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Coverage: Great Britain
Theme: Social and Welfare

Fraud and Error in the Benefit System April 2005 to March 2006: Spending Review 2004 target baseline

Fraud and Error in the Benefit System October 2005 to September 2006

Estimates of the levels of fraud and error in the benefit system over the period April 2005 to September 2006 are published as two National Statistics reports today.

The reports can be read at the Department for Work and Pensions website at:

www.dwp.gov.uk/asd/asd2/fraud_error.asp

Changes to fraud and error measurement methodology

The Spending Review 2004 announced a new Public Service Agreement target for Income Support and Jobseeker's Allowance fraud and error to take effect from April 2005. The target is a 15 per cent reduction by March 2010 though this target is likely to be subsumed as part of the process for agreeing the Department's Strategic Objectives as part of the 2007 Spending Review.

The final reporting of progress against the SR02 target presented an opportunity to introduce improvements to the methodology used to measure Income Support, Jobseeker's Allowance and Pension Credit fraud and error. The estimates based on this new methodology establish a new baseline against which to measure the Department's progress. The changes also introduce greater consistency with the existing methodology used to measure Housing Benefit fraud and error.

The new estimates of fraud and error in Income Support, Jobseeker's Allowance and Pension Credit have been combined with estimates for Housing Benefit and improved estimates for other benefits to provide a global estimate of fraud and error across all benefits.

These new figures do not give an update of performance against the Spending Review 2002 targets that were assessed in the National Statistics report published in February 2007. They reflect a new methodology and so are not comparable with the estimates over the Spending Review 2002 period on a 'like-for-like' basis.

Baseline levels of fraud and error from April 2005 to March 2006

The baseline level of fraud and error in Income Support and Jobseeker's Allowance during the period April 2005 to March 2006 for the purposes of measuring the Department's progress on reducing fraud and error:

- Around 4.9 per cent, or £570m, of IS and JSA expenditure is estimated to have been overpaid;

Although no new Spending Review 2004 target for Pension Credit was established the new methodology has been applied to ensure consistency:

- Around 4.7 per cent, or £310m, of Pension Credit expenditure is estimated to have been overpaid.

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These estimates have been combined with estimates of benefit expenditure overpaid through fraud and error across all other benefits:

- Around 2.1 per cent, or £2.5bn, of total benefit expenditure is estimated to have been overpaid.
- In addition, it is estimated that around 0.8 per cent or £1.0 bn of total benefit expenditure has been underpaid.

Headline levels of fraud and error from October 2005 to September 2006

The second National Statistics report provides estimates of the levels of fraud and error across the benefits system between October 2005 and September 2006. Key findings for the individual benefits measured are that:

- Around 5.3 per cent, or £610m, of Income Support and Jobseeker's Allowance expenditure is estimated to have been overpaid;
- Around 5.3 per cent, or £760m, of Housing Benefit expenditure is estimated to have been overpaid;
- Around 5.2 per cent, or £360m, of Pension Credit expenditure is estimated to have been overpaid.

It is also estimated that during 2006/07 around 2.2 per cent, or £2.7bn, of overall benefit expenditure was overpaid through fraud and error, while around 0.9 per cent or £1.0bn of total benefit expenditure was underpaid³.

Assessment of change over time

For IS/JSA the first update estimate covers the year up to September 2006. When compared with the 2005/06 baseline the change observed in the estimate of loss for IS/JSA is not statistically significant. This means that the statistical evidence is not strong enough for us to conclude that an increase in the level of fraud and error has occurred over this short period but that on balance it is more likely than not that there has been an increase.

Similarly for Housing Benefit the change in the estimate of loss is not statistically significant but on balance it is more likely than not that there has been an increase since the baseline year 2002/03

No new target was set for Pension Credit under Spending Review 2004

Interpretation of Results

The results are derived from the analysis of data collected for a sample of IS, JSA, Pension Credit and Housing Benefit cases, rather than analysis of all IS, JSA, Pension Credit and Housing Benefit cases, so they 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 further uncertainties 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, e.g. where the assessment of error involves subjective judgment that may be applied with different degrees of strictness for different review cases or for different periods of time.

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, e.g. 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 do not apply, or whose applications to benefit are incorrectly rejected.

Notes for Editors

1. "Fraud and Error in the Benefit System April 2005 to March 2006: Spending Review 2004 target baseline" and "Fraud and Error in the Benefit System October 2005 to September 2006: Headline Report" are National Statistics publications and are produced to the high professional standards outlined in the National Statistics Code of Practice. National Statistics publications undergo regular quality assurance reviews to ensure that they meet customer needs.