

Fraud and Error in the Benefit System: Background information

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

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1 Executive Summary of changes to methodology

Rotational Sampling (6.4 – 6.6)

- 1.1 Rotational sampling has been introduced, for data collection between April 2017 and September 2019, so that a selection of hard to reach areas will only be selected within the sample at least once in a three year period.
- 1.2 This is the first set of published results that incorporate rotational sampling. Analysis completed on published statistics from previous years shows that the impact would be negligible – with changes to fraud and error levels of less than 0.05% for each benefit affected.

Desk-Based Reviews Pilot for Housing Benefit (6.7 – 6.9)

- 1.3 Desk-based reviews for the working age passported Housing Benefit client group have been piloted during the period April 2017 to September 2018. The evaluation of desk based reviews is expected to be complete by summer 2018, and this publication is therefore based solely on face to face review cases. The consequence is that the sample size is smaller for this client group, and the confidence intervals may be wider than in previous years.

Personal Independence Payment (6.10 – 6.12)

- 1.4 PIP estimates of fraud and error were published for the first time within the 2016/17 final results. Two small changes have been made in the latest 2017/18 publication.
 - The error category 'Medical Needs' has been changed to 'Functional Needs'. This has no impact on the results and is simply a name change.
 - The official error only sample for claimants with a new award or reviewed award within 3 months ceased from July 2016. It is assumed that the level of fraud and error within these cases is a similar level to those cases that are reviewed.

Universal Credit (6.13 – 6.17)

- 1.5 The UC fraud and error estimates in the published national statistics 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.
- 1.6 Measurement to estimate fraud and error for Full Service claimants started in October 2017. Data will not be available to incorporate into the National Statistics until 2017/18 final publication, due autumn 2018.
- 1.7 It is forecast that across the whole of 2017/18, an average of 55% of the UC caseload was administered through the Live Service system and 45% via the Full Service system. The level of fraud and error in UC reported in the latest statistics is 7.2%. If the level of fraud and error in Full Service cases were different to this, the overall fraud and error rate and the amount of expenditure over or underpaid (MVFE) would be impacted.

National Grossing (6.18 – 6.21)

- 1.8 We have now changed the way we gross the ESA and PC estimates to using National grossing factors. This brings these benefits in line with JSA, as well as UC and PIP. National grossing tends to reduce the scope for individual cases to have a higher influence on the reported estimates and, consequently, leads to a decrease in the range of the confidence intervals around the central estimates of the levels of fraud and error.

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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 3rd 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 32% of all benefit expenditure. Official error is measured continuously for State Pension, meaning that 84% 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 October 2016 and September 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	7,590	0.2%
Jobseeker's Allowance	1,000	0.2%
Pension Credit	1,990	0.1%
Employment and Support Allowance	2,750	0.1%
Universal Credit	1,360	0.3%
State Pension (official error only)	2,400	0.0%
Personal Independence Payment ¹	1,100	0.1%
Total	18,190	

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 October 2016 and September 2017 the following number of benefit claims were selected for DQA:

	Number of checks
Housing Benefit	1,250
Jobseeker's Allowance	130
Pension Credit	250
Employment and Support Allowance	460
Universal Credit	320
Personal Independence Payment ¹	240
Total	2,650

¹ Personal Independence Payment uses data taken from the period from August 2017 to July 2017 and so does not align completely with other continuously measured benefits.

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 61% 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 PC, 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>

4.4 Further information on the breakdown of error classifications within the continuously reviewed benefits is available in Appendix 4.

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.

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- 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 2017/18 preliminary publication. Any historical changes prior to 2017/18 are summarised in appendix 5.
- 6.2 For more information of the full set of assumptions for 2017/18, please see the Technical Appendix <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>
- 6.3 There have been two changes to sampling methodology during 2017/18.

Rotational Sampling

- 6.4 Since it is not possible to review every benefit claim, a representative sample of cases is selected. Cases to be reviewed are randomly selected, often from a group of local authorities which we call Primary Sampling Units (PSUs)². Within some of these PSUs there are areas which are hard to reach, meaning the cost to sample is expensive.
- 6.5 Rotational sampling has been introduced so that a selection of hard to reach areas will only be selected within the sample at least once in a three year period. This rotational sampling has initially been introduced for data collection between April 2017 and September 2019. The areas excluded are:
 - April 2017 – September 2017: Highlands, Moray and Argyll and Bute.
 - October 2017 – September 2018: Cornwall, West Devon, South Hams, Teignbridge, Torridge, Allerdale, Copeland and Barrow-in-Furness.
 - October 2018 – September 2019: Cornwall, West Devon, South Hams, Teignbridge, Torridge, Highlands, Moray, and Argyll and Bute.
- 6.6 This is the first set of published results that incorporate rotational sampling. Analysis completed on published statistics from previous years shows that the impact would be negligible – with changes to fraud and error levels of less than 0.05% for each benefit affected.

Desk-Based Reviews Pilot for Housing Benefit

- 6.7 The majority of reviews completed take place via a face to face visit, with the exception of Universal Credit where they are completed as a desk-based review via the telephone.
- 6.8 Desk-based reviews for the working age passported Housing Benefit client group have been piloted during the period April 2017 to September 2018. For this pilot the sample has been split evenly between face to face reviews and desk based reviews (where the desk based reviews fall into the pilot group).
- 6.9 The evaluation of desk based reviews is expected to be complete by summer 2018 – however, until the evaluation is complete, the publication is based solely on face

² Universal Credit is not sampled using PSU as reviews are completed via a telephone desk based review, hence location is not a consideration.

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to face review cases. The consequence is that for the 2017/18 preliminary publication the sample size is smaller for this client group, and the confidence intervals for this client group may be wider than in previous years.

Personal Independence Payment

- 6.10 The error category 'Medical Needs' has been changed to 'Functional Needs'. This has no impact on the results and is simply a name change.
- 6.11 When PIP measurement began in October 2015 a small separate sample of cases were selected for an official error only check, where the claimant had a new award or reviewed award within three months. The sample ceased to be reviewed from July 2016; only one error was identified within this sample.
- 6.12 Around 4% of the population in 2017/18 have a new or reviewed award less than 3 months and are excluded from the sample. It is assumed that the level of fraud and error within these cases is a similar level to those cases that are reviewed.

Universal Credit

- 6.13 The UC fraud and error estimates in the published national statistics 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.
- 6.14 Measurement to estimate fraud and error for Full Service claimants started in October 2017. Data will not be available to incorporate into the National Statistics until 2017/18 final publication, due autumn 2018.
- 6.15 It is forecast that across the whole of 2017/18, an average of 55% of the UC caseload was administered through the Live Service system and 45% via the Full Service system. The level of fraud and error in UC reported in the latest statistics is 7.2%. If the level of fraud and error in Full Service cases were different to this, the overall fraud and error rate and the amount of expenditure over or underpaid (MVFE) would be impacted.
- 6.16 The table below presents different scenarios for the level of fraud and error in Full Service, to illustrate the sensitivity of the assumption that the fraud and error in Full Service is a similar level to Live Service.

Change in assumption from live service rate	Overpayments				Underpayments			
	Live Service	Full Service	Total	MVFE	Live Service	Full Service	Total	MVFE
Full Service 100% lower	7.2%	0.0%	4.0%	£130m	1.3%	0.0%	0.7%	£20m
Full Service 50% lower	7.2%	3.6%	5.6%	£180m	1.3%	0.7%	1.0%	£30m
Full Service 25% lower	7.2%	5.4%	6.4%	£210m	1.3%	1.0%	1.2%	£40m
Central Estimate - 2017/18 preliminary	7.2%	7.2%	7.2%	£230m	1.3%	1.3%	1.3%	£40m
Full Service 25% higher	7.2%	9.0%	8.0%	£260m	1.3%	1.7%	1.5%	£50m
Full Service 50% higher	7.2%	10.8%	8.8%	£290m	1.3%	2.0%	1.6%	£50m
Full Service 100% higher	7.2%	14.4%	10.4%	£340m	1.3%	2.7%	1.9%	£60m

Note: Total UC over and underpayments are based on: (Live Service Rate * 55%) + (Full Service Rate * 45%)
The MVFE illustrated in the table is rounded to the nearest £10m

- 6.17 If the level of fraud and error in Full Service was higher than that seen in Live Service, then we would expect the overall UC error rate and expenditure overpaid to increase. For example, if the Full Service rate of fraud and error was 50% higher

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than Live Service, the overall overpayment error rate for UC would increase from 7.2% (£230m) to 8.8% (£290m). Conversely, if the error rate in Full Service was 50% lower than Live Service, the overall overpayment error rate for UC would decrease from 7.2% (£230m) to 5.6% (£180m).

National Grossing

- 6.18 We reported in the preliminary 2016/17 estimates that we changed the way we gross the JSA estimates to using National grossing factors. We have now changed the way we gross the ESA and PC estimates to using National grossing factors as well.
- 6.19 The grossing factors are used to convert the sample values to the estimates of the population reported within the headline statistics. Local grossing factors can lead 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.
- 6.20 From the preliminary 2017/18 estimates, for ESA and PC, grossing no longer includes PSU in the calculation of the grossing factors. In other words, the grossing factors mainly depend upon the national population for the two benefits; the same grossing factor is applied to all of the sample cases.
- 6.21 National grossing generally reduces the scope for individual cases to have a higher influence on the reported estimates and, consequently, leads to a decrease in the range of the confidence intervals around the central estimates of the levels of fraud and error.

7 Future Reporting

- 7.1 The next set of fraud and error statistics have a provisional publication date of November/December 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
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
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-201718-preliminary-estimates>

<u>Table 1</u>	Time series of Amount of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2017/18P
<u>Table 2</u>	Time series of Percentage of Expenditure Overpaid by Client Group and Error Type - 2005/06 to 2017/18P
<u>Table 3</u>	Amount of expenditure overpaid by client group, error type and error reason – 2017/18P
<u>Table 4</u>	Percentage of expenditure overpaid by client group, error type and error reason – 2017/18P
<u>Table 5</u>	Time series of percentage of cases overpaid by Client Group and Error Type - 2005/06 to 2017/18P
<u>Table 6</u>	Overpayments by Client Group, Error Type, Gender and Age Group – 2017/18P. 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 2017/18P
<u>Table 8</u>	Time series of Percentage of Expenditure Underpaid by Client Group and Error Type - 2005/06 to 2017/18P
<u>Table 9</u>	Amount of expenditure underpaid by client group, error type and error reason - 2017/18P
<u>Table 10</u>	Percentage of expenditure underpaid by client group, error type and error reason - 2017/18P
<u>Table 11</u>	Time series of percentage of cases underpaid by Client Group and Error Type - 2005/06 to 2017/18P
<u>Table 12</u>	Underpayments by Client Group, Error Type, Gender and Age Group - 2017/18P. Percentage of expenditure and amount underpaid
<u>Table 13</u>	Net loss to government: removing recoveries from overpayments - 2009/10 to 2017/18P. 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

Benefits included	Method of measurement and proxy benefit	Are measures updated?
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

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Benefits included	Method of measurement and proxy benefit	Are measures updated?
Attendance Allowance	Unreviewed, proxy measure: Disability Living Allowance	No: rates from April 2004-March 2005 are used
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: rates from April 2004-March 2005 are used
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 error: 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 error: 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 for 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: Error Classifications within the continuously reviewed benefits

A Glossary of the current error types 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.
- **Award Determination** – where a Case Manager from the DWP makes an incorrect award of PIP based on the declared functional needs of the claimant. This includes failing to consider the qualifying period.
- **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.

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

Includes staff failing to act on information received raising doubt on basic entitlement to benefit. For Universal Credit this includes failing to agree and/or sign a claimant commitment but UC being put into payment.

- **Control Activities** – 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 or late notification of benefit disallowances.
- **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 under-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. Staff failing to correctly calculate the amount of monthly benefit due for claimants who have declared any paid work they or their partner have undertaken during the claim.

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- **Functional Needs** – where the claimant has failed to declare a change in their ability to carry out any of the 12 activities on which PIP is considered, or misrepresented their abilities when making their claim (whether intentionally or not)
- **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.

Includes 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. For Universal Credit this includes the 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.

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.

- **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 failing to take into account the correct amount of non-state pensions declared by the claimant.

- **Income - Other benefits** – concealed or under-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.

- **Income - Other** – concealed or under-declaration of income coming into the household from sources such as HMRC Tax Credits, sick pay from work,

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spousal maintenance, partner's student income, unemployment or similar insurance policy payments.

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.

- **Income – not Earning or Employment** – concealed or under-declaration of income coming into the household from sources such as sick pay from work, spousal maintenance, partner's student income, unemployment or similar insurance policy payments.

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

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.

- **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 to be single, but has failed to declare they actually live with another person and maintain a joint household.
- **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.
- **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.

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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.

- **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.

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

Appendix 5: List of historical methodology changes

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

Methodology change	Included in which published report
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 PC expenditure.	Fraud and Error in the Benefit System April 2005 to March 2006: Spending Review 2004 target baseline http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf
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 http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_new_results.pdf
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 http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr08_mar09.pdf
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 http://webarchive.nationalarchives.gov.uk/20130422101152/http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr09_mar10.pdf

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Methodology change	Included in which published
<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 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</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 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</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 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</p>

Fraud and Error in the Benefit System: Background information

Methodology change	Included in which published
<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 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222694/fem_1011_revised2.pdf</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 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244844/fem_1112.pdf</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates</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: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260495/var_conf_levels.pdf</p>	<p>Fraud and Error in the Benefit System: 2012/13 Estimates https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-201213-estimates</p>
<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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates</p>

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Methodology change	Included in which published
<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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-preliminary-201314-estimates</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-2013-to-2014-estimates</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-2013-to-2014-estimates</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates</p>

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Methodology change	Included in which published
<p>From 2014/15, within the measurement system, there was a change in the way some errors were classified 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. The new data appeared from the 2015/16 Preliminary Estimates.</p> <p>The 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 any 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</p>	<p>Fraud and Error in the Benefit System: 2015/16 Preliminary Estimates https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates</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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-preliminary-estimates</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 the Technical Appendix.</p> <p>https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports</p>	<p>Fraud and Error in the Benefit System: 2015/16 Estimates https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates</p>

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Methodology change	Included in which published
<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 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201516-estimates</p>
<p>JSA grossing no longer includes PSU or the yearly split in the calculation of the grossing factors; instead these have been calculated based solely on the client group. The grossing factors now mainly depend upon the national population for JSA, with the same grossing factor applied to all of the sample cases.</p> <p>This reduces the possibility of a relatively small number of cases with very high grossing factors within the sample having a large influence on the reported results, and has led to a decrease in the range of the confidence intervals around the central estimates for JSA.</p>	<p>Fraud and Error in the Benefit System: 2016/17 Preliminary Estimates https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201617-preliminary-estimates</p>
<p>PIP estimates for fraud and error were published for the first time within the 2016/17 final results. 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.</p> <p>For more information on the assumptions underpinning the PIP statistics, please see appendix 4 of the publication document and the Technical Appendix.</p> <p>https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports</p>	<p>Fraud and Error in the Benefit System: 2016/17 Estimates https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2016-to-2017-estimates</p>

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