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**Fraud and Error in the Benefit System from April 2005 to March 2006**

Estimates of the levels of fraud and error in the benefit system over the period April 2005 to March 2006 are published as National Statistics today. The report can be read at the Department for Work and Pensions website at:

[www.dwp.gov.uk/asd/asd2/fraud\\_error.asp](http://www.dwp.gov.uk/asd/asd2/fraud_error.asp)

**Performance against Departmental targets**

For the purposes of assessing achievement of targets ending in March 2006, and subject to the context described below:

- For Income Support and Jobseeker's Allowance, fraud and error has reduced by **around 50 per cent** compared to the Public Service Agreement (PSA) target of a 50 per cent reduction since the baseline of 1997/8. **The target has been achieved, or nearly achieved.**
- For Housing Benefit, the estimate is of a **13 per cent increase**, against the PSA target of a 20 per cent reduction since the baseline of 2002/3. The 95 per cent confidence interval around this is between a 5 per cent decrease and a 36 per cent increase. **The target has not been met.**
- For Pension Credit, the estimate is of an **11 per cent reduction**, against the Service Delivery Agreement (SDA) target of a 20 per cent reduction since the baseline of 2001/2. The 95 per cent confidence interval is between a 15 per cent increase and a 30 per cent decrease, so there is no significant evidence of a change over the period. **The target has not been met.**

**Context of performance in Income Support and Jobseeker's Allowance**

For Income Support and Jobseeker's Allowance, the best estimate is a **reduction of between 45 and 55 per cent** in the level of fraud and error between 1997/8 and 2005/6.

We have concluded that this best estimate should be presented as a range, rather than as a central estimate with confidence interval, because of the nature and scale of uncertainties surrounding the effects of changes in the data collection methodology during the target period. This means that simple use of the central estimate cannot be used in this case as the formal basis for determining target achievement.

The 95 per cent confidence interval taking account of other statistical uncertainties is a reduction of between 40 per cent and 60 per cent.

Note that the particular difficulties for Income Support and Jobseeker's Allowance estimates of change over time have not been found in comparable form for measurement in Housing Benefit and Pension Credit. Central estimates of change over time for these benefits can therefore be presented.

**Headline levels of fraud and error for April 2005 to March 2006**

We estimate that in April 2005 to March 2006, around **2.2 per cent**, or **£2.6bn**, of overall benefit expenditure was overpaid through fraud and error.

Key findings for the individual benefits measured are that:

- Around 4.7 per cent, or £550m, of Income Support and Jobseeker's Allowance expenditure is estimated to have been overpaid;
- Around 5.5 per cent, or £770m, of Housing Benefit expenditure is estimated to have been overpaid;
- Around 4.1 per cent, or £270m, of Pension Credit expenditure is estimated to have been overpaid.

This report also gives the first estimates of underpayments across the whole benefit system. We estimate that around **0.8 per cent**, or **£0.9bn**, of overall benefit expenditure was underpaid through fraud and error. Note that this only covers recipients who are getting less than they are entitled to, and does not include those who are entitled to benefits but do not apply, or whose applications to benefit are incorrectly rejected.

## Interpretation of Results

All estimates are based on the examination of a random sample of benefit claims. As with the results from any survey sampling exercise, the estimates derived from the sample may be different from what we would see if we examined the whole caseload. These uncertainties have been quantified and are presented in the results as 95 per cent confidence intervals. Further uncertainties arise from imperfections and changes in the operation of the review process. Where possible we have included an adjustment for these in the confidence intervals to reflect this greater uncertainty.

The estimates do not encompass all fraud and error. While we have tried to make our measurement process as rigorous as possible, it is likely that some fraud and error, if present on sample cases, would not have been uncovered, e.g. because fraud is by its nature a covert activity, because complex error can be difficult to detect, and because some suspicions of fraud on sample cases cannot be proven. Furthermore, there are also some kinds of fraud and error that cannot be captured at all by the current measurement process, e.g. overpayments caused by incorrect awards in other benefits such as Disability Living Allowance or Housing Benefit instrument of payment fraud.

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. The ending of the current set of targets and starting of a new target in 2005/6 presented the opportunity to introduce some new methodology and process improvements. Measurement on both the old and new basis took place during the past financial year to allow comparison of the two measurement methodologies. We plan to publish a report in the next few months presenting the baseline for the new Spending Review 2004 target for Income Support and Jobseeker's Allowance fraud and error. These new figures will not give an update of performance against the targets assessed in this report, as they are not comparable on a 'like-for-like' basis.

## Notes for Editors

1. "Fraud and Error in the Benefit System from April 2005 to March 2006" is a National Statistics publication and is 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.
2. # is equivalent to pounds.