

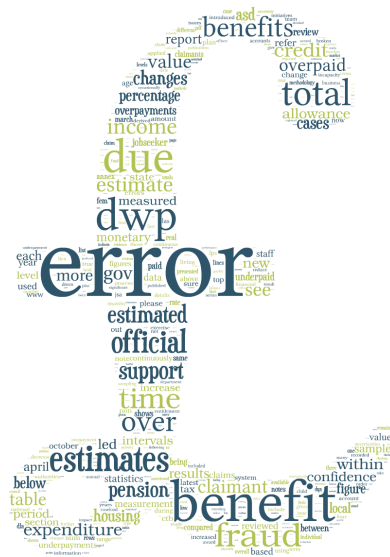


Department  
for Work &  
Pensions



# Fraud and Error in the Benefit System:

## Background information and methodology



---

November 2016

© Crown copyright 2016

## Fraud and Error in the Benefit System: Background information

### **For enquiries please contact:**

Eve Smith  
Fraud and Error Measurement Analysis  
Statistical Services Division  
Department for Work and Pensions  
BP5201 Benton Park View  
Newcastle  
NE98 1YX

E-mail: [caxtonhouse.femaenquiries@dwp.gsi.gov.uk](mailto:caxtonhouse.femaenquiries@dwp.gsi.gov.uk)

### **This report is available on the internet at:**

<https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system>

**ISBN:** 978-1-78425-886-3

# 1 Executive Summary of changes to methodology

Universal Credit estimates of fraud and error were included in the “Continuously Measured” estimates for the first time in the Preliminary 2015/16 results. Full reviews began in October 2014. There is an impact on the total overpayments and underpayments as previously fraud and error were estimated using a proxy measure.

Changes to the methodology have been made between the preliminary 2015/16 results and the final 2015/16 results. The statistics have been split into Reviewed and Cannot Review cases. The latter cases would be included in the final statistics but calculated using assumptions as opposed to measured data.

For more information, please see appendix 3 of the publication document and Technical Appendix for Universal Credit:

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

The way that we categorise overpayments changed after 2013/14. This was a result of the measurement system tightening up the evidence gathering and structured probing process.

The composition of the JSA sample has changed within this publication so that we no longer have a separate sample for newer cases.

More information about these changes can be found in Chapter 6.

## Contents

1	Executive Summary of changes to methodology .....	2
2	Introduction .....	4
3	Our measurement system .....	5
4	Definitions of fraud, claimant error and official error .....	8
5	Interpretation of the results.....	9
6	Methodology changes .....	11
7	Explaining changes in the continuously measured benefit estimates since 2005/06 .....	12
8	Changes to benefit rules since 2005/06 .....	16
9	Measurement review issues and methodology changes .....	19
10	Error codes within the continuously measured benefits .....	22
11	Further information and future reporting.....	27
12	Annex 1: Glossary of abbreviations.....	29
13	Annex 2: Statistical terms.....	30
14	Annex 3: Supporting material .....	31
15	Annex 4: List of methodology changes .....	33
16	Annex 5: List of benefits included in fraud and error estimates .....	39

## 2 Introduction

- 2.1 The main statistical release and supporting tables and charts provide estimates of fraud and error for benefit expenditure administered by the Department for Work and Pensions (DWP). This includes a range of benefits for which we derive estimates using different methods, as detailed in 'Our Measurement System' below. For further details on which benefits are included in the total fraud and error estimates please see Annex 5. For more information on the benefit system and how DWP benefits are administered please see: <https://www.gov.uk/browse/benefits>
- 2.2 The fraud and error estimates can be used for:
- Obtaining estimates for the amount over/underpaid in total and by benefit, broken down into the types of fraud, claimant error and official error, across Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Housing Benefit and Universal Credit.
- 2.3 Within DWP these statistics are used to evaluate, develop and support fraud and error policy, strategy and operational decisions, initiatives, options and business plans through understanding the causes of fraud and error.
- 2.4 The fraud and error statistics published in May each year, feed into the DWP accounts. The preliminary 2015/16 estimates published in May 2016 fed into the 2015/16 DWP annual report and accounts published on 7<sup>th</sup> July 2016. <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2015-to-2016>
- 2.5 The statistics feed into the annual HM Revenue and Customs National Insurance Fund accounts. These are available in the National Insurance Fund Accounts section of the HMRC reports page: <https://www.gov.uk/government/publications/national-insurance-fund-accounts>
- 2.6 The fraud and error estimates are used to answer Parliamentary Questions and Freedom of Information requests. Please note that we are unable to answer questions about individual fraud and error cases or provide regional estimates of fraud and error as we do not break the statistics down to this level. This is because the sample sizes for the current survey exercises are chosen to report fraud and error at the Great Britain level only, therefore reporting at a lower country/regional level could lead to unrepresentative and misleading conclusions.
- 2.7 For more information on how our estimates are used and by whom please refer to the below document published in "Uses and Users of the DWP Fraud and Error in the Benefits System Statistics" at: <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## 3 Our measurement system

- 3.1 Estimates of fraud and error for various benefits have been derived using three different methods, now described:

### **Continuously reviewed benefits**

- 3.2 Fraud, claimant error and official error (see definitions below) for Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Housing Benefit and Universal Credit are measured on a continuous basis and expenditure on these benefits accounts for 28% of all benefit expenditure. Official error is measured continuously in State Pension, therefore meaning that 80% of all benefit expenditure is measured for official error on a continuous basis.
- 3.3 Estimates are produced by statistical analysis of data collected through continuous survey exercises, in which independent specially trained staff from the Department's Performance Measurement team, review a randomly selected sample of cases each year.
- 3.4 For Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Housing Benefit and Universal Credit the review process involves the following activity:
- Previewing the case by collating information from a variety of DWP or Local Authority (LA) systems to develop an initial picture and to identify any discrepancies between information from different sources;
  - Interviewing the claimant at their home, using a structured and detailed set of questions about the basis of their claim. For Universal Credit the interview is completed as a telephone review in the majority of cases. However, where this is not appropriate, there is also the option to make a home visit to the claimant or for a review form to be sent by post.
  - The interview aims to identify any discrepancies between the claimant's current circumstances and the circumstances upon which their benefit claim was based.
- 3.5 If a suspicion of fraud is identified, an investigation is undertaken by a trained Fraud Investigator with the aim of resolving the suspicion.
- 3.6 Between April 2015 and March 2016 the following number of benefit claims were sampled and reviewed by the Performance Measurement (PM) team:

	Sample size	Percentage of claimant population reviewed
Housing Benefit	10,330	0.2%
Jobseeker's Allowance	990	0.2%
Pension Credit	2,410	0.2%
Employment and Support Allowance	3,320	0.2%
Universal Credit	990	0.8%
State Pension (official error only)	2,000	0.0%
<b>Total</b>	<b>20,040</b>	<b>0.1%</b>

3.7 Overall, less than 0.05% of all benefit claims included in DWP Global estimates were sampled and reviewed by the Performance Measurement (PM) team.

3.8 Information about the Performance Measurement Team can be found at: <https://www.gov.uk/dwp-visit>

3.9 The Data Quality Adjustment (DQA) Team in PM conduct independent checks on a randomly selected sub-sample of cases after the results of the individual reviews have been completed by the main sample checking teams. The DQA team record discrepancies between the levels of the overpayment and underpayment errors they find compared with the original results from the main sample checks. These results from the checked cases are then applied to all cases within the sample population by assuming that the same rate of incorrectness/change in the overpayment and underpayment rates would apply to all cases. The DQA check is also used by PM as a feedback loop to improve their processes and highlight any operational training needs.

3.10 Between April 2015 and March 2016 the following number of benefit claims were selected for DQA:

	Number of checks
Housing Benefit	1,280
Jobseeker's Allowance	90
Pension Credit	290
Employment and Support Allowance	300
Universal Credit	220
<b>Total</b>	<b>2,180</b>

### Occasionally reviewed benefits

3.11 Since 1995, the Department has carried out National Benefit Reviews (NBRs) for various benefits to estimate the level of fraud and error in a particular financial year following the same process outlined in 3.4 above. These benefits cover 63% of total expenditure. Please see Annex 5 for details of benefits covered by occasional reviews.

### **Un-reviewed benefits**

- 3.12 The remaining benefits, which account for around 10% of total benefit expenditure, have never been subject to a specific review. These benefits tend to have relatively low expenditure which means it is not cost effective to undertake a review. For these benefits the estimates are based on assumptions about the likely level of fraud and error.
- 3.13 For some of these benefits the estimates of fraud and error are based on comparable measured benefits. Severe Disablement Allowance, for example, has many similarities to Employment and Support Allowance (ESA), both in terms of entitlement and its administration. Therefore, the estimate of fraud and error in Severe Disablement Allowance is based on the results of measurement of ESA.
- 3.14 Where there is no similar measured benefit it is assumed that fraud and error is equal to the average estimate of fraud and error across all measured benefits.



## 4 Definitions of fraud, claimant error and official error

4.1 The tables presented in the statistical report estimate fraud, claimant error and official error. The definitions are explained further below:

- **Fraud:** This includes all 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:** 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.

4.2 Note that the current methodology states that all errors (fraud, claimant error and official error) found on a case are recorded separately and the full values of each error are recorded in isolation of one another. This can lead to the sum of the error values being higher than the benefit award. In such cases a capping calculation is performed (using a fraud, claimant error, official error hierarchy) to ensure that the sum of the errors does not exceed the award, so that the monetary value of fraud and error is not over-reported. This can lead to some of the originally captured fraud, claimant error and official error raw sample values being reduced during the calculation of the estimates.

4.3 For more information on the methods used to produce these estimates and how they are quality assured please refer to the document below published in "Quality methods" at: <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## 5 Interpretation of the results

5.1 Care is required when interpreting the results presented in the main report:

- **These estimates are subject to statistical sampling uncertainties.** All estimates are based on reviews of random samples drawn from the benefit caseloads. In 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 occur due to the assumptions that have had to be made to account for incomplete or imperfect data or using older measurements. Where possible, these further uncertainties have been quantified and combined with the sampling uncertainties to give an overall assessment in the form of 95% confidence limits. A few 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 varying degrees of strictness for different review cases or for different periods of time.
- **A proportion of continuously measured benefit expenditure cannot be captured by the sampling process.** This is mainly because of the delay between sample selection and the interview of the claimant, and also the time taken to process new benefit claims, which excludes the newest cases from the review. The estimates in the tables in this release have been extrapolated to cover all expenditure. The confidence intervals reflect some, but not all, of the uncertainty involved in applying the sample results to elements of expenditure that are not fully covered by the sample. We consider that the remaining unquantifiable uncertainty from this source is relatively small.
- **The estimates do not encompass all fraud and error.** This is because fraud is, by its nature, a covert activity and some suspicions of fraud on the 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. Complex official error can also be difficult to identify.
- **Some incorrect payments may be unavoidable.** The measurement methodology will treat a case as incorrect, even where the claimant has promptly reported a change and there is only a short processing delay.
- **Some overpaid benefit is subsequently recovered.** The estimates in this publication are of the amount of benefit that is paid out incorrectly, rather than the eventual financial loss to the Department and Local Authorities. In 2015/16 DWP recoveries (excluding monies recovered in respect of Housing Benefit on behalf of Local Authorities) were estimated to be in the region of £350m. Housing Benefit recoveries by Local Authorities are estimated to be in the region of £660m for 2015/16, according to the latest available data. Therefore, the net loss to the Department is less than the overpayment figures shown in this release. To find out more about Housing Benefit recoveries, please see:

## Fraud and Error in the Benefit System: Background information

<https://www.gov.uk/government/statistics/housing-benefit-recoveries-and-fraud-data-april-2015-to-march-2016>

- 5.2 Care is also required when interpreting and comparing the results over time, which are presented in the main report:
- The estimates are based on a random sample of the total benefit caseload and are therefore subject to statistical uncertainties, as explained in the first bullet above. This uncertainty is quantified by the estimation of 95% confidence intervals surrounding the estimate. These 95% confidence intervals show the range within which we would expect the true value of fraud and error to lie.
  - When comparing two estimates, users should take into account the confidence intervals surrounding each of the estimates. The calculation to determine whether the results are significantly different from each other is complicated and takes into account the width of the confidence intervals. We perform this robust calculation in our methodology and state in the report whether any differences between years are significant or not. However, the general reader can broadly estimate whether differences are significant by seeing how much the confidence intervals overlap. If they do not overlap then the differences between estimates are generally significantly different and indicate a real change in the estimates over time. If confidence intervals do overlap then the difference between estimates are generally not significantly different, indicating that any changes are more than likely to be due to sampling variation rather than real change.
- 5.3 For more information regarding sampling uncertainties and interpreting confidence intervals please refer to the below document published in “Fraud and Error Measurement – Variance and Confidence Intervals” at:  
<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## 6 Methodology changes

- 6.1 Universal Credit estimates of fraud and error were included in the “Continuously Measured” estimates for the first time in the Preliminary 2015/16 results. Full reviews began in October 2014. There is an impact on the total overpayments and underpayments as previously fraud and error were estimated using a proxy measure.
- 6.2 Changes to the methodology have been made between the preliminary 2015/16 results and the final 2015/16 results. The statistics have been split into Reviewed and Cannot Review cases. The latter cases would be included in the final statistics but calculated using assumptions as opposed to measured data.
- 6.3 For more information, please see Appendix 3 of the publication document and the Technical Appendix for Universal Credit:  
  
<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>
- 6.4 There has been a switch in the classification of some errors from claimant error to fraud following a review of the information gathering process. This switch does not affect the overall level of total overpayments but since its introduction after 2013/14, it has had an increasing impact over time. In 2015/16, it is thought to be the main reason for an increase in fraud and a fall in claimant error. This change is giving a more accurate classification of the level of fraud and claimant error across benefits but it does mean that the later results post 2013/14 cannot be directly compared with the earlier results.
- 6.5 The outcome from the review emphasised further questioning to establish the facts around any changes in circumstances.
- 6.6 The change in the way we categorise overpayments as either fraud or claimant error has had a particularly large effect on the Housing Benefit estimates.
- 6.7 As these estimates are based on a smaller sample for Jobseeker’s Allowance, it was no longer viable to have a separate new cases sample from the main JSA sample.
- 6.8 In previous reports we have processed these samples separately for most of the methodology and combined them at a later stage. This approach was not possible for this set of estimates as there was only 6 months of data available for the new cases sample, covering the first 6 months of the reporting period, and the methodology required the two samples to cover the same period.
- 6.9 Therefore within these estimates we combined the two sets of data together at the start of the calculation process to create a larger main sample and processed the data as one larger JSA sample.

## 7 Explaining changes in the continuously measured benefit estimates since 2005/06

- 7.1 None of the changes over time for Jobseeker's Allowance, Employment and Support Allowance, Pension Credit and Housing Benefit are statistically significant at a 95% level of confidence, unless specifically stated within the chart and table commentary. This suggests that any changes since 2005/06 are more than likely to be due to sampling variation. These estimates are stable over time and little change occurs year on year.
- 7.2 However, as well as sampling variation, there are many factors that may also impact on the reported levels of fraud and error and the time series presented. This section lists some of the more important events, such as departmental initiatives to combat fraud and error, important changes to the benefit regulations, the economic outlook and some benefit-specific issues. The list is not exhaustive, but provides useful information for the user on the main changes that could have had an impact on the measurement of fraud and error. It is not possible to disentangle all of these possible diverse effects and produce estimates of their individual impact on the reported levels of fraud and error.

### **Departmental initiatives to reduce fraud and error since 2005/06**

- 7.3 The Departmental initiatives below may have led to changes in fraud and error since 2005/06, and are presented in date order:
- Introduction of Customer Compliance teams in 2006 focusing on the examination of cases identified by data matching as having potential discrepancies and the introduction of a comprehensive error reduction strategy in January 2007;
  - From 2002/03 until end of 2006/07, DWP ran the Security Against Fraud and Error (the SAFE scheme). This provided financial rewards to Local Authorities (LAs) for finding overpayments and for sanctioning and prosecuting fraudsters. The SAFE scheme was abolished after 2006/07;
  - In 2006/07, DWP re-launched the targeting fraud campaign with the aim of increasing awareness of fraud within the department resulting in more cases being considered fraudulent when incorrectness was identified;
  - In April 2007 DWP introduced a new performance measure which changed the incentive to Local Authorities (LAs) to reduce claimant error by encouraging them to identify changes in claimant circumstances leading to changes in benefit entitlement. However, new government-wide guidelines for reducing the burden on LAs, introduced in 2008/09, have reduced the effectiveness of the incentive in subsequent years;
  - The drop in official error on Housing Benefit from 2006/07 to 2008/09 could be due to fewer overpayments from passporting errors and from non-residency. This is probably a consequence of DWP supplying better information to Local

## Fraud and Error in the Benefit System: Background information

Authorities with respect to “passporting” claimants who are no longer getting the passporting benefit;

- Another possible influence on the Housing Benefit official error levels, over the past few years in particular, may be due to the subsidy rules for official error. DWP give LAs reduced subsidy for any HB/CTB that they pay out in error (i.e. for detected overpayments) and the amount of subsidy each LA receives for official error overpayments depends on their overall level of official error. Although these subsidy incentives have been in place for many years, over the past few years LAs have increased their efforts at maximising the amount of subsidy they receive;
- Error Reduction Teams operated between 2009 and 2011 to help drive down official error based on the National Statistics evidence. The targeted checking regime focused on the top causes of official error;
- Introduction of staff training and evaluation packages in 2009 to provide improved guidance for operational staff in managing their caseload;
- Since April 2009 the Customer Information System (CIS) has been available to Local Authorities. This has allowed them to access the latest DWP information on individual Housing Benefit claimants and their claims. This should tend to reduce fraud and error;
- In 2010 specific focused checks were introduced at the start of a benefit claim to address known areas of incorrectness. These initiatives may have contributed to a reduction in the number of incorrect claims;
- In April 2010, Pension Credit Case Cleanse 1 was introduced. This aims to reduce error within the Pension Credit caseload through a targeted intervention approach to error reduction;
- In October 2010 Pension Centres were given access to HMRC data to mitigate against non-state pension errors and in October 2012 the Accuracy Support Team began performing a monthly validation on all new claims and reviews to ensure this information is being used;
- Quality Error Reduction Checks (QERC) were introduced in October 2010 to focus Jobcentre staff on the Conditionality and Labour Market aspects of claiming JSA. Staff were initially managed within the groups, but in April 2011 were brigaded under a national team and movements were made in September 2011 to align to remote group checking to enhance the independent element and effectiveness of the activity. Changes made since then have resulted in a more focused check with performance measured elements gaining a higher profile within management and with their staff thus resulting in a greater understanding of, and compliance with, the Labour Market activity requirements;
- In November 2010 an Income Support case cleanse exercise was launched. Regionally based teams contact claimants to review the circumstances of their

## Fraud and Error in the Benefit System: Background information

claim. The primary focus is claimant error, with the potential to pick up official error and stop unreported changes from converting into fraud. Calls are targeted at high-risk claims, but over time all cases will be cleansed. Regionally located teams have now been replaced by three dedicated sites and their remit extended to include Jobseeker's Allowance;

- In April 2011 Pension Credit Case Cleanse 2 was introduced. This aims to concentrate on the most costly mistakes relating to Non-State Pensions, i.e. other Benefits, Capital and Extra Amount for Severe Disability;
- Automated Transfers to Local Authority Systems (ATLAS) was introduced for Tax Credit notifications in July 2011 and expanded out to include DWP benefit notifications in November 2011. ATLAS provides automatic downloads of award data for DWP benefits and HMRC Tax Credits to Local Authorities' systems, where there is a new award or change of award and the DWP/Tax Credit claimant is in receipt of Housing Benefit and /or Council Tax Benefit. This should decrease claimant errors on Housing Benefit, however, may also potentially lead to an increase in official error;
- Crimestoppers campaign in December 2011 for three months, targeting Leeds, Manchester and Glasgow. Activities included articles in the press, as well as posters, leaflets, website banners and social media sites. In addition to this, Crimestoppers used their contacts within the community to encourage those who knew of individuals committing benefit fraud to report them via the Crimestoppers free phone telephone number;
- The Official Error Prevention Team was introduced in December 2011 to help drive down official error based upon the National Statistics evidence and other internal checking evidence. The Official Error Prevention Team brings together cross-DWP internal checking teams, including the newly formed National Checking Team. The team undertakes root cause analysis of errors and provides intelligence to assist in targeting the top causes. They were renamed the Quality and Failure Demand Business Partner Team to better reflect their responsibilities, which include, for example, quantifying the additional costs of official error and re-work;
- Single Fraud Investigation Service Pilots were introduced during 2012 including Mobile Regional Taskforces focusing on cases with a high risk of fraud. Increased Fraud Investigation activity in these areas heightened awareness both within the Department and with the public;
- Launch of a Continuous Professional Development Programme for all Fraud Investigation Service staff in April 2012, providing assurance that relevant skills are up to date;
- Current and future initiatives (that could affect trends in the fraud and error estimates) are detailed in the Fraud and Error Strategy published in October 2010, which can be accessed here:

## Fraud and Error in the Benefit System: Background information

<https://www.gov.uk/government/publications/tackling-fraud-and-error-in-the-benefit-and-tax-credits-systems>

- A Strategy refresh (see pages 21-27) was then published by the Cabinet Office in February 2012 and is accessible at:

<https://www.gov.uk/government/publications/tackling-fraud-and-error-in-government-a-report-of-the-fraud-error-and-debt-taskforce>



## 8 Changes to benefit rules since 2005/06

8.1 The changes to benefit rules below may have led to changes in fraud and error since 2005/06, and are presented in date order:

- The Minimum Income Guarantee (MIG) was replaced by Pension Credit in October 2003 MIG had a tight gateway at the start of the claim with extensive verification requirements. As an important target was to increase the take-up of Pension Credit, some procedures around verification were relaxed to actively encourage pensioners to claim the benefit. This may have led to an increase in fraud and error levels.
- Equalisation of State Pension Age Pensioners are only required to tell either the DWP or the LA about a change in circumstances (unlike working age claimants who must tell both organisations). This regulation came into effect from 2006. Cases that would have been of pension age in previous years will now be working age and required to inform both DWP and the administering LA. This may slightly increase levels of claimant error, with claimants not always informing both DWP and the LA.
- Benefit Simplification Measures Introduced in October 2007 for treatment of final earnings on new claims for working age income-related benefits and JSA(C) to align with pension age income-related benefits.
- Pension Credit Run On From 2008/09 low-risk Pension Credit claimants had their awards extended without any intervention. The Fraud and Error statistics show that a certain amount of error was present in this group of cases.
- Migration from Income Support to Employment and Support Allowance (ESA) ESA replaced Incapacity Benefit and Income Support paid on the grounds of sickness and disability for new claims from 27<sup>th</sup> October 2008. This has meant that the short-term sick claimants now flow onto ESA and is resulting in a slowly declining group of long-term inactive claimants on Income Support. Some claimants will be moved to JSA or off benefit completely where their condition is found not to satisfy ESA conditionality.
- Migration of lone parents from Income Support to JSA via Lone Parent Obligations From 24<sup>th</sup> November 2008 Lone Parents (LPs) with a youngest child aged 12 or over were no longer able to make a new or repeat claim for Income Support (IS) solely on the basis of their parental status. Existing IS LPs with a youngest child aged 12 or over had their eligibility removed over a period of time commencing 2<sup>nd</sup> March 2009. From October 2009 this policy was extended to LPs with a youngest child aged 10 or 11 and from October 2010 the policy was extended to LPs with a youngest child aged 7 or over. The Welfare Reform Act 2012 introduced further changes and from 21<sup>st</sup> May 2012 lone parents will only be eligible to claim Income Support until their youngest child is five years old. This may lead to a reduction in the number of Living Together errors recorded in Income Support, but is likely to increase the

## Fraud and Error in the Benefit System: Background information

numbers recorded in Jobseeker's Allowance and Employment and Support Allowance.

- Housing Benefit Regulation 104A This regulation was introduced on 1<sup>st</sup> April 2010. This allows a Local Authority, when calculating an overpayment, to offset the HB entitlement at the new address against the overpayment from the previous property. This is expected to reduce overpayments.
- Maintenance Disregard From April 2010 maintenance paid by absent parents to claimants with children was disregarded from means-tested benefits.
- Local Housing Allowance (LHA) Caps For Housing Benefit, the Local Housing Allowance new maximum rate caps were introduced on 1<sup>st</sup> April 2011. We would expect this to lead to LHA cases being re-visited as claimants adapt to the new rules.
- Electronic signing pathfinders As part of the Labour Market Modernisation Program a pilot began to introduce a digitalised system into Jobcentres, mainly for use by claimants at their Fortnightly Jobsearch Review (FJR). It provides a solution to capture a claimant's signature electronically, providing an unalterable, legally-binding link between the claimant and the electronic copy of a signed form.
- Local Housing Allowance uprating From January 2013, Local Housing Allowance anniversary dates were abolished in favour of annual uprating in April 2013.
- Universal Credit started to be introduced in stages from April 2013. DWP plan to make Universal Credit available in each part of Great Britain during 2016. New claims to existing benefits, which Universal Credit is replacing, will then close down, with the vast majority of claimants moving onto Universal Credit during 2016 and 2017. Universal Credit is a new benefit that has started to replace six existing benefits with a single monthly payment into claimant's accounts. Universal Credit will help people to be better off in work, start a new job or work more hours. Universal Credit will eventually replace:
  - Income-based Jobseeker's Allowance
  - Income-related Employment and Support Allowance
  - Income Support
  - Working Tax Credit
  - Child Tax Credit
  - Housing Benefit
- Personal Independence Payment started to replace Disability Living Allowance for people aged 16 to 64 from April 2013 and helps with some of the extra costs caused by long-term ill-health or a disability.
- Council Tax Benefit was abolished in April 2013 and replaced by a system of localised support. In England, the Department for Communities and Local

## Fraud and Error in the Benefit System: Background information

Government is now responsible for statistics. The Scottish and Welsh Governments have similar responsibility.

- Benefit Cap In April 2013 DWP began a pilot of the Benefit Cap, which limits the total amount of benefit that most people aged 16 to 64 can get. From July 2013 this was rolled out nationally. The cap applies to the total amount that the people in the household get from the following benefits:
  - Bereavement Allowance
  - Carer's Allowance
  - Child Benefit
  - Child Tax Credit
  - Employment and Support Allowance (unless you get the support component)
  - Guardian's Allowance
  - Housing Benefit
  - Incapacity Benefit
  - Income Support
  - Jobseeker's Allowance
  - Maternity Allowance
  - Severe Disablement Allowance
  - Widowed Parent's Allowance (or Widowed Mother's Allowance or Widow's Pension you started getting before 9 April 2001)

The level of the cap is:

- £500 a week for couples (with or without children living with them)
  - £500 a week for single parents whose children live with them
  - £350 a week for single adults who don't have children, or whose children don't live with them
- Removal of the Spare Room Subsidy. Since April 2013 the spare room subsidy was removed in Housing Benefit for working age people renting from a local authority, a registered housing association or other registered social landlord. The new rules will restrict the size of accommodation you can receive Housing Benefit for, based on the number of people in the household.

## 9 Measurement review issues and methodology changes

9.1 The National Statistics Review Officers can have difficulty gaining access to the appropriate evidence that they need to conduct their reviews. This can be due to:

- IT systems that do not allow evidence to be readily accessed;
- Process changes that mean that the same level of evidence is not available for checking;
- Storage of papers off-site leading to retrieval issues and cases not being completed;

9.2 Particular examples worth noting are;

- Changes made to the Labour Market System (LMS) within Jobcentre Plus in 2008 led to difficulties for Review Officers when viewing Jobseeker's Agreements which in turn led to an increase in the recording of Labour Market Issues official error. Changes were introduced into the LMS in May 2011 that gave Review Officers more access to view Jobseeker's Agreements, leading to fewer whole award official errors being recorded, thus reducing the rate and monetary value of overpayments for Jobseeker's Allowance in 2011/12 compared with 2010/11.
- Changes were also made to the actively seeking employment recording process, following LEAN initiatives within Jobcentre Plus, so that only one overall element of the job search steps had to be recorded on LMS, rather than three individual elements. In 2010/11 this change led to an increase in Labour Market control activity official errors being recorded by measurement Review Officers who required evidence for all three steps. However, in December 2010, Performance Measurement agreed to change their methodology to accept evidence based on only one step being recorded and satisfied, thus reducing the rate and monetary value of Jobseeker's Allowance official error overpayments being recorded in 2011/12.

9.3 From October 2008 the Pension Credit assessed income period (AIP) became due for review by operational staff, but many of these were not reviewed. This could have led to some increases in all categories of error, especially official error. It has proved to be increasingly difficult for the Review Officers to obtain evidence from claimants to check that their Pension Credit awards have been correctly calculated after the expiry of their AIP.

9.4 In the period April 2012 – September 2012 several measurement review methodology changes were introduced which could lead to minimal changes in MVFE:

## Fraud and Error in the Benefit System: Background information

### Housing Benefit:

- The recording of Tax Credit one-off payment errors which may reduce overpayment.
- Categorising certain self-employed cases as claimant error which were previously recorded as official error.

### Housing Benefit and Pension Credit:

- Clarification that certain errors identified as commencing in the review week, but taking effect after the review week are not to be recorded may reduce claimant error and fraud.

### State Pension:

- The increased risk of official error on new claims due to restricted checks of National Insurance Contribution accounts.

9.5 From May 2012 the Performance Measurement Team have changed the classification of some Housing Benefit cases with self-employed earnings which were previously recorded as official error. The following cases are now being classed as claimant error:

- the claimant has ongoing self-employed earnings which are audited annually, but;
- the Local Authority have failed to control the case to review earnings within a calendar year, and;
- the claimant has failed to notify the Local Authority of any changes to their accounts.

The potential impact on the figures is that the Housing Benefit “Earnings/Employment” category may see a transfer of Official Error to Claimant Error.

## **Pension Credit specific issue**

9.6 In April 2011, the uprating of certain elements of Pension Credit was incorrectly applied leading to around 70,000 claimants being underpaid, with a much smaller number of overpayments. So these will be present as official error underpayments within the preliminary 2011/12 Fraud and Error estimates. A correction exercise was undertaken in January 2012.

## **Changes to calculation methodology**

9.7 To improve the quality and accuracy of the estimates or to correct for known quality issues the Fraud and Error estimates have been updated since the new baseline was introduced in 2005/06. A full list of these changes is shown in Annex 4 in this report. Where the alteration is estimated to result in a noticeable change, text and/or a table is normally inserted into the relevant publication to give more details on the level of change.

9.8 Housing Benefit measurement changed in the 2014/15 preliminary publication. Instead of reporting all overpayments and all underpayments, we began

## Fraud and Error in the Benefit System: Background information

netting off, in the same way as for the other continuously measured benefits. This caused the figures to fall by around 0.3 percentage points. We also reduced the amount of claimant untraceable errors we report, which has reduced the overpayment rate by 0.1 percentage points.

## 10 Error codes within the continuously measured benefits

- 10.1 A new error code framework was introduced in April 2010 following internal stakeholder consultation and agreement. The 2010/11 report was the first report to include these new error code breakdowns.
- 10.2 The current error code breakdowns are not comparable to error code breakdowns in reports before 2010/11.
- 10.3 From April 2011, errors previously recorded under 'Premiums' are now being recorded under 'Household Composition' or 'Income – Other'. Due to this change, comparisons involving these error codes between this and previous reports should be treated with caution.
- 10.4 Prior to the Preliminary 2013/14 estimates, claimant error and fraud relating to other benefits was classified to be counted as Income – Other. For Income Support and Jobseeker's Allowance this has now been changed and these errors/frauds will appear as Income – Other Benefits. This means that "Income – Other Benefits" and "Income – Other" cannot be compared between 2012/13 and 2013/14 reports.
- 10.5 Loss of Claimant contact replaced the Customer not found and customer untraceable error reasons from the 2014/15 estimates.
- 10.6 The estimates are often very small percentages of expenditure, and are sometimes 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 codes of error. Nevertheless, they can give a useful indication of which codes of error are causing the most overpaid expenditure and how error typically enters the system.
- 10.7 Additional tables, including confidence intervals, are available for: Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Universal Credit and Housing Benefit on the DWP website at:  
<https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system>
- 10.8 A list of the additional tables available for Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Housing Benefit and Universal Credit is given in Annex 3 of this report.

10.9 A **Glossary** of the error codes for over and underpayments is given below.

**Abroad** – claimant left Great Britain after claim began, did not notify DWP before leaving and is confirmed to be abroad for a period that exceeds any allowable absence limit.

**Capital** – concealed or incorrect declaration of the amount of savings in bank or building society accounts, cash, ISA/PEPs, premium bonds, other property interests or shares that exceed the minimum value for capital limits. Official errors include incorrect calculation by DWP staff of the value of declared savings, money and other financial assets available to the claimant, or failure to correctly adjust tariff levels and amend the benefit entitlement due.

**Childcare Costs** – Childcare costs incorrectly included or excluded or an incorrect declaration of the amount of childcare costs for the childcare element of UC.

**Conditions of entitlement** – an undeclared change in personal circumstances of claimant, or their partner, that would end entitlement to a benefit. Examples include: being in full-time education, long-term hospitalisation, imprisonment, death, and assuming a false identity.

Staff failing to act on information received that raises doubt on basic entitlement to benefit. Examples include: a single parent who reports their children leaving the household, medical evidence expiring for sick claimants, a full-time student claiming JSA, claimants who work over 16 hours per week, benefit paid based on an invalid claim form, and not confirming identity or immigration status. For JSA joint claims a further example is: staff failing to require both the claimant and their partner to sign as unemployed, where this was the appropriate action. An example for Universal Credit is failing to agree and/or sign a claimant commitment but UC still being put into payment.

**Control activities not carried out appropriately** – failure of staff to conduct actions at the due time which otherwise may have changed the level of benefit payable. For example not conducting routine interviews where claimant non-participation can result in a benefit sanction, late notification of benefit disallowances, incorrect or missed activity as a result of a Work Capability Assessment for Employment and Support Allowance or not conducting Assessed Income Period or Life Event Reviews for Pension Credit.

**Claimant Untraceable** – previously reported as “Not at Address”. Following repeated efforts by DWP staff to interview the claimant, they did not present themselves for interview and the claim was terminated. The suspicion remaining is that DWP disrupted an active, but unknown type of fraud or error.

**Earnings/Employment** – concealment or incorrect declaration of full or part-time work undertaken during the claim by the claimant or their partner. This work can be for an employer or self-employment.



## Fraud and Error in the Benefit System: Background information

Staff have failed to correctly calculate the amount of weekly benefit due for claimants who have declared any paid work they or their partner have undertaken during the claim.

**Household composition** – failing to disclose changes in household composition, for example a non-dependant leaving. In older claims where Tax Credits are not being claimed, claiming incorrectly for number of children (or their specific circumstances) which increases the value of DWP benefits payable, or claiming for adult partners who leave the household.

Incorrect action by staff taken in respect of other people the claimant declared living with them. This includes a partner or dependent children incorrectly omitted or included in the assessment (with due regard to entitlement to any disability premium or benefit reductions due to long-term hospitalisation).

**Housing costs** – DWP provides financial assistance with the costs of mortgages, ground rent and service charges. Claimants fail to disclose payment of or changes to housing costs, for example service charges, or fail to declare sale of property, or a change of address which would end the extra amounts payable.

DWP can also inaccurately calculate the mortgage interest, ground rent or service charges, or incorrectly calculate awards of extra benefit to help with mortgage payments due to wrong start dates or by ignoring mortgage protection policies.

For Universal Credit this includes determining the housing cost element that replaces housing benefit; this can include calculation of the rent amount, correctly incorporating rent free weeks and size criteria.

**Income - Occupational and Personal Pensions** – concealed or incorrect declaration of income received from a non-state pension, obtained through contributions paid in past employment schemes, annuities or personal investments.

DWP staff fail to take into account the correct amount of non-state pensions declared by the claimant.

**Income - Other benefits** – concealed or incorrect declaration of income received from another benefit or tax credit.

DWP IT systems or staff have failed to take into account the correct value of other social security benefits currently paid to the claimant or partner, including benefits paid by a foreign state.

**Note:** comparisons cannot be made between Housing Benefit, Income Support and Jobseeker's Allowance Income – Other Benefits fraud or claimant error prior to 2013/14 estimates.

## Fraud and Error in the Benefit System: Background information

**Income - Other** – concealed or incorrect declaration of income coming into the household from sources such as HMRC Tax Credits, sick pay from work, spousal maintenance, partner's student income, unemployment or similar insurance policy payments. For Universal Credit this is referred to as 'Income – not Earnings or Employment'

Failure by staff to correctly identify or record other money coming into the household, such as HMRC Tax Credits, Child Benefit, sick pay from work, spousal maintenance, partner's student income, unemployment or similar insurance policy payments.

**Note:** comparisons cannot be made between Income Support and Jobseeker's Allowance Income – Other fraud or claimant error prior to 2013/14 estimates.

**Labour Market Issues** – lack of evidence of staff enforcement of jobseekers fulfilling legal requirements. These include actively seeking and being available for work, non-compliance with or absence of a valid Jobseeker's Agreement, not imposing sanctions when employment is refused and not following up job submissions.

**Living Together** – where a claimant declares that they are single but has failed to declare they actually live with another person and maintain a joint household. Staff incorrectly award benefit despite available evidence of the claimant declaring another person in their household that might reasonably be expected to have been identified and verified as a possible partner.

**Loss of Claimant Contact** - where contact with the claimant is lost and they do not engage with the full review process. This can either be through not being available to complete the review; or requesting that their claim to benefit is withdrawn.

**Non-dependant deductions** – failing to report that another adult who is not financially dependent on them (e.g. another immediate family member), lives in their household, or has left the household, or their circumstances have changed. Subject to personal income, the other person is expected to contribute to household expenses, reducing any benefit payable to the claimant.

**Other** – this covers a range of different cases not covered in the categories above or below. Errors relating to the Benefit Cap are counted in this section.

**Passporting** – relevant to Housing Benefit only. Working age claimants are required to inform the Local Authority paying Housing Benefit of any changes in their circumstances, including when DWP benefits end. Failure to do so can result in HB continuing to be paid.

It includes communication failures between different IT systems that notify the termination of a claimant's means-tested DWP benefit to the Local Authority, impacting the HB award, or LA staff failing to act on the information received.

## Fraud and Error in the Benefit System: Background information

**Premiums** – DWP can pay additional amounts in means-tested benefits when other benefits are also being paid, for example Disability or Carer's allowances. This often introduces additional criteria for staff to consider before deciding the qualification for the extra amounts, for example additional amounts related to the Guarantee Credit within Pension Credit.

Claimants also fail to report when the other benefit commences, or the rate payable changes or ceases, leading to an overpayment or underpayment of the benefit premiums.

**Residency** – errors relating to Housing Benefit claimants only, where DWP confirms that the claimant no longer lives at the address being paid for. Residency in Great Britain is a condition of entitlement to Income Support, Jobseeker's Allowance, Employment and Support Allowance and Pension Credit.

**Tax Credits** – errors where the amount or existence of tax credits results in an incorrect award of a DWP benefit.

## 11 Further information and future reporting

### Further information

- 11.1 Further fraud and error figures and background documentation are available on the DWP website at: <https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system>
- 11.2 In October 2010, DWP and HM Revenue and Customs published a joint strategy on tackling fraud and error in the benefit and tax credits systems. This is available on the DWP website at: <https://www.gov.uk/government/publications/tackling-fraud-and-error-in-the-benefit-and-tax-credits-systems>
- 11.3 In February 2012, 'Tackling Fraud and Error in Government' was published by the Cabinet Office. This is available at: <https://www.gov.uk/government/publications/tackling-fraud-and-error-in-government-a-report-of-the-fraud-error-and-debt-taskforce>
- 11.4 Northern Ireland Fraud and Error statistics are comparable to the Great Britain statistics within the main report, as their approach to collecting the measurement survey data and calculating the estimates and confidence intervals is very similar. Northern Ireland Fraud and Error in the Benefit System high-level statistics are published within the Social Security Agency annual reports: <https://www.communities-ni.gov.uk/publications/social-security-agency-annual-report-and-accounts-2014-15>
- 11.5 HMRC estimates of Error and Fraud in Tax Credits:  
<http://www.hmrc.gov.uk/statistics/fin-error-stats.html>  
<https://www.gov.uk/government/collections/personal-tax-credits-statistics>

### Future reporting

- 11.6 The next set of fraud and error statistics have a provisional publication date of May/June 2017. This report will provide the preliminary fraud and error estimates for the 2016/17 financial year.
- 11.7 Measurement of fraud and error in Personal Independence Payment began in October 2015. The first publication containing Personal Independence Payment estimates will be the Preliminary 2016/17 estimates.
- 11.8 From October 2014, Income Support ceased to be measured. This means that no visits took place after September 2014, so the last year we can report is October 2013 – September 2014. This period forms the Preliminary 2014/15 estimates, which were released in May 2015.
- 11.9 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."

## Fraud and Error in the Benefit System: Background information

- 11.10 Unplanned revisions of figures in reports in this series might 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 are freely available, with the same level of supporting information as new statistics.

## 12 Annex 1: Glossary of abbreviations

CA	Carer's Allowance
CTB	Council Tax Benefit
DLA	Disability Living Allowance
DQA	Data Quality Adjustment
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
HB	Housing Benefit
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity Benefit
IS	Income Support
JSA	Jobseeker's Allowance
LA	Local Authority
MVFE	Monetary Value of Fraud and Error
NBR	National Benefit Review
PC	Pension Credit
PIP	Personal Independence Payment
PM	Performance Measurement
SF	Social Fund
SP	State Pension
UC	Universal Credit

## 13 Annex 2: Statistical terms

The statistical terms used in this report are explained below.

**Confidence Interval:** The range of values within 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 estimate is an indication of the value of an unknown quantity based on observed data. It provides information about unknown values in the population that we are trying to measure.

**Population (Caseload):** A population is any entire collection of items from which we may collect data. It is the entire group that we are interested in, which we wish to describe or to draw conclusions about (generally benefit claimants 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”). Through analysing the sample we aim to draw valid conclusions about the larger group.

## 14 Annex 3: Supporting material

### Tables and charts

The latest additional results are available as an excel spreadsheet by following the link to Supplementary Tables from here: <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates>

<a href="#">Table 1</a>	Time series of Amount of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 2</a>	Time series of Percentage of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 3</a>	Amount of expenditure overpaid by client group, error type and error reason - 2015/16
<a href="#">Table 4</a>	Percentage of expenditure overpaid by client group, error type and error reason - 2015/16
<a href="#">Table 5</a>	Time series of percentage of cases overpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 6</a>	Overpayments by Client Group, Error Type, Gender and Age Group - 2015/16. Percentage of expenditure and amount overpaid.
<a href="#">Table 7</a>	Time series of Amount of Expenditure Underpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 8</a>	Time series of Percentage of Expenditure Underpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 9</a>	Amount of expenditure underpaid by client group, error type and error reason - 2015/16
<a href="#">Table 10</a>	Percentage of expenditure underpaid by client group, error type and error reason - 2015/16
<a href="#">Table 11</a>	Time series of percentage of cases underpaid by Client Group and Error Type - 2005/06 to 2015/16
<a href="#">Table 12</a>	Underpayments by Client Group, Error Type, Gender and Age Group - 2015/16. Percentage of expenditure and amount underpaid.
<a href="#">Table 13</a>	Net loss to government: removing recoveries from overpayments - 2009/10 to 2015/16. Percentage of expenditure and amount.



## **Technical documentation for the continuously measured benefits**

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

“Technical Appendix for Calculation of the Gross and Net Loss Estimates”

“Technical Appendix for Income Support, Jobseeker’s Allowance and Pension Credit”

“Technical Appendix for Housing Benefit”

“Technical Appendix for Universal Credit”

## **Published documents relating to our National Statistics**

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

“Uses and Users of the DWP Fraud and Error in the Benefits System Statistics”

“Quality methods”

“Fraud and Error Measurement – Variance and Confidence Intervals”

“Ad hocs and pricing policy”

## 15 Annex 4: List of methodology changes

Below is a list of the historical methodology changes that have been made since 2005/06.

<b>Methodology change</b>	<b>Included in which published report</b>
Changes to sampling and calculation methods were aimed primarily at making the estimates better represent overpayments in the <i>whole</i> of IS, JSA and Pension Credit expenditure.	Fraud and Error in the Benefit System April 2005 to March 2006: Spending Review 2004 target baseline <a href="http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf">http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf</a>
Definitional changes to what is being measured were introduced primarily to make the estimates better relate to the actual impact of fraud and error on expenditure.	Fraud and Error in the Benefit System April 2005 to March 2006: Spending Review 2004 target baseline <a href="http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf">http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf</a>
Incapacity Benefit started to be continuously reviewed for Fraud and Claimant Error as well as Official Error.	Fraud and Error in the Benefit System: April 2008 – March 2009 – Revised Edition <a href="http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr08_mar09.pdf">http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr08_mar09.pdf</a>
There was a change in this report to the calculation of the sample weightings for Income Support, Jobseeker's Allowance and Pension Credit.	Fraud and Error in the Benefit System: April 2009 – March 2010 <a href="http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr09_mar10.pdf">http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr09_mar10.pdf</a>
To improve consistency across benefits and produce a more comparable time series between the preliminary and full year estimates, sample data has been refreshed so that information on sample cases that have been cleared late is included. Previously this was only done for full year reports; from now on this will also be carried out for preliminary estimates.	Fraud and Error in the Benefit System: from the Preliminary 2010/11 Estimates that have been updated <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a>

## Fraud and Error in the Benefit System: Background information

<p>We now use the latest available expenditure for the financial year (April to March) to calculate all Monetary Value of Fraud and Error for individual benefits within the report. This means that the data for the individual benefits contained in sections 4, 5 and 6 of the report will now be much closer to, or the same as, the global estimates contained in section 2 of the report.</p>	<p>Fraud and Error in the Benefit System: from the Preliminary 2010/11 Estimates that have been updated  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>
<p>New stratifications for Pension Credit by age (over 80 and under 80):  This is a sampling change that was implemented from April 2010; therefore this is the first set of statistics that is partly affected by this change. Due to the operational difficulty in finding details and reconstructing Pension Credit Assessed Income Period cases, an agreement was made with internal stakeholders to reduce the sample size for the older claimants. From this date, four claimants aged below eighty years of age were sampled and checked for every one aged eighty or over. This has had a minimal effect on the confidence intervals.</p>	<p>Fraud and Error in the Benefit System: from the Preliminary 2010/11 Estimates that have been updated  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>
<p>During 2011 the Fraud and Error Measurement (FEM) team have carried out a series of changes to the calculation processes and methodology in order to simplify and align these across the individual benefits. This work has made our processing quicker, more efficient, robust and transparent and easier to quality assure. This in turn will reduce risk in our calculation processes and will enable our team, in the future, to make changes to the computer programs more easily, especially with the advent of Universal Credit, and be more flexible with resources. The new aligned processing system will also make it easier for our customers to interpret and compare findings across the individual benefits.</p>	<p>Fraud and Error in the Benefit System: 2010/11 Estimates  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>

## Fraud and Error in the Benefit System: Background information

<p>We have introduced a change to the order in which Income Support, Jobseeker's Allowance and Pension Credit errors are capped within our calculation methodology. They are now capped for Fraud first, then Claimant Error, then Official Error. In previous reports they were capped for Official Error first, then Fraud, then Claimant Error. This change aligns the above benefits with the Housing Benefit capping hierarchy.</p>	<p>Fraud and Error in the Benefit System: 2010/11 Estimates  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>
<p>Since the introduction of Employment and Support Allowance in October 2008 no new claimants have been awarded Incapacity Benefit as they claim Employment and Support Allowance instead. In addition, all current claimants of Incapacity Benefit are being reassessed and will be moved to either Employment and Support Allowance or Jobseeker's Allowance in the near future. For this reason we have stopped measuring Incapacity Benefit for fraud and error on a continuous basis and have re-deployed resources to measure Employment and Support Allowance for Official Error instead, which was reported for the first time in May 2013.</p> <p>For this report and after, the preliminary 2010/11 Incapacity Benefit estimates will be used in our publications and applied to the latest expenditure figures to provide the most up-to-date monetary values of fraud and error.</p>	<p>Fraud and Error in the Benefit System: 2010/11 Estimates  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>
<p>A new error code framework was introduced in April 2010 following internal stakeholder consultation and agreement to have more meaningful information on the types of fraud and error. The 2010/11 publication was the first report to include these error code breakdowns. The breakdowns are not comparable to previously published error code breakdowns, i.e. reports before 2010/11.</p>	<p>Fraud and Error in the Benefit System: 2010/11 Estimates  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</a></p>

## Fraud and Error in the Benefit System: Background information

<p>A change was made to the way in which the extrapolation adjustment was being calculated for Income Support, Jobseeker's Allowance and Pension Credit to ensure it was based on up-to-date assumptions for these benefits.</p> <p>This change was introduced from the Preliminary 2011/12 report onwards.</p>	<p>Fraud and Error in the Benefit System: 2011/12 Estimates  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244844/fem_1112.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244844/fem_1112.pdf</a></p>
<p>Removal of stratifications for Pension Credit by age (over 80 and under 80):  This is a sampling change that was implemented from October 2012; therefore this is the first set of statistics that is partly affected by this change.</p>	<p>Fraud and Error in the Benefit System: 2012/13 Estimates  <a href="http://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-201213-estimates">www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-201213-estimates</a></p>
<p>Change to significance testing for continuously measured benefits:  Improved methodology where we use the bootstrapped values of the estimates of both years. We calculate the difference between each of the bootstrapped values and calculate the 95% confidence interval around the mean. If this confidence interval does not straddle zero, the change is marked as "statistically significant".  For more information on Bootstrapping, please see our Variance and Confidence Intervals document:  <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260495/var_conf_levels.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260495/var_conf_levels.pdf</a></p>	<p>Fraud and Error in the Benefit System: 2012/13 Estimates  <a href="http://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-201213-estimates">www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-201213-estimates</a></p>
<p>Employment and Support Allowance estimates of fraud and claimant error are included in the "Continuously Measured" estimates for the first time in the Preliminary 2013/14 results. Full reviews began in October 2012. There is an impact on the Global Estimates as previously fraud and claimant error were estimated using a proxy measure, combining both Incapacity Benefit and Income Support Disabled and Others results.</p>	<p>Fraud and Error in the Benefit System: 2013/14 Preliminary Estimates  <a href="https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates">https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates</a></p>

## Fraud and Error in the Benefit System: Background information

<p>An additional level of stratification was introduced into the Pension Credit single review sampling from April 2013. The new classification is based on characteristics of the claim, as held in our administrative records. This modification will not lead to any systematic change in our central estimates, but was introduced to reduce the width of our confidence intervals, thereby improving the precision of our central estimates.</p>	<p>Fraud and Error in the Benefit System: 2013/14 Preliminary Estimates  <a href="https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates">https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates</a></p>
<p>A level of stratification was removed from the Income Support sampling from October 2013. Results can no longer be presented as split by “Lone Parents” and “Disabled/Other”. This modification will not lead to any systematic change in our central estimates, but will increase the width of our confidence intervals, thereby reducing the precision of our central estimates. The reason for the change was the reduction in caseload.</p>	<p>Fraud and Error in the Benefit System: 2013/14 Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201314-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201314-estimates</a></p>
<p>Half of the Income Support single review cases were randomly allocated to receive notified visits from October 2013 onwards. This has had no significant effect on the rates of fraud and error reported.</p>	<p>Fraud and Error in the Benefit System: 2013/14 Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201314-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201314-estimates</a></p>
<p>Housing Benefit measurement methodology changed for the 2014/15 preliminary results. We have aligned the treatments of cases with both overpayments and underpayments across Housing Benefit and the other continuously measured benefits in the May 2015 release. This means that both the overpayments amounts and the underpayments amounts have been reduced for Housing Benefit and hence for the total of all benefits. We have also reduced the amount of Claimant Untraceable error and fraud we count</p>	<p>Fraud and Error in the Benefit System: 2014/15 Preliminary Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates</a></p>
<p>Introduced a new ‘Global Net Loss’ measure that takes away the overpayments that the department and Local Authorities recover from the overpayments. Instead of counting all overpayments as a loss to the system, we subtract the amount that the department gets back, giving a more accurate representation of the cash loss to the public purse.</p>	<p>Fraud and Error in the Benefit System: 2014/15 Preliminary Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates</a></p>
<p>Universal Credit estimates of fraud and error are included in the “Continuously Measured” estimates for the first time in the Preliminary 2015/16 results. Full reviews began in October</p>	<p>Fraud and Error in the Benefit System: 2015/16 Preliminary Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates</a></p>

## Fraud and Error in the Benefit System: Background information

<p>2014. There is an impact on the total overpayments and underpayments as previously fraud and error were estimated using a proxy measure.</p>	<p><a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates">year-201516-preliminary-estimates</a></p>
<p>The way that we categorise overpayments changed after 2013/14. This was a result of the measurement system tightening up the evidence gathering and structured probing process.</p>	<p>Fraud and Error in the Benefit System: 2015/16 Preliminary Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates</a></p>
<p>Universal Credit introduced a methodology change where the statistics have been 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.</p> <p>For more information, please see appendix 3 of the publication document and Technical Appendix for Universal Credit</p> <p><a href="https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports">https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports</a></p>	<p>Fraud and Error in the Benefit System: 2015/16 Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates</a></p>
<p>The composition of the JSA sample has changed within this publication so that we no longer have a separate sample for newer cases.</p>	<p>Fraud and Error in the Benefit System: 2015/16 Estimates  <a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates</a></p>

## 16 Annex 5: List of benefits included in fraud and error estimates

<b>Benefits included</b>	<b>Method of measurement and proxy benefit</b>	<b>Are measures updated?</b>
Jobseeker's Allowance	Continuously Reviewed	Yes
Pension Credit	Continuously Reviewed	Yes
Housing Benefit	Continuously Reviewed	Yes
Employment and Support Allowance	Continuously Reviewed	Yes
Universal Credit	Continuously Reviewed	Yes
State Pension	Official Error is continuously reviewed. Fraud and claimant error uses latest measured State Pension.	Yes for official error. Not for fraud and claimant error: rates from April 2005-March 2006 are used
Income Support	Occasionally Reviewed	No: rates from October 2013 – September 2014 are used
Disability Living Allowance	Occasionally Reviewed	No: rates from April 2004-March 2005 are used
Incapacity Benefit	Occasionally Reviewed	No: rates from October 2009-September 2010 are used
Carer's Allowance	Occasionally Reviewed	No: rates from April 1996-March 1997 are used
Personal Independence Payment	Unreviewed, proxy measure: Disability Living Allowance	Yes
Christmas Bonus	Unreviewed, proxy measure: General *	Yes
Maternity Allowance	Unreviewed, proxy measure: Employment and Support Allowance	Yes
Statutory Sick Pay	Unreviewed, proxy measure: General *	Yes
Statutory Maternity Pay	Unreviewed, proxy measure: General *	Yes
Industrial Disablement Benefit	Unreviewed, proxy measure: Disability Living Allowance	No: rates from April 2004-March 2005 are used
Industrial Death Benefit	Unreviewed, proxy measure: State Pension	Yes for official error. Not for fraud and claimant error: rates from April 2005-March 2006 are used
Other Industrial Injuries Benefits	Unreviewed, proxy measure: Disability Living Allowance	No



## Fraud and Error in the Benefit System: Background information

<b>Benefits included</b>	<b>Method of measurement and proxy benefit</b>	<b>Are measures updated?</b>
Attendance Allowance	Unreviewed, proxy measure: Disability Living Allowance	No
Specialised Vehicle Allowance	Unreviewed, proxy measure: Disability Living Allowance	No: rates from April 2004-March 2005 are used
Winter Fuel Payments	Unreviewed, proxy measure: State Pension	Yes for official error. Not for fraud and claimant error: rates from April 2005-March 2006 are used
Discretionary Housing Payments	Unreviewed, proxy measure: Housing Benefit	Yes
Cold Weather Payments	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
Over 75 TV Licence	Unreviewed, proxy measure: State Pension	Yes for official error. Not for fraud and claimant: rates from April 2005-March 2006 are used
Job Grant	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
New Deals	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
New Enterprise Allowance	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
Small Benefits	Unreviewed, proxy measure: General *	Yes
Severe Disablement Allowance	Unreviewed, proxy measure: Employment and Support Allowance	Yes
Widow's Benefit / Bereavement Benefit	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
Return to Work Credit	Unreviewed, proxy measure: Employment and Support Allowance	Yes
In-Work Credit	Unreviewed, proxy measure: Jobseeker's Allowance	Yes
State Pension Transfers	Unreviewed, proxy measure: State Pension	Yes for official error. Not fraud and claimant error: rates from April 2005-March 2006 are used

\* The General proxy is determined by: Income Support, Jobseeker's Allowance, Pension Credit, Housing Benefit, Disability Living Allowance, State Pension, Carer's Allowance, Incapacity Benefit, Employment and Support Allowance and Universal Credit.

**© Crown copyright 2016**

**ISBN 978-1-78425-886-3**