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Fraud and Error in the Benefit System: October 2007 to September 2008

Estimates of the levels of fraud and error in the benefit system in Great Britain are published today in a National Statistics report.

The reports can be read at the Department for Work and Pensions website at: www.dwp.gov.uk/asd/asd2/fraud_error_arc.asp

The publication includes a preliminary estimate of total overpayments and underpayments across all benefits in 2008/09 as well as estimates for Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit for the period October 2007 to September 2008. A further National Statistics report with final estimates for 2008/09 is due to be published in October 2009.

Headline results

Estimates of Fraud and Error across all benefits in 2008/09

It is estimated that during 2008/09 around 2.0 per cent, or £2.7bn, of total benefit expenditure was overpaid due to fraud and error, while around 0.9 per cent or £1.2bn of total benefit expenditure was estimated to have been underpaid.

Estimates for the individual benefits between October 2007 and September 2008

Key findings for the individual benefits that are measured on a continuous basis are that:

- Around 5.0 per cent, or £550m, of Income Support and Jobseeker's Allowance expenditure is estimated to have been overpaid;
- Around 4.5 per cent, or £770m, of Housing Benefit expenditure is estimated to have been overpaid;
- Around 4.6 per cent, or £340m, of Pension Credit expenditure is estimated to have been overpaid.

Comparisons with previous estimates

Fraud and Error across all benefits

- The central estimate for the percentage of total benefit expenditure overpaid in 2008/09 is 2.0 per cent which is the same level as the estimate for 2007/08 published in October 2008. Previous estimates for 2005/06 and 2006/07 were 2.1 per cent and 2.2 per cent respectively.
- The estimated value of overpayments has increased from £2.6bn in 2007/08 to £2.7bn in 2008/09 due to the increase in total benefit expenditure between the two years. Previous estimates for 2005/06 and 2006/07 were £2.6bn and £2.7bn respectively.
- The central estimate for the percentage of total benefit expenditure underpaid in 2008/09 is 0.9 per cent which is the same level as the estimate for 2007/08 published in October 2008. Previous estimates for 2005/06 and 2006/07 were 0.8 per cent for both years.

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- The estimated value of underpayments has increased from £1.1bn in 2007/08 to £1.2bn in 2008/09 due to the increase in total benefit expenditure between the two years. Previous estimates for 2005/06 and 2006/07 were both £1bn.

Fraud and Error across individual benefits

- The central estimate for the percentage of Income Support/Jobseeker's Allowance benefit expenditure overpaid has increased between 2007/08 and October 2007 to September 2008 from 4.9 per cent to 5.0 per cent, and from £540m to £550m.
- The central estimate for the percentage of total Housing Benefit expenditure overpaid has reduced between 2007/08 and October 2007 to September 2008 from 4.6 per cent to 4.5 per cent. The value has increased from £720m to £770m due to the increase in total HB expenditure between these periods.
- The central estimate for the percentage of Pension Credit benefit expenditure overpaid has decreased between 2007/08 and October 2007 to September 2008 from 5.1 per cent to 4.6 per cent, and from £380m to £340m.

None of the changes above are statistically significant. However, on balance it is more likely than not that there has been a decrease in the percentage of benefit overpaid for Pension Credit and Housing Benefit and an increase in Income Support/Jobseeker's Allowance.

Interpretation of the results

The estimates of fraud and error across the whole benefit system are produced by combining three different types of estimate:

- estimates derived from continuous survey exercises for IS, JSA, PC and HB (continuously reviewed benefits). Official error is also measured continuously for Incapacity Benefit and Retirement Pension.
- estimates from "one off" survey exercises for other benefits (occasionally reviewed benefits). As these exercises are not carried out annually, we have assumed that the percentage of expenditure due to fraud and error estimated in the year of the survey has remained constant since the last NBR.
- estimates for the remaining benefits (unreviewed benefits).have been calculated by comparing with reviewed benefits that are judged to be similar. Where there is no similar benefit the average of all reviewed benefits has been used.

For the benefits that have been measured the results are derived from analysis of data collected for a sample cases, rather than the analysis of all such cases. Therefore the results are subject to statistical uncertainties. Further uncertainties in the measurement exercises arise from assumptions that have had to be made to account for incomplete or imperfect data. Where possible these have been quantified and combined with the sampling uncertainties to give an overall assessment of uncertainty in the results as 95 per cent confidence limits.

Some remaining sources of uncertainty could not be quantified and have not been incorporated into the confidence limits, for example where the assessment of error involves subjective judgment that may be applied with varying degrees of strictness for different review cases or for different periods of time.

Statistician:

The estimates also do not encompass all fraud and error. The measurement process has been designed to be as rigorous as possible, but it is likely that some fraud and error would not have been uncovered, because fraud is by its nature a covert activity. It should also be noted that some overpaid benefit is subsequently recovered.

The underpayment estimates only cover recipients who are getting less than they are entitled to, and do not include those who are entitled to benefits but who do not apply, or whose applications to benefit are incorrectly rejected.

Notes for Editors

1. "Fraud and Error in the Benefit System: October 2007 to September 2008" is a National Statistics publication and as such it is produced to the high professional standards set out in the National Statistics Code of Practice. This series of publications have regular quality assurance reviews to ensure that they continue to meet customer needs.

2. Previous reports in this series focused on reporting Department of Work and Pensions (DWP) progress in reducing fraud and error in Income Support, Jobseeker's Allowance and Housing Benefit, in order to assess the Public Service Agreements (PSA 10A and 10B) introduced as part of the 2004 Comprehensive Spending Review (CSR04). These targets have now been replaced by the Departmental Strategic Objective 6 (DSO6) "to pay our customers the right benefits at the right time". As a result this report focuses on estimates of the total overpayments and underpayments across the benefit system, but also includes estimates for individual benefits.

3. The estimates for April 2007 to March 2008 referred to are contained in the National Statistics report "Fraud and Error in the Benefit System: April 2007 to March 2008" available at: www.dwp.gov.uk/asd/asd2/fraud_error_arc.asp