rate of Jobseeker’s Allowance overpayments has decreased

Jobseeker’s Allowance is paid to people under state pension age who are available for and actively seeking work. The composition of the JSA sample has changed within this publication so that we no longer have a separate sample for newer cases. Further information can be found within the Background and Methodology document.









Fraud and Error in the Benefit System: 2015/16, Table 2

Main messages

The rate of overpayments on Jobseeker’s Allowance decreased between 2014/15 and 2015/16, from 5.1% to 4.3%. Because of the decrease in expenditure from £3.1bn to £2.3bn, the change in the monetary value of overpayments is also large, from £160m to £100m.

The rates of fraud, claimant error and official error overpayments all decreased, to 2.9%, 0.1% and 1.3% respectively.

The main cause of fraud overpayments continues to be failure to declare earnings and employment, accounting for £24m, a decrease of £28m since last year. Loss of Claimant Contact accounts for £17m of fraud overpayments.

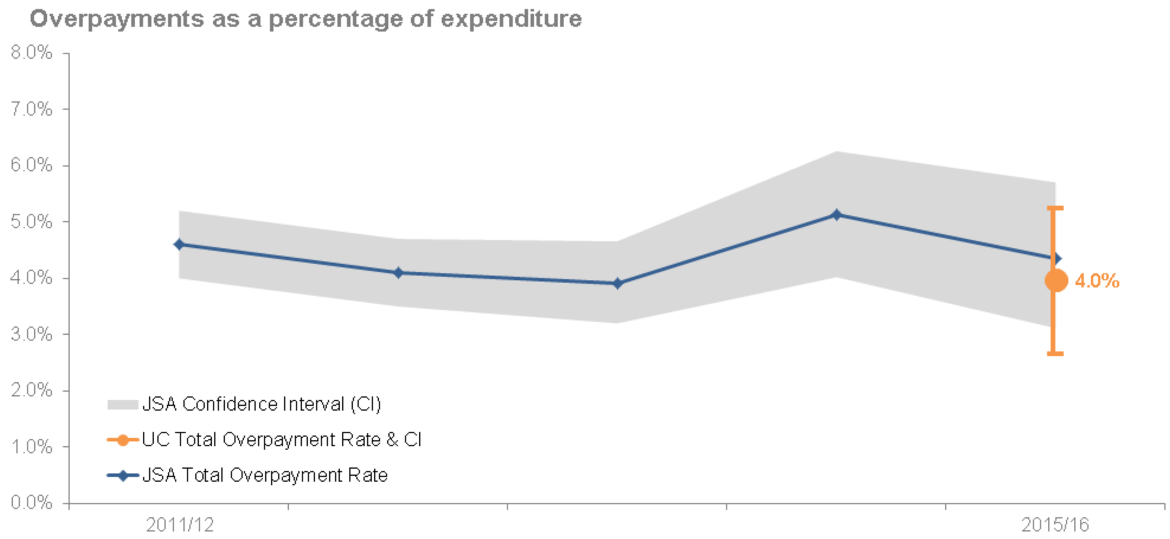
Labour Market Issues, which are often linked to a lack of evidence being available to the teams checking the claims, remains the main cause of official error overpayments, accounting for £13m.

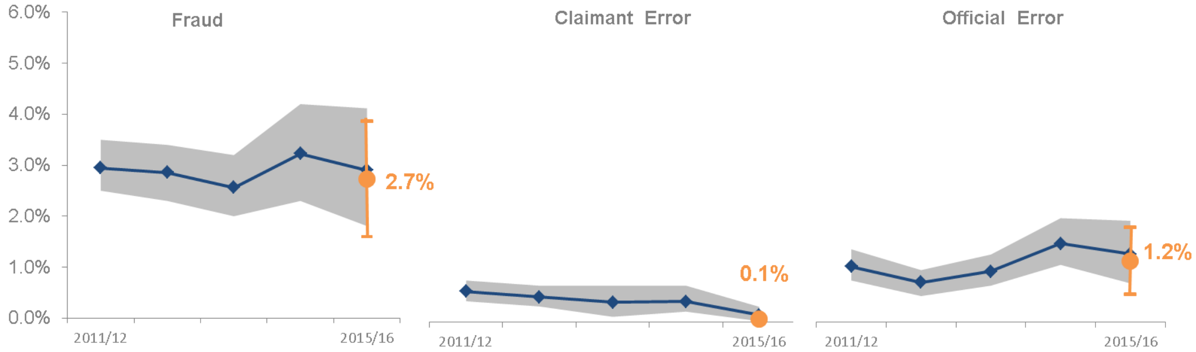
The rate of underpayments on Jobseeker’s Allowance decreased from 1.1% in 2014/15 to 0.7% in 2015/16. The rate of claimant error and official error underpayments both decreased, to 0.0% and 0.6% respectively. Official error underpayments associated with housing costs showed the biggest decrease, from £22m to £2m.

The methodology for Universal Credit Measurement has changed since the preliminary estimates were released in May 2016 (see Appendix 3 for more details)

The total overpayment rate has reduced due to a combination of a reduced level of fraud and error evident in the more recent data and a methodology change (see Appendix 3 for more details).

Universal Credit Overpayments





Fraud and Error in the Benefit System: 2015/16, Table 2

Main messages

Universal Credit (UC) commenced rollout from April 2013 (see Appendix 4 for further details on UC and rollout). During the period of measurement used to produce these estimates (April 2015 – March 2016), the UC caseload has increased from 50,000 to 232,000, compared with an average of around 625,000 on JSA.

The total rate of overpayments on UC at 4.0% is lower than for Jobseeker's Allowance (4.3%). As UC is still being rolled out across Great Britain, expenditure on this benefit (£490m in 2015/16) is much lower than on JSA (£2.3bn in 2015/16). **The monetary value of overpayments on UC is correspondingly lower, at £19m**, compared with £100m for JSA.

The rate of fraud overpayments on UC is 2.7% (£13m), compared with 2.9% on JSA. The largest causes of fraud on UC are **Living Together** (1.4%), **Earnings and Employment** (0.5%) and **Loss of Claimant Contact** (0.4%). It's worth noting that Earnings and Employment fraud on UC is lower than JSA (1.0%). This category consists mainly of cases where UC claimants failed to report or verify either self employed or self reported earnings.

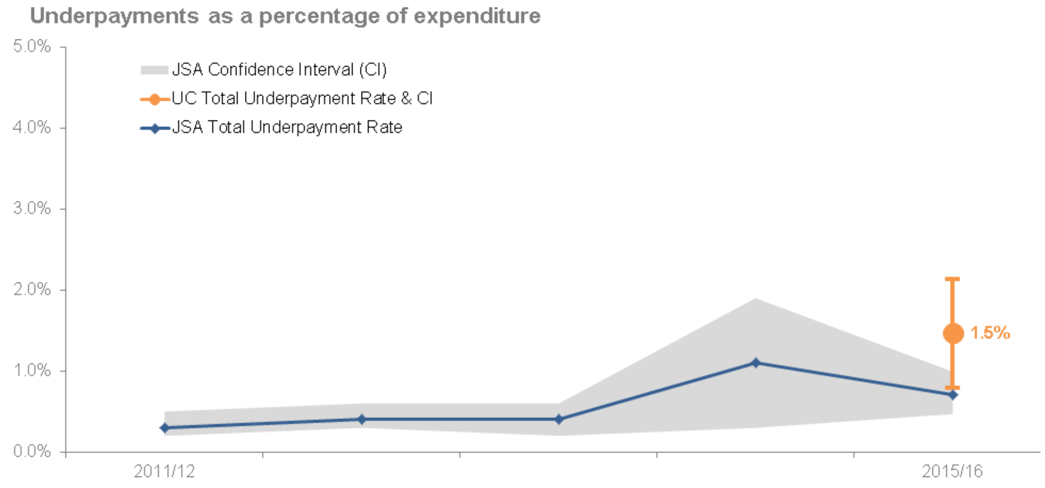
The proportion of fraud due to **Loss of Claimant Contact** has reduced since the preliminary publication as a result of a change in methodology which is covered in Appendix 3.

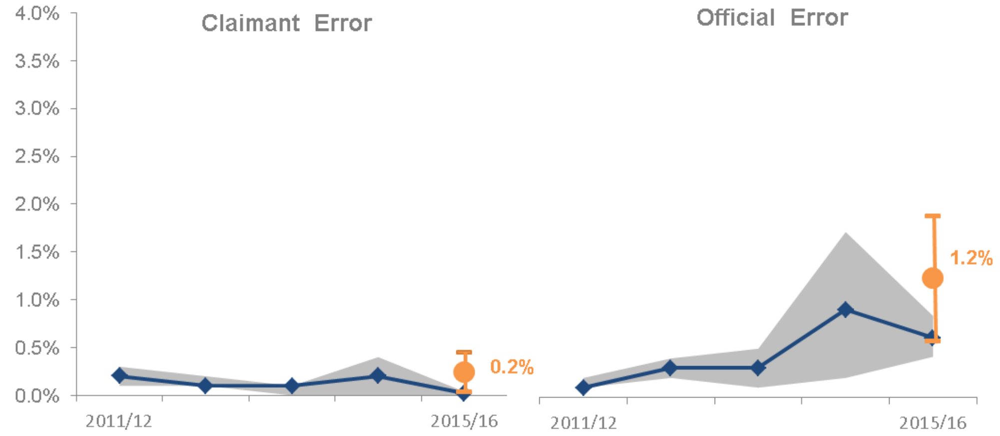
UC official error is 1.2% (£6m), compared to 1.3% on JSA; claimant error is 0.1% on both benefits.

The largest cause of official error overpayments on UC is **Housing Costs** at 0.3% and **Household Composition** at 0.2%, which when combined result in £2m overpaid.

Universal Credit Underpayments

The total underpayment rate has reduced due to a combination of a reduced level of error evident in the more recent data and a methodology change (see Appendix 3 for more details).





Fraud and Error in the Benefit System: 2015/16, Table 8

*These changes are statistically significant

Main messages

The estimate of the total rate of underpayments on Universal Credit is 1.5%. This is significantly higher* than the total rate of underpayments on Jobseeker's Allowance at 0.7%.

The monetary value of total underpayments on Universal Credit (UC) is £7m.

The majority of underpayments on UC are official error underpayments. The rate of **official error underpayments is 1.2%,** compared with 0.6% on JSA.

The rate of claimant error underpayments on UC is 0.25%, which is significantly higher* than JSA at 0.02%.

The main cause of underpayments on UC is **Housing Costs**, which accounts for 0.7% of official error underpayments and 0.2% of claimant error underpayments.

The majority of UC claims start out as the equivalent of a simple JSA claim, such as a single person without children or housing costs; they can change their circumstances over time and remain on UC. We estimate that 39% of the caseload had housing costs, making these cases more complex to administer.

This may help explain why underpayments are higher on UC; many housing cost errors may appear in Housing Benefit claims and, for cases with both Jobseeker's Allowance and Housing Benefit in payment, these errors will be included in the estimates for Housing Benefit, rather than our comparative benefit, Jobseeker's Allowance.

The monetary value of **underpayments due to Housing Costs was £4m**, compared to £1m of UC overpayments. This difference is due to higher average error amounts on underpayments when compared to overpayments, since the volume of underpayment errors identified is lower than the overpayments.

The **Other** error category accounted for 0.3% of underpayments. This category consists mainly of official errors where payments were not made or the payments were incorrectly calculated.

Appendix 1: Overpayment rates and monetary values by benefit

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
Continuously reviewed										
Housing Benefit	£24.2bn	6.0%	£1460m	4.1%	£1000m	1.6%	£380m	0.3%	£70m	Apr 15 - Mar 16
Pension Credit	£6.2bn	5.3%	£330m	2.6%	£160m	1.4%	£90m	1.3%	£80m	Apr 15 - Mar 16
Employment & Support Allowance	£14.5bn	3.1%	£450m	1.9%	£270m	0.5%	£80m	0.7%	£100m	Apr 15 - Mar 16
Jobseeker's Allowance	£2.3bn	4.3%	£100m	2.9%	£70m	0.1%	£0m	1.3%	£30m	Apr 15 - Mar 16
Universal Credit[3]	£0.5bn	4.0%	£19m	2.7%	£13m	0.1%	£0m	1.2%	£6m	Apr 15 - Mar 16
Occasionally reviewed										
Income Support	£2.7bn	3.9%	£100m	2.4%	£60m	1.0%	£30m	0.4%	£10m	Oct 13 - Sep 14
Incapacity Benefit	£0.1bn	2.4%	£0m	0.3%	£0m	0.9%	£0m	1.2%	£0m	Oct 09 - Sep 10
Disability Living Allowance[1]	£13.3bn	1.9%	£250m	0.5%	£60m	0.6%	£80m	0.8%	£100m	Apr 04 - Mar 05
State Pension[2]	£89.4bn	0.1%	£90m	0.0%	£0m	0.1%	£70m	0.0%	£10m	Apr 05 - Mar 06
Carer's Allowance	£2.6bn	5.5%	£140m	3.9%	£100m	1.0%	£30m	0.6%	£10m	Apr 96 - Mar 97
Interdependencies			£30m		£10m		£10m		£10m	Oct 14 - Sep 15
Unreviewed[3]	£16.5bn	1.7%	£280m	0.7%	£110m	0.5%	£80m	0.5%	£90m	
Total[4]	**£172.3bn**	**1.9%**	**£3.3bn**	**1.1%**	**£1.9bn**	**0.5%**	**£0.9bn**	**0.3%**	**£0.5bn**	
Range[5]		(1.6,2.3)	(2.8,3.9)	(0.9,1.4)	(1.5,2.5)	(0.4,0.7)	(0.7,1.2)	(0.2,0.5)	(0.4,0.8)	

Notes:

1. The 2004/05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in claimants' 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 claimant to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what claimants 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 £0.6 billion (+/-£0.2 billion) in 2005/06. Based on 2015/16 DLA expenditure this figure is now estimated to be around £1.0 billion (+£0.3/-£0.2 billion). This component is not included in the total above.
2. Official error estimates for State Pension (SP) are derived from a continuous measurement exercise which covered the period April 2015 to March 2016. SP fraud and claimant error estimates have been produced based on a National Benefit Review exercise carried out in 2005/06. The latest 2015/16 expenditure has then been applied to these estimates to provide the most up to date monetary values for SP fraud and error.
3. The 'Unreviewed' category no longer includes Universal Credit estimates as these are now derived from a continuous measurement exercise. The sample for UC is split into Reviewed and Cannot Review cases. The latter cases are included in the final statistics but calculated using assumptions as opposed to measured data.
4. Rows and columns may not sum to totals due to rounding. See page 3 for our rounding policy.
5. Approximate 95% confidence intervals are given. These allow for non-sample error in occasionally reviewed benefits and the additional uncertainty that comes from the use of older measurement periods.

Appendix 2: Underpayment rates and monetary values by benefit

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
Continuously reviewed										
Housing Benefit	£24.2bn	1.4%	£340m	0.0%	£0m	1.0%	£240m	0.4%	£100m	Apr 15 - Mar 16
Pension Credit	£6.2bn	2.5%	£150m	0.0%	£0m	0.8%	£50m	1.7%	£100m	Apr 15 - Mar 16
Employment & Support Allowance	£14.5bn	2.4%	£350m	0.0%	£0m	1.3%	£180m	1.1%	£160m	Apr 15 - Mar 16
Jobseeker's Allowance	£2.3bn	0.7%	£20m	0.1%	£0m	0.0%	£0m	0.6%	£10m	Apr 15 - Mar 16
Universal Credit[2]	£0.5bn	1.5%	£7m	0.0%	£0m	0.2%	£1m	1.2%	£6m	Apr 15 - Mar 16
Occasionally reviewed										
Income Support	£2.7bn	0.8%	£20m	0.1%	£0m	0.4%	£10m	0.3%	£10m	Oct 13 - Sep 14
Incapacity Benefit	£0.1bn	0.7%	£0m	0.0%	£0m	0.0%	£0m	0.7%	£0m	Oct 09 - Sep 10
Disability Living Allowance	£13.3bn	2.5%	£330m	0.0%	£0m	2.4%	£320m	0.1%	£10m	Apr 04 - Mar 05
State Pension[1]	£89.4bn	0.2%	£170m	0.0%	£0m	0.0%	£0m	0.2%	£170m	Apr 05 - Mar 06
Carer's Allowance	£2.6bn	0.1%	£0m	0.0%	£0m	0.1%	£0m	0.0%	£0m	Apr 96 - Mar 97
Unreviewed										
Unreviewed[2]	£16.5bn	1.8%	£290m	0.0%	£0m	1.5%	£250m	0.2%	£40m	
Total[3]	**£172.3bn**	**1.0%**	**£1.7bn**	**0.0%**	**£0.0bn**	**0.6%**	**£1.1bn**	**0.4%**	**£0.6bn**	
Range[4]		(0.7,1.3)	(1.3,2.2)	(0.0,0.0)	(0.0,0.0)	(0.4,0.9)	(0.7,1.5)	(0.3,0.5)	(0.5,0.8)	

Notes:

1. Official error estimates for State Pension (SP) are derived from a continuous measurement exercise which covered the period April 2015 to March 2016. SP fraud and claimant error estimates have been produced based on a National Benefit Review exercise carried out in 2005/06. The latest 2015/16 expenditure has then been applied to these estimates to provide the most up to date monetary values for SP fraud and error.
2. The 'Unreviewed' category no longer includes Universal Credit estimates as these are now derived from a continuous measurement exercise. The sample for UC is split into Reviewed and Cannot Review cases. The latter cases are included in the final statistics but calculated using assumptions as opposed to measured data.
3. Rows and columns may not sum to totals due to rounding. See page 3 for our rounding policy.
4. Approximate 95% confidence intervals are given. These allow for non-sample error in occasionally reviewed benefits and the additional uncertainty that comes from the use of older measurement periods.

Appendix 3: Methodology Changes in Universal Credit

The preliminary estimates released in May 2016, estimated total overpayments to be 7.3% of expenditure, of which fraud was 5.4%. This level of fraud was being driven by Loss of Claimant Contact (LoCC) cases, where DWP were unable to complete a review of the case and these were categorised as Causal Link fraud.

Since measurement of UC started in October 2014 **around 9% of the sample has not had a completed effective review.** An example of this is where the claimant receives notification of the review and does not engage in the review process or they contact the service centre and request to withdraw their claim.

In many cases this was due to the claimant moving into employment and ceasing to co-operate with the review process. In the preliminary results we introduced 'mitigating circumstances' for this group so that they would not be counted as being wholly fraudulent. However, for a remaining group (around 4%) where there was no evidence of moving into work and the claimant refused to engage, it was inferred that the claim was fraudulent in line with the methodology on JSA and Housing Benefit.

Further investigation has now resulted in this methodology being revisited and as a result the sample has been split into **'Reviewed'** and **'Cannot Review'** cases. The Reviewed sample results are based on the completed measurement data in the same way as for other benefits. The fraud and error associated with the Cannot Review sample cases is based on a number of assumptions detailed below.

Assumptions

Cannot Review Sample with Mitigating Circumstances - Overpayments

Cases with mitigating circumstances are where information is available on DWP systems to indicate why the person <u>may not</u> have engaged. In most cases, this is where the person has moved into paid work following the Assessment Period under review.

Given that a full review was never completed to check for claimant error (CE) or fraud (CF), it is assumed that these cases will have a similar level of CE and CF as Reviewed cases. In the preliminary estimates these cases were assumed to be totally benefit correct.

Cannot Review Sample without Mitigating Circumstances - Overpayments

Further investigations over the summer highlighted that 20% of these cases had some evidence to suggest <u>potential fraud</u> but without a thorough fraud investigation this cannot be verified. The remaining 80% were inconclusive as there was no evidence to indicate any fraud or fraudulent intent. However, this doesn't mean there is definitely no fraud; it merely means that there is little or only inconclusive information available to the department to account for the loss of contact.

It has therefore been assumed that 20% of these cases are fraud. In addition, it is assumed that these cases will have a similar level of claimant error to the Reviewed cases. In the preliminary estimates 100% of these cases were assumed to be fraud and no claimant error was assumed.

Cannot Review Sample - Underpayments

Given that a full review was never completed to check for claimant error (CE), it is assumed that these cases will have a similar level of CE as Reviewed cases. In the preliminary estimates these cases were assumed to be benefit correct.

Official Error (OE)

Official error is measured using a desk based check and completed on every sample case, since a review with the claimant is not required. For this reason no assumptions have been made on the official error rate and this is based on the measured sample results for both Reviewed and Cannot Review estimates .

Appendix 3: Methodology Changes in Universal Credit (continued)

Impacts of the Methodology Change on 2015/16 Overpayment Estimates

May 2016 Publication	% Sample	Fraud	Claimant Error	Official Error	Total	MVFE
	-	**5.4%**	**0.2%**	**1.7%**	**7.3%**	***£35m***
Revised May 2016	**100%**	**3.0%**	**0.2%**	**1.7%**	**4.9%**	***£23m***
Reviewed	90%	2.4%	0.2%	1.6%	4.2%	***£18m***
Cannot Review with Mitigating Circs	6%	2.4%	0.2%	2.8%	5.4%	***£1m***
Cannot Review without Mitigating Circs	4%	20.0%	0.2%	2.8%	23.0%	***£4m***
Final 2015/16 Estimates ^	**100%**	**2.7%**	**0.1%**	**1.2%**	**4.0%**	***£19m***
Reviewed	92%	2.3%	0.1%	1.1%	3.5%	***£16m***
Cannot Review with Mitigating Circs	5%	2.3%	0.1%	1.7%	4.0%	***£0m***
Cannot Review without Mitigating Circs	4%	20.0%	0.1%	1.7%	21.7%	***£3m***

^ The % sample for final 2015/16 estimates does not sum to the total due to rounding; the sum of the Cannot Review cases is 8%
Note: Underpayments have not been illustrated in the above table since the impacts of the methodology changes are negligible and not visible in the rounded figures.

The most significant change in the methodology is the change to the fraud assumption for **Cannot Review Cases with no Mitigating Circumstances**. The previous methodology assumed these case to be 100% fraudulent, but this has now been revised to 20% following further investigation and analysis. **This has reduced the fraud rate from 5.4% in the May 2016 published estimates to 3.0% in the revised May 2016 estimates,** reducing the **total fraud and error from 7.3% to 4.9%.** This represents a difference of £12m in total MVFE overpaid.

May 2016 estimates used measurement data from October 2014 to September 2015 and the final 2015/16 estimates use data from April 2015 to March 2016, hence the final estimates contain 6 months of more recent data. Comparing the revised May 2016 estimates and the Final 2015/16 estimates provides a direct comparison and highlights the changes due to the more recent data. The comparison shows a reduction in the **total fraud and error rate from 4.9% to 4.0%**, representing a reduction of £4m MVFE overpaid. Fraud has decreased from 3.0% to 2.7% due to fewer fraud cases being identified in the Reviewed cases and the proportion of Cannot Review cases in the sample having decreased from 10% to 8% between the revised preliminary and final estimates. This means that the impact of the assumption changes has had a smaller impact on the results. Claimant error has reduced slightly to 0.1% and official error has reduced from 1.7% to 1.2%.

The assumptions used in these estimates will be revisited and updated as more information and cases become available. The table below highlights the sensitivity of the fraud assumption for the Cannot Review - No Mitigating Circumstances cases to lower and higher fraud rates, illustrating the impact on the final 2015/16 estimates.

	Fraud 8% based on Lower Limit 95% CI		Fraud 20% Central Estimate		Fraud 37% based on Upper Limit 95% CI	
	Rate	MFVE	Rate	MFVE	Rate	MFVE
Claimant Fraud	2.4%	£12m	2.7%	£13m	3.2%	£16m
Total	**3.7%**	**£18m**	**4.0%**	**£19m**	**4.4%**	**£22m**

Appendix 4: About Universal Credit

Measurement of fraud and error in Universal Credit (UC) started in October 2014. The first results provided preliminary 2015/16 estimates, which have now been updated using April 2015 to March 2016 data to produce final 2015/16 estimates.

Universal Credit is a new benefit that reduces poverty by making work pay. It encourages claimants to take personal responsibility to actively seek work, increase earnings and take ownership for their account and the information they supply, while continuing to provide support for those who need it most.

Universal Credit will eventually replace the following benefits with a single monthly UC payment:

- Income-based Jobseeker's Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Income Support, Working Tax Credit (IS, WTC)
- Child Tax Credit (CTC)
- Housing Benefit (HB)

The main differences between Universal Credit and the current welfare system are:

- Universal Credit is available to people who are in work and on a low income, as well as to those who are out-of-work
- Most people will apply online and manage their claim through an online account
- Universal Credit will be responsive – as people on low incomes move in and out of work, they'll get on-going support
- Most claimants on low incomes will still be paid Universal Credit when they first start a new job or increase their part-time hours
- Claimants will receive a single monthly household payment, paid into a bank account in the same way as a monthly salary
- Support with housing costs will usually go direct to the claimant as part of their monthly payment
- Whether an individual can claim UC depends on where they live and their personal circumstances, but once a person starts to claim UC, they normally remain on UC unless they receive no benefit for 6 months or choose to terminate their claim.

Universal Credit Rollout

- UC was initially introduced between April and July 2013 in four Pathfinder sites in the North West. Progressive roll out of UC began in October 2013 and by spring 2014 ten offices were delivering UC.
- For new claims there was a set of conditions so that only certain types of new claims were eligible for UC in those geographical areas where UC had been introduced.
- In Pathfinder areas, these conditions meant that new claims had to be single, not home-owners, without any children and unemployed (i.e. would otherwise have been making a new claim to Jobseeker's Allowance (JSA)).
- From July 2014 the conditions expanded to include couples, and at the same time the rollout for single claimants was extended.
- From summer 2014 UC started to roll out across the North West of England and eligibility was extended further to include families with children from November 2014.
- National expansion (for single unemployed claims only) began in February 2015 and was completed in April 2016.

About these statistics

The figures presented in this report are estimates of fraud, claimant error and official error.

Fraud – cases where the following three conditions apply:

- The basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met
- The claimant can reasonably be expected to be aware of the effect on entitlement
- Benefit stops or reduces as a result of the review.

Claimant Error – the claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the claimant's part.

Official Error – the benefit has been paid incorrectly due to inaction, delay or a mistaken assessment by the DWP, a Local Authority or Her Majesty's Revenue and Customs.

Our Background and Methodology information note provides further information on the how we calculate 'Fraud and Error in the Benefit System' statistics and gives a glossary of the causes of fraud and error used in this document and the reference tables:
https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates

Fraud and error – rates and monetary values

For continuously measured benefits, the **monetary value of fraud and error** is calculated using the percentage of fraud and error found in our sample:

(Percentage of fraud and error) x (Benefit expenditure)

Even if the rate of fraud and error is increasing, if the benefit expenditure is decreasing, we could see a lower monetary value; and *vice versa*. For example:

The rate of overpayments on Employment Support and Allowance fell from 2.9% to 2.8% but expenditure rose from £12.8bn to £14.5bn.

2.9% of £12.8bn is £370m. 2.8% of £14.5bn is £410m.

This is why it is better to compare **rates of overpayments and underpayments** rather than monetary values.

Technical appendices give more detail about the data manipulation process:
https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports

Interactive information and charts to represent the fraud and error data:
https://femavis.herokuapp.com

Other National and Official Statistics

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website via the following links:

- A list of Tabulation Tools: https://www.gov.uk/government/organisations/department-for-work-pensions/series/dwp-statistics-tabulation-tool;
- A schedule of statistical releases over the next 12 months and a list of the most recent releases: https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics;
- In addition, users can find links to additional DWP statistical analyses that have not been included in our standard publications at https://www.gov.uk/government/organisations/department-for-work-pensions/series/ad-hoc-statistical-publications-list

If you would like to receive occasional e-mails from DWP to directly inform you of documents seeking the views of users, please email general.statistics@dwp.gsi.gov.uk giving details of the DWP publications you use.