



# Fraud and Error in the Benefit System:

## Background information and methodology



---

November 2017

© Crown copyright 2017

**For enquiries please contact:**

Eve Smith  
Fraud and Error Measurement Analysis  
Data and Analytics  
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:** 978-1-78425-995-2

# 1 Executive Summary of changes to methodology

## **Personal Independence Payment (6.2 – 6.14)**

- 1.1 PIP estimates of fraud and error have been published for the first time within the 2016/17 final results. Full reviews began in October 2015. There is an impact on the total overpayments and underpayments as previously fraud and error on PIP was estimated using DLA as a proxy measure.

## **Universal Credit (6.15 -6.20)**

- 1.2 Changes to the methodology were 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 are included in the statistics but are calculated using a series of assumptions as opposed to the results from the benefit reviews.
- 1.3 This methodology has been continued in the 2016/17 preliminary and final publications. There has been a minor change to the assumptions for official error, but the impacts are very low.
- 1.4 Analysis to support the assumptions for fraud overpayments have not been revisited at this stage, since analysis is required to assess the scale of 'Cannot Review' cases in the move towards measuring full service in Universal Credit.
- 1.5 For more information of the current assumptions, please see appendix 6 of the publication document and Technical Appendix:  
<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## **Categorisation of Overpayments (see section 6.21 – 6.22)**

- 1.6 The way that we categorise overpayments changed after 2014/15. This was a result of the tightening up the evidence gathering process within the measurement system.

## **Jobseeker's Allowance (see section 6.23 – 6.31)**

- 1.7 For Jobseeker's Allowance we have amended the way we gross our sample data to the population from being based on areas to using national grossing factors.

## 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	Future Reporting .....	16
	Appendix 1: Glossary of abbreviations.....	17
	Appendix 2: Supporting material .....	18
	Tables and charts.....	18
	Technical documentation for the continuously reviewed benefits.....	19
	Published documents relating to our National Statistics.....	19
	Published strategy relating to our National Statistics .....	19
	Appendix 3: List of benefits included in fraud and error estimates .....	20
	Appendix 4: List of historical methodology changes .....	22
	Appendix 5: Review measurement methodology changes .....	27
	Appendix 6: Departmental Initiatives to reduce Fraud and Error since 2005/06 .....	30
	Appendix 7: Changes to benefit rules since 2005/06 .....	37

## 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 Appendix 3. 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 to obtain estimates for the amount overpaid or 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, Universal Credit and Personal Independence Payment. These benefits are referred to as 'continuously reviewed benefits' throughout the rest of the document.
- 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 2016/17 estimates published in May 2017 fed into the 2016/17 DWP annual report and accounts published on 3<sup>rd</sup> July 2017.  
<https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2016-to-2017>
- 2.5 The statistics are also used within 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 sub national 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

Estimates of fraud and error for various benefits have been derived using three different methods:

### **Continuously reviewed benefits**

- 3.1 Fraud, claimant error and official error (see definitions below) for Jobseeker's Allowance, Employment and Support Allowance, Pension Credit, Housing Benefit Universal Credit and Personal Independence Payment are measured on a continuous basis. Expenditure on these benefits accounts for 30% of all benefit expenditure. Official error is measured continuously in State Pension, therefore meaning that 83% of all benefit expenditure is measured for official error on a continuous basis.
- 3.2 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 for continuously reviewed benefits each year.
- 3.3 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 completed review form to be returned 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.
- 3.4 If a suspicion of fraud is identified, an investigation is undertaken by a trained Fraud Investigator with the aim of resolving the suspicion.
- 3.5 Between April 2016 and March 2017 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	8,670	0.2%
Jobseeker's Allowance	1,140	0.2%
Pension Credit	2,110	0.1%
Employment and Support Allowance	2,940	0.1%
Universal Credit	1,130	0.3%
State Pension (official error only)	2,050	0.0%
Personal Independence Payment <sup>1</sup>	1,120	0.1%
<b>Total</b>	<b>19,160</b>	

3.6 Overall, approximately 0.1% of all benefit claims included in DWP Global estimates were sampled and reviewed by the Performance Measurement (PM) team.

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

3.8 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.

3.9 Between April 2016 and March 2017 the following number of benefit claims were selected for DQA:

	Number of checks
Housing Benefit	1,310
Jobseeker's Allowance	130
Pension Credit	280
Employment and Support Allowance	470
Universal Credit	240
Personal Independence Payment <sup>1</sup>	250
<b>Total</b>	<b>2,680</b>

<sup>1</sup> Personal Independence Payment uses data taken from the period from February 2016 to January 2017 and so does not align completely with the 2016/17 financial year. See section 6.4

### **Occasionally reviewed benefits**

- 3.10 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 3.3 above. These benefits cover 62% of total expenditure. Please see Appendix 3 for details of benefits covered by occasional reviews.

### **Unreviewed benefits**

- 3.11 The remaining benefits, which account for around 7% 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.
- 3.12 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.
- 3.13 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 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 to which no one outside of that department has materially contributed, regardless of whether the business unit has processed the information.
- In addition, an error, which is initially categorised as claimant error, will be categorised as official error where the error has clearly been caused by an official of the Department/LA and the ESA/JSA/HB business unit or, for SPC, the pension centre is in possession, from whatever source, of the true facts, regardless of whether the information has been processed by the business unit.

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 supporting documents 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:

- The estimates are based on a random sample of the total benefit caseload and are therefore subject to statistical uncertainties. 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.
- None of the changes over time for continuously reviewed benefits are statistically significant at a 95% level of confidence, unless specifically stated within the chart and table commentary. If changes are not statistically significant then they are likely to be due to sampling variation.

### 5.2 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.

- **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.
- **A proportion of continuously reviewed 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. 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.

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

- 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 This section provides detail of methodology changes for the 2016/17 preliminary and final publications. Any historical changes prior to 2016/17 are summarised in appendix 4.

### Personal Independence Payment

6.2 The published PIP estimates of fraud and error are included for the first time in the 2016/17 final results. There is an impact on the total PIP overpayments and underpayments as previously fraud and error were estimated using DLA as a proxy measure.

6.3 The PIP and DLA headline fraud and error estimates are not directly comparable. DLA was last measured in 2004/05 and the characteristics of the PIP caseload are different from the 2004/05 DLA caseload. In addition, as the legislation and regulations governing each benefit differ, the assumption and adjustments made for Claimant Error overpayments also differ between the two benefits.

6.4 Full reviews for PIP began in October 2015 and reviews for the 12month period February 2016 to January 2017 have been used to produce the published estimates. Although 16 months of data was available, 12 months of data has been used to align it more closely with other continuously reviewed benefits and establish better comparability with future PIP estimates.

6.5 The table below shows the fraud and error rates in the initial 4 months of measurement covering the period October 2015 to January 2016.

	<b>Overpayments</b>	<b>Underpayments</b>
<b>Total</b>	4.8%	2.1%
Fraud	0.9%	
Claimant Error	2.7%	1.9%
Official Error	1.2%	0.2%

6.6 The 12 months data used does not align completely with the 2016/17 financial year. This is because there is an inherent additional time lag in reviewing PIP cases due to a number of cases needing to be passed to an assessment provider for a medical assessment.

6.7 Certain groups of PIP claimants have not been selected for a full review.

- terminally ill claimants (no reviews);
- newly assessed or recently reviewed claimants (due to a planned review or a reported change of circumstance) have been examined for Official Error only.

### PIP Claimant Error Overpayment Cases Excluded from Headline Results

6.8 For disability benefits there are some changes which the claimant should report, for example hospitalisation. However many changes are gradual improvements or deteriorations in their medical needs and it is difficult for some claimants to know at what point these needs have changed sufficiently to affect their benefit entitlement.

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

- 6.9 PIP legislation states that when a case is reassessed and their benefit is reduced the Department will only seek to recover an overpayment when it is reasonable for the claimant to have known they should have reported the change. In other cases the benefit will be treated as correct up to the point of reassessment.
- 6.10 It was identified that during PIP reviews there appeared to be variance in the application of “Reasonably expected to know” decisions, resulting in such cases not always having overpayments reported.
- 6.11 Accordingly in spring 2017, PM staff completed a joint exercise with PIP Operational staff to reconsider all of the information available to identify improvements to the review process to ensure the measurement of PIP was sufficiently robust.
- 6.12 The exercise established that, out of 119 Fraud and Claimant Error sample cases where the claimant’s functional needs had improved (resulting in a reduction or cessation of the PIP award):
- In 83 cases (70%) it was agreed the claimant could not have been reasonably expected to know they should have reported the change;
  - In 22 cases (18%) it was agreed that it was reasonable to expect the claimant to have known they should have reported the change;
  - In 14 cases (12%) it was agreed that the award had been incorrect from the start of the claim.
- 6.13 Accordingly, error cases have been excluded from the headline overpayment estimates where the claimant could not reasonably have been expected to know they should have reported it. The level of error thus excluded from the headline overpayments are estimated to be 2.9% of PIP expenditure or £150m in 2016/17.
- 6.14 This exclusion has not been applied to underpayment claimant errors, since these are not subject to the “reasonably expected to know” legislation and follow different rules in the regulations.

### Universal Credit

- 6.15 Estimates are based on live service cases which is the intermediary system in place to administer UC until the full online service is fully rolled out. Monetary amount estimates are based on an assumption that full service fraud and error rates will be similar to those being found in live service. Plans are in place to review UC full service cases.
- 6.16 The published statistics are split into Reviewed and Cannot Review cases. The latter cases are used within the overall headline estimate for Universal Credit but are calculated using assumptions as opposed to measured data. This approach has been maintained for 2016/17 estimates with the exception of a minor change made to the official error assumption for the Cannot Review cases.
- 6.17 Previously, the official error rate for Cannot Review cases was calculated based on the official error checks for this group. However, cases with Mitigating Circumstances are all categorised as fraud prior to the assumptions being applied. As a consequence, a high proportion of the official error identified on these cases is removed via the netting and capping process. This means that the official error rate

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

for the Cannot Review cases is not representative of what we might expect to find in the Universal Credit caseload, especially given this group is a small subset of the UC sample. Therefore, in the 2016/17 preliminary and final estimates, the official error assumption for Cannot Review cases has been revised to use the same final % official error rate as calculated for the Reviewed cases.

- 6.18 The impact of this change is small, leading to a reduction of 0.1% for Official Error overpayments and no impact for underpayments.
- 6.19 Analysis to support the assumptions for fraud overpayments have not been revisited at this stage, since analysis is required to assess the scale of 'cannot review' cases in the move towards measuring full service in Universal Credit.
- 6.20 For more information of the full set of assumptions for 2016/17, please see the Technical Appendix <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

### Classification

- 6.21 Within the measurement system, there has been a change in the way we classify some errors as either claimant error or fraud following a review of the evidence gathering process by the Performance Measurement teams. The outcome from the review emphasised the need for further questioning to establish the facts around any changes in circumstances.
- 6.22 This change gives a more accurate classification of the level of fraud and claimant error across benefits but it does mean that caution should be used in comparisons between post 2014/15 results and earlier results. The change is thought to be the main reason for the increase in fraud and a corresponding fall in the level of claimant error and it may have affected the overall level of total overpayments since its introduction after 2014/15. The new process has been applied to all of the continuously reviewed benefits but has had a particularly large effect on the Housing Benefit estimates.

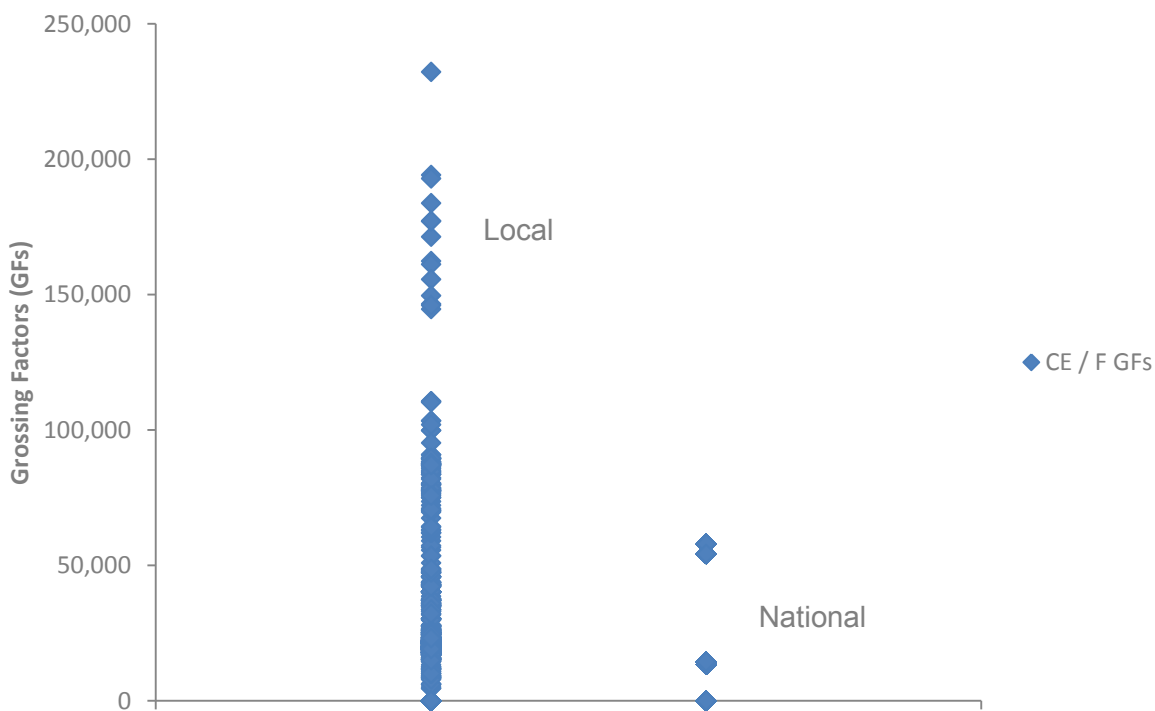
### Jobseekers Allowance

- 6.23 We reported in the preliminary 2016/17 estimates, that we changed the way we gross the estimates to using National grossing factors.
- 6.24 These grossing factors are used to convert the sample values to estimates of the population reported within the headline statistics.
- 6.25 Historically, the grossing factors have been calculated based on the Benefit or Client Group, the six month period the review was completed within and the geographic area (from the District Primary Sampling Unit (PSU)). This meant that the grossing factor for each PSU was primarily dependent upon the population for the geographic area divided by the completed sample for the local area.
- 6.26 This can lead to very high grossing factors when the number of completed sample cases within an area is low compared to the population for the Client Group in the area. This can be a problem within JSA in particular as this is a benefit with a high turnover of claimants within the caseload. This can lead to high abandonment rates for the reviews and a corresponding low rate of completions within an area.

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

- 6.27 From the preliminary 2016/17 estimates, grossing no longer includes PSU or the yearly split in the calculation of the grossing factors; instead these have been calculated for JSA based solely on the client group. In other words, the grossing factors mainly depend upon the national population for JSA being divided by the overall sample of completed reviews and the same grossing factor is applied to all of the sample cases.
- 6.28 Local grossing factors within JSA led to a situation where a relatively small number of cases with very high grossing factors within the sample have a large influence on the reported results, especially when these are disaggregated to types and causes of fraud and error.
- 6.29 The chart below shows the distribution of the calculated grossing factors for local grossing and national grossing for the **preliminary** results. It demonstrates that the local grossing has a much wider variation than for national grossing and consequently increases the scope for individual cases to have a higher influence on the reported estimates.

**Distribution of Claimant Error and Fraud (CE / F)  
Grossing Factors using PSU and National Grossing**



- 6.30 The impact of the different grossing on the JSA central estimates and confidence intervals are shown below. The use of national grossing factors results in a reduction in the impact of a few sample error cases on the central estimates but just as importantly has led to a decrease in the range of the confidence intervals around them.

**JSA Fraud and Error Rates and Confidence Intervals: Preliminary 2016/17**

	<b>Local Grossing Factors</b>	<b>National Grossing Factors</b>
Fraud	4.9% (2.9 – 7.3%)	4.7% (3.1 – 6.5%)
Claimant Error	0.2% (0.0 – 0.5%)	0.2% (0.0 – 0.6%)
Official Error	0.7% (0.4 – 1.1%)	0.6% (0.3 – 1.0%)
<b>Total</b>	<b>5.8% (3.8 – 8.2%)</b>	<b>5.6% (3.9 – 7.4%)</b>

6.31 The change also means that JSA is more directly comparable in terms of methodology with Universal Credit that also uses national grossing factors.



## 7 Future Reporting

- 7.1 The next set of fraud and error statistics have a provisional publication date of May/June 2018. This report will provide the final fraud and error estimates for the 2017/18 financial year.
- 7.2 The future coverage and scope of the national statistics “Fraud and Error in the Benefit System” will be kept under review and users will be kept informed of our plans via a Publication Strategy document:  
<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-publication-strategy>
- 7.3 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.”
- 7.4 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.

## Appendix 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
PSU	Primary Sampling Unit
SF	Social Fund
SP	State Pension
UC	Universal Credit

## Appendix 2: 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-201617-estimates>

<u>Table 1</u>	Time series of Amount of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 2</u>	Time series of Percentage of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 3</u>	Amount of expenditure overpaid by client group, error type and error reason - 2016/17
<u>Table 4</u>	Percentage of expenditure overpaid by client group, error type and error reason - 2016/17
<u>Table 5</u>	Time series of percentage of cases overpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 6</u>	Overpayments by Client Group, Error Type, Gender and Age Group - 2016/17. Percentage of expenditure and amount overpaid.
<u>Table 7</u>	Time series of Amount of Expenditure Underpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 8</u>	Time series of Percentage of Expenditure Underpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 9</u>	Amount of expenditure underpaid by client group, error type and error reason - 2016/17
<u>Table 10</u>	Percentage of expenditure underpaid by client group, error type and error reason - 2016/17
<u>Table 11</u>	Time series of percentage of cases underpaid by Client Group and Error Type - 2005/06 to 2016/17
<u>Table 12</u>	Underpayments by Client Group, Error Type, Gender and Age Group - 2016/17 Percentage of expenditure and amount underpaid.
<u>Table 13</u>	Net loss to government: removing recoveries from overpayments - 2009/10 to 2016/17. Percentage of expenditure and amount.

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

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

## **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 benefit system statistics”

“Quality methods”

“Fraud and error measurement – variance and confidence Intervals”

“Ad hocs and pricing policy”

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

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

## Appendix 3: 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
Personal Independence Payment	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
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

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
Armed Forces Independence Payment	Unreviewed, proxy measure: Disability Living Allowance	No
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
Financial Assistance Scheme	Unreviewed, proxy measure: State Pension	Yes for official error. Not for fraud and claimant: rates from April 2005-March 2006 are used
Severe Disablement Allowance	Unreviewed, proxy measure: Employment and Support Allowance	Yes
Widow's Benefit / Bereavement Benefit	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, Universal Credit and Personal Independence Payment.

## Appendix 4: List of historical 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>

Fraud and Error in the Benefit System: Background information

<b>Methodology change</b>	<b>Included in which published</b>
<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>
<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>



Fraud and Error in the Benefit System: Background information

<b>Methodology change</b>	<b>Included in which published</b>
<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.</p> <p>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>
<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="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates</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="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates</a></p>
<p>Change to significance testing for continuously reviewed 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="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates</a></p>

Fraud and Error in the Benefit System: Background information

<b>Methodology change</b>	<b>Included in which published</b>
<p>Employment and Support Allowance estimates of fraud and claimant error are included in the “Continuously Reviewed” 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/statistics/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates</a></p>
<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/statistics/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates">https://www.gov.uk/government/statistics/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-2013-to-2014-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-2013-to-2014-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-2013-to-2014-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-2013-to-2014-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 reviewed 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 fraud and error that 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>

Fraud and Error in the Benefit System: Background information

<b>Methodology change</b>	<b>Included in which published</b>
<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 Reviewed" 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.</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.</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>

## Appendix 5: Review measurement methodology changes

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;

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.

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.

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

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

### 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.

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.

From April 2015 the Performance Measurement team moved to notified reviews for all claimants, other than Jobseeker’s Allowance claimants. Prior to this, only claimants within the following groups were notified:

- Universal Credit claimants
- Pension Credit claimants
- Claimants aged over 70
- Claimants with mental health issues
- Claimants working over 16 hours per week
- Claimants who have failed to be seen/spoken to during un-notified reviews

From January 2016, the Performance Measurement team also moved to notified reviews for Jobseeker’s Allowance claimants. A trial was carried out within Income Support where half of the single review cases were notified of review and half were not notified. The 2013/14 data included six months of the trial. Within those six months, there was no evidence of significant differences between the rates of fraud, claimant error and official error for the two groups.

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

Thus, although this is a key change in review methodology, we believe that it has had no impact on the estimates.

The way that we categorise overpayments changed after 2014/15. This was a result of tightening up the evidence gathering process within the measurement system.

### **Pension Credit specific issue**

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.

## Appendix 6: Departmental Initiatives to reduce Fraud and Error since 2005/06

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. Equally, the list does not reflect the work being done on a daily basis by our Operational staff in administering social security benefits, which again helps manage fraud, error and debt. In terms of making links with reported levels of fraud and error, it is not possible to disentangle particular activity and estimate the exact impact due to the multiplicity of on-going work.

- DWP introduced 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 the 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.
- 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.
- The introduction of staff training and evaluation packages in 2009 provided 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.
- In 2010 specific focused checks were introduced at the start of a benefit claim to address known areas of incorrectness.

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

- In April 2010, Pension Credit Case Cleanse 1 was introduced. This helped 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, 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 contacted claimants to review the circumstances of their claim. The primary focus was claimant error, with the potential to pick up official error and stop unreported changes from converting into fraud. Calls were targeted at high-risk claims. Regionally located teams were ultimately replaced by dedicated sites and the remit extended to include Jobseeker's Allowance.
- In April 2011 Pension Credit Case Cleanse 2 was introduced. This concentrated 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 helps reduce claimant errors on Housing Benefit.
- A Crimestoppers campaign ran 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 brought together cross-DWP internal checking teams, including the newly formed National Checking Team. The



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

team undertook 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 (SFIS) 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.
- DWP launched 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: <https://www.gov.uk/government/publications/tackling-fraud-and-error-in-the-benefit-and-tax-credits-systems>
- A Strategy refresh was 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>.
- The DWP introduced Civil Penalties in October 2012. A Civil Penalty may be imposed by either DWP or Local Authorities, where an individual incurs a recoverable overpayment as a result of failing to provide accurate information as part of their benefit claim or in connection with an award of benefit, and has not taken reasonable steps to correct the error. Since the introduction of the Civil Penalty in October 2012 over 350,000 Civil Penalties have been imposed.
- The Welfare Reform Act 2012, stipulated that Universal Credit overpayments are recoverable, regardless of how they arose. This includes Universal Credit official error overpayments.
- It was announced in the 2013 Autumn Statement that Life Certificate coverage would increase over a two year period to everyone outside the UK not covered by data matching. Previously Life Certificates were only issued when the claimant reached 75 and then every two years after the age of 80. This increased activity started in September 2014.
- A Loss of Benefit Penalty is designed to be a deterrent against abuses of the benefit system by applying a penalty to those who are convicted, or who have accepted an Administrative Penalty or caution for a benefit fraud offence. The Welfare Reform Act 2012 toughened the existing Loss of Benefit Penalties by introducing (April 2013) extended forfeiture periods.
- Personal Independence Payments (PIP) was introduced in April 2013 to replace Disability Living Allowance (DLA) for claimants aged between 16 and 64. PIP is

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

designed to be better targeted than Disability Living Allowance, with claimants having face to face medical assessments and regular reviews to ensure that they are being provided with the right level of support, based on their circumstances and the impact that their disability or health condition has on their ability to live independently and participate in society.

- The design principles for Universal Credit will have a positive impact on the level of loss from Fraud and Error and overpayments in the welfare system.
- The Analysis and Intelligence (A&I) Hub was initiated in late 2014 in order to make better use of data to support the prevention of fraud and error in Universal Credit. The A&I Hub has developed a single view of households from the data held in benefit relevant systems and PAYE. This reflects over 180 million interactions and acts as the foundation upon which to follow a risk-based approach to identify 'Living Together' risks within Universal Credit.
- In April 2014, DWP adopted its Quality Framework which is designed to bring a standardised and systematic approach to Quality across all DWP benefits, as well as Child Maintenance, National Insurance number allocation and the investigation and prevention of fraud and error. This framework has gradually been applied across DWP.
- The Fraud and Error Benefits 'Are You Doing the Right Thing?' communications campaign was delivered in two phases during 2014/15. The campaign used a number of media channels, including posters and digital routes, to deter and prevent fraud by promoting greater public awareness and encouraging people to take action, either by informing us of changes in circumstances or by reporting suspected fraud. The campaign aims were to;
  - Drive behaviour change and reinforce the message that changes of circumstances should be reported routinely and that any benefit fraud is unacceptable.
  - Help support the reduction of fraud and error in the welfare system and enable DWP to test the effectiveness of the communications activity to inform any future plans.
- Direct Earnings Attachments allow DWP to take deductions directly from a debtor's wages without going through a court. Debt Management began implementing Direct Earnings Attachments in 2014.
- Established in April 2014, the Fraud and Error Service has drawn together DWP's existing fraud investigation, customer compliance and benefit integrity work into a single organisation, to ensure levels of fraud and error are reduced and interventions are based on the best value for money.

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

- Since September 2014, DWP has sought opportunities to apply HMRC's Real Time Information (RTI) in the wider arena, running bulk data matching exercises (using monthly RTI income data) to help identify people who have not declared (or have under-declared) income from earnings or pension payments when claiming benefits such as Job Seekers Allowance, Income Support, Pension Credit, Employment Support Allowance and Housing Benefit.
- The SFIS Project brought together staff from DWP, Local Authorities and HMRC, enabling teams within the Department's Fraud and Error Service, to deliver a single fraud investigation across the full range of Welfare Benefits, including Housing Benefit and Tax Credits. Roll out commenced in July 2014, and ran through until March 2016. The transfer of Local Authority staff into the Department ensured that knowledge and skills are maintained and that a local presence was retained.
- The level of the Administrative Penalty is £350 or 50 per cent of the recoverable overpayment, whichever is greater, subject to a maximum of £5,000. The maximum Administrative Penalty was increased in April 2015 from £2,000 to £5,000.
- From April 2015, the Quality and Failure Demand Team was combined with other similar functions to create a single organisation providing independent assurance of quality and accuracy (relating to Official Error) on DWP benefits, as well as Child Maintenance, National Insurance number allocation and the investigation and prevention of fraud and error.
- DWP commenced using Indessor, a joint venture between Cabinet Office and TDX Group, in September 2015 to engage private sector debt expertise. This provides wider and deeper access to private sector debt collection, analytics and enforcement services for government.
- The initial Fraud and Error Reduction Scheme (FERIS) offered a financial reward to Local Authorities (LAs) that found additional reductions to Housing Benefit entitlement due to fraud and error. It impacted throughout 2015-16. The scheme included a Performance Improvement Fund which sought innovative ideas from Local Authorities to reduce losses due to fraud and error. The scheme was extended for 2016 -17 with improved payment thresholds introduced to better reward LAs for the levels of reductions they found.
- From April 2015, new legislation meant that deductions from legacy benefits could be taken at 40% of the personal allowance (as opposed to 25%) for people who have committed fraud, in line with Universal Credit. In addition, from April 2015 debtors repaying overpayments classified as fraud are no longer able to request that their rate of repayment is reduced because they are suffering from financial hardship, except where it can be shown that would have an impact on any dependent children.

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

- DWP has worked with LAs to develop Caseload Management Information (CMI). First published in January 2016 these statistics are currently experimental. CMI measures the value of reductions in Housing Benefit achieved over the value of reductions expected and is an estimate of how well each LA is managing their Housing Benefit caseload.
- The new State Pension replaced the old State Pension from April 2016. The new State Pension will see a reduction in means testing. The full rate of the new State Pension will be set above the rate of the Standard Minimum Guarantee in Pension Credit, which means the number of Pension Credit claims will reduce.
- The Payment Deduction Programme initiative ensured that historic debt recovery continued with the arrival of Universal Credit by introducing a process to manage the migration of existing debt from HMRC, LAs and DWP when a claimant becomes entitled to Universal Credit and when claimants move off benefit. It also developed processes to manage new debt generated through any recoverable overpayment of Universal Credit.
- DWP has adopted an approach focussing on ensuring quality and accuracy at key points ('Critical Process Points') in the customer journey. From autumn 2016, this approach was enhanced through the introduction of a new suite of Quality Measures which give a multi-dimensional view of performance and quality.
- The Verify Earnings and Pensions (VEP) service lets business users across DWP access HMRC's data through digital web services and delivers automation of some of the back-end processing. To achieve this VEP is being delivered and is already live for Pension Credit and Housing Benefit. VEP notifies Operations of a change in a claimant's earnings/pension in real-time. Rollout and migration of the service to Carers Allowance and Employment Support Allowance is planned over 2018, with the project focusing on developing an alerts framework which targets high yield alerts most appropriate to each business.
- As part of its commitment to reducing fraud and error, DWP introduced a global target for underpayments of no more than 0.9% of expenditure underpaid in 2017/18.
- DWP engaged a specialist data company in May 2017 to help identify claimants with an undeclared partner, with evidence passed to DWP fraud investigators, who can then use that as part of their investigations. The Department will evaluate results from the trial to help determine future data matching strategy.
- DWP will recover HMRC Tax Credit debt from people whose Tax Credits claim has ended but who have not arranged to repay their debt and are in work. Work is on-going following Minister's announcement in February 2017 in order that the Department can start recovering this Tax Credit debt from April 2018.

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

- As a follow on to the first two FERIS schemes, the Right Benefit Initiative was launched in March 2017 aimed at increasing the volumes of optional RTI referrals processed by LAs in 2017/18. Upfront funding was provided to Local Authorities who opted into the scheme.
- In November 2017, the Autumn Budget provided funding for the Right Benefit Initiative scheme (as an interim measure) and for LAs to action VEP alerts, starting September 2018. The announcement also confirmed that DWP will use RTI data to help Local Authorities trace debtors – enabling them to recover debt through voluntary agreements and Direct Earnings Attachments – and to inform Carer's Allowance awards.

## Appendix 7: Changes to benefit rules since 2005/06

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

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

Income Support, but is likely to increase the 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.

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

- Council Tax Benefit was abolished in April 2013 and replaced by a system of localised support. In England, the Department for Communities and Local 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.

© Crown copyright 2017

ISBN: 978-1-78425-995-2