



Fraud and Error in the Benefit System: April 2006 to March 2007

INFORMATION DIRECTORATE

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

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Summary

Background

1. This report gives estimates of the level of fraud and error in benefits administered by the Department for Work and Pensions (DWP) and Local Authorities.
2. The report has three main purposes. Firstly, it provides new estimates of fraud and error in Income Support (IS), Jobseeker's Allowance (JSA), Pension Credit and Housing Benefit for the financial year 2006/07. Secondly, it gives the estimates of progress against the Department's Public Service Agreement (PSA) targets for the reduction of fraud and error. In particular, it provides the latest progress against PSA target 10A, for the reduction of fraud and error in Income Support and Jobseeker's Allowance and PSA target 10B for working age Housing Benefit. Thirdly, it updates the Department's estimate of fraud and error across the whole benefit system during 2006/07.

Latest results and progress against targets

3. The key findings about the levels of fraud and error during the financial year 2006/07 are:
 - Around **5.1%**, or **£590m**, of **IS and JSA** expenditure is estimated to have been overpaid;
 - Around **5.1%**, or **£750m**, of **Housing Benefit** expenditure is estimated to have been overpaid;
 - Around **5.3%**, or **£370m**, of **Pension Credit** expenditure is estimated to have been overpaid.
4. The Department currently has two targets for the reduction of the level of overpaid expenditure in the continuously measured benefits. Both were set as part of the 2004 Spending Review (SR04). The first covers Income Support and Jobseeker's Allowance.

PSA target 10A: To reduce the proportion of Income Support (IS) and Jobseeker's Allowance (JSA) expenditure overpaid through fraud and error between 2005/06 and 2009/10 by 15%.

5. The latest estimate, at 5.1%, is **5% above** the 4.9% baseline estimate. The 95

per cent confidence interval around this is between a 13% decrease and a 28% increase. Given that zero falls well within this interval, there is no evidence of a significant change in the level of fraud and error since the baseline, though an increase is more likely than not.

6. The second target covers working age Housing Benefit.

PSA target 10B: To reduce the proportion of working age Housing Benefit (HB) expenditure overpaid through fraud and error between 2002/03 and 2007/08 by 25%.

7. The central estimate of change in the proportion of Housing Benefit expenditure that is overpaid to working age customers is a **0% change** since 2002/03. The 95 per cent confidence interval ranges from a 20% decrease to a 26% increase. This is not a statistically significant change from the baseline level.

Fraud and error across the benefit system

8. During 2006/07, the Department spent around £120 billion on benefits, of which it is estimated that around **2.2%**, or **£2.6 billion** was overpaid. As this figure is reliant on assumptions about the level of fraud and error in benefits that have not been measured, it is subject to a high degree of uncertainty.
9. This provides an update of the estimate which was originally published in September 2007 as part of the Department's accounts for 2006/07.

Interpretation of results

10. The estimates presented in this report are based on the analysis of reviews of random samples drawn from the benefit caseloads. This means that they are subject to a relatively large degree of statistical uncertainty, which is quantified in the form of '95% confidence intervals'. These give the range in which we can be 95% sure that the true value lies for each of the estimates presented. Further uncertainties arise from imperfections in the design and operation of the review process. Where possible these have been quantified and incorporated into the 95% confidence intervals.
11. Care is required when interpreting the results that are presented in this report. In particular:-
 - The results are imprecise, because of sampling and other uncertainties. The 95% confidence intervals are used in the report to express the extent of sampling uncertainty together with other uncertainties that we have been able to quantify;

- The results do not encompass all fraud and error;
- Some overpaid benefit is subsequently recovered by the Department;
- Some incorrect payments may be unavoidable in practice;
- There is some benefit expenditure which cannot be reviewed by the measurement system.

Future reporting

12. In future, this series will monitor progress against the indicator “Proportion of benefit expenditure overpaid or underpaid due to fraud and error” which supports the Department’s Strategic Objective 6 (DSO6) – Pay our customers the right benefit at the right time. This indicator builds on the commitment made within SR04 (PSA 10A and 10B) as the Department now has a wider commitment to reduce both overpayments and underpayments across all benefits by 2011.

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1. Introduction

Background

- 1.1 This report provides estimates of fraud and error in Income Support (IS), Jobseeker's Allowance (JSA), Pension Credit and Housing Benefit (HB), covering the financial year 2006/07. It also considers the evidence of changes in the level of fraud and error in these benefits over time. Further estimates are included for fraud and error across the whole benefit system for 2006/07.
- 1.2 Estimates of fraud and error in IS, JSA, Pension Credit and HB are produced by statistical analysis of data collected through continuous survey exercises, in which Department for Work and Pensions (DWP) staff review a randomly selected sample of cases each year.
- 1.3 For the majority of cases, the review process involves:
 - *Preview*: the collation of information from a variety of DWP or Local Authority (LA) systems to build up an initial picture of the case and to identify any discrepancies between information from different sources;
 - *Interview*: the interview of the customer at their home, which follows a structured and detailed set of questions about the basis of the claim. This aims to identify any discrepancies between the customer's current circumstances and the circumstances upon which their benefit claim was based.and if a suspicion of fraud is identified:
 - *Fraud Investigation*: carried out by a trained Fraud Investigator with the aim of resolving the suspicion.
- 1.4 Estimates of fraud and error across the whole benefit system are produced by combining the results of these survey exercises with earlier surveys in other benefits and by making other assumptions about benefits which have not previously been measured in a comparable exercise.
- 1.5 The Department has targets to reduce fraud and error in Income Support, Jobseeker's Allowance and Housing Benefit. Progress against these targets is monitored by comparing the latest estimates with the relevant baseline figures.

Structure

1.6 The report is structured as follows:

- Chapter 2 presents the headline overpayment results in Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit for the financial year 2006/07, with a commentary including notes on interpreting results from the tables.
- Chapter 3 provides estimates of changes in the levels of overpayments over time, including the Department's performance against its Public Service Agreement (PSA) targets.
- Chapter 4 presents estimates of overpayments and underpayments across the whole benefit system.
- Chapter 5 shows a breakdown of overpayments into the different causes and types of frauds and errors.
- Chapter 6 gives links to further information and outlines the plans for future reporting.
- The Annexes give a glossary of abbreviations and statistical terms used in the report, and a list of other supporting material available on fraud and error in the benefit system.

2. Headline Results: 2006/07 Estimates

Headline levels of fraud and error

2.1 *Figures 2A and 2B* give estimates of the overpayment during the financial year 2006/07 for those benefits which are continuously measured. These estimates are expressed as a percentage of expenditure for that benefit and also as a monetary amount. The key findings are:

- Around **5.1%**, or **£590m**, of **Income Support and Jobseeker's Allowance** expenditure is estimated to have been overpaid;
- Around **5.1%**, or **£750m**, of **Housing Benefit** expenditure is estimated to have been overpaid;
- Around **5.3%**, or **£370m**, of **Pension Credit** expenditure is estimated to have been overpaid.

Figure 2A: Estimated overpayments during 2006/07

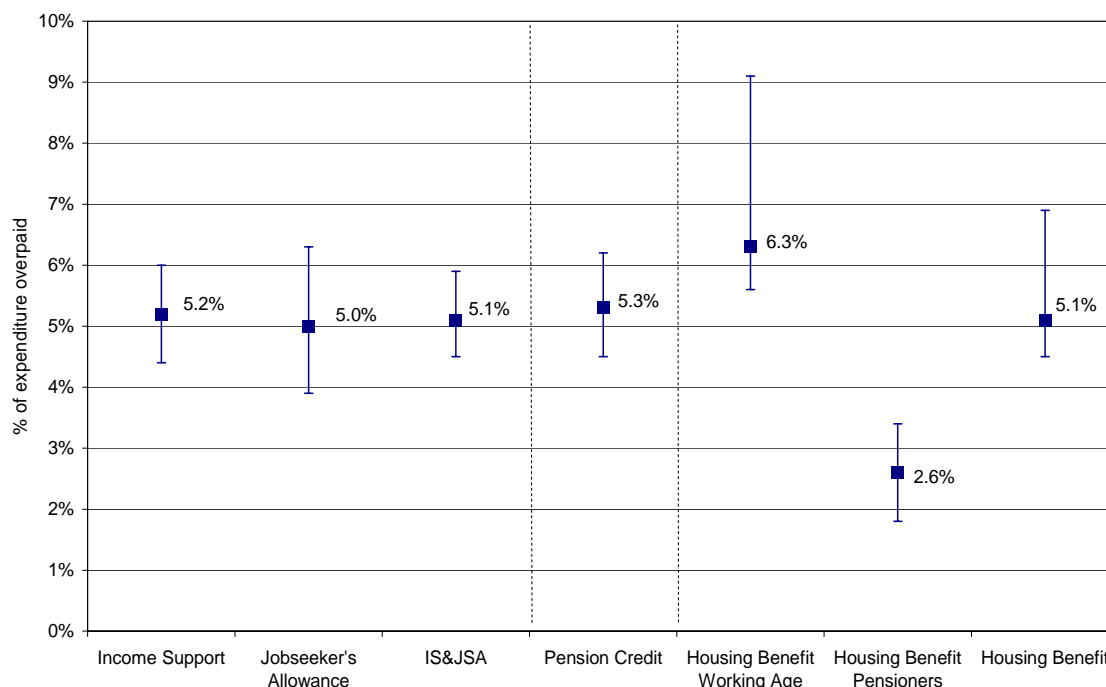
Estimated overpayments during 2006/07	Percentage overpaid			Amount overpaid		
	Central	Lower	Upper	Central	Lower	Upper
Income Support	5.2%	(4.4, 6.0)		£470m	(400, 540)	
Jobseeker's Allowance	5.0%	(3.9, 6.3)		£120m	(90, 150)	
IS and JSA Combined	5.1%	(4.5, 5.9)		£590m	(510, 680)	
Pension Credit	5.3%	(4.5, 6.2)		£370m	(320, 430)	
Housing Benefit Working Age	6.3%	(5.6, 9.1)		£620m	(550, 890)	
Housing Benefit Pensioners	2.6%	(1.8, 3.4)		£130m	(90, 170)	
Housing Benefit	5.1%	(4.5, 6.9)		£750m	(670, 1030)	

2.2 *Figure 2B* following illustrates the width of the confidence intervals relative to the size of the central estimates. It shows, for example, that:

- Working age Housing Benefit is estimated to have the highest level of fraud and error, significantly higher than that in pension age Housing Benefit;

- The estimated levels of fraud and error in Income Support, Jobseeker's Allowance and Pension Credit are similar to each other.

Figure 2B: Estimated percentage of expenditure overpaid: 2006/07



2.3 The confidence intervals around the HB estimates are asymmetrical, because we have had to make an assumption about the levels of fraud and error on very new HB claims not captured within the measurement sample mainly due to the operational delay between the sample being selected and the review taking place. The confidence intervals reflect the total range of plausible values for fraud and error on these 'new claims' from near zero, at the bottom, to around 11% of expenditure at the top end. New claims make up a far greater proportion of total HB claims for working age claimants which is why confidence intervals for the working age estimates are more dramatically affected than those for pensioners.

2.4 For Income Support and Jobseeker's Allowance, the confidence intervals around the estimates are narrower than those for October 2005 to September 2006. One reason for this is that the sample was designed to get an optimal result for a full financial year's data and therefore the extra uncertainty around using part year's data that was present in the last estimates does not exist for the financial year 2006/07 estimates.

2.5 The following box outlines several points that users should keep in mind when using any of the estimates in this report.

The estimates are subject to uncertainties: All estimates are based on the examination of a random sample of benefit claims. 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. Where possible, these further uncertainties have been quantified and combined with the sampling uncertainties to give an overall assessment in the form of 95 per cent confidence limits. These confidence limits show the range within which we can be 95% sure that the true value lies. A few 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 do not encompass all fraud and error: While we have tried to make our measurement process as thorough as possible, it will not capture all fraud and error. Examples include official errors relating to incorrect start and end dates for Housing Benefit payments, and Housing Benefit instrument of payment fraud. It is also likely that some fraud and error, if present on sample cases, would not have been uncovered. This is because fraud is by its nature a covert activity, complex official error can be difficult to identify 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.

Some overpaid benefit is subsequently recovered: These estimates are of the amount of benefit that is paid out incorrectly, rather than the eventual financial loss to the Department and Local Authorities. Overpayment recoveries in 2006/07 were over £550m, with more than half of this amount coming from Housing Benefit. The loss to the public purse is therefore less than the figures shown in this report.

Some incorrect payments may be unavoidable: The measurement methodology will treat a case as incorrect, even where the customer has promptly reported a change and there has only been a short delay in processing.

Some expenditure cannot be reviewed: A proportion of continuously measured benefit expenditure, currently estimated to be about 15%, cannot be captured by the sampling process. This is mainly because of (a) the delay between sample selection and the interview of the customer, and (b) the time taken to process new benefit claims, which excludes the newest cases from the review. The estimates in the tables in this report have been extrapolated to cover the missing expenditure. The confidence intervals reflect some but not all of the uncertainty involved in applying the sample results to elements of expenditure that are not fully covered by the sample. We estimate that the remaining unquantified uncertainty from this source is relatively small.

Causes of incorrect payments

2.6 Incorrect benefit payments can be divided between three causes, reflecting who was responsible and, where this was the customer, the level of intent:

- *Fraud*: This includes all cases where:
 - the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met;
 - the customer can reasonably be expected to be aware of the effect on entitlement; and
 - benefit stops or reduces as a result of the review.
- *Customer Error*: The customer has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent aim on the customer'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.

Please refer to Chapter 5 for a more detailed assessment of the different types of fraud, customer error and official error.

Figure 2C: Estimated overpayments by cause: 2006/07

Estimated overpayments 2006/07	Fraud	Customer Error	Official Error	Total
Income Support	2.6% (2.0, 3.3) £240m (180, 290)	1.2% (0.9, 1.5) £110m (80, 140)	1.4% (1.1, 1.7) £130m (100, 150)	5.2% (4.4, 6.0) £470m (400, 540)
Jobseeker's Allowance	2.6% (1.7, 3.4) £60m (40, 80)	0.4% (0.1, 0.7) £10m (0, 20)	2.0% (1.2, 2.9) £50m (30, 70)	5.0% (3.9, 6.3) £120m (90, 150)
IS and JSA Combined	2.6% (2.1, 3.2) £300m (240, 360)	1.0% (0.7, 1.3) £110m (90, 150)	1.5% (1.2, 1.8) £170m (140, 210)	5.1% (4.5, 5.9) £590m (510, 680)
Pension Credit	1.9% (1.4, 2.4) £130m (100, 170)	1.3% (1.0, 1.6) £90m (70, 110)	2.1% (1.5, 2.7) £150m (100, 190)	5.3% (4.5, 6.2) £370m (320, 430)
Housing Benefit	0.7% (0.5, 1.4) £100m (70, 210)	2.9% (2.5, 4.3) £440m (370, 640)	1.4% (1.1, 2.2) £210m (160, 330)	5.1% (4.5, 6.9) £750m (670, 1030)

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. Rows may not sum to totals due to rounding.

3. Headline Estimates: Change over time and progress against targets

Introduction

- 3.1 The Department currently has two PSA targets for the reduction of fraud and error in the continuously measured benefits. Both targets were set as part of the 2004 Spending Review. This chapter presents the latest assessment of the Department's performance against these targets and gives time series of performance.
- 3.2 Estimates of change over time are produced by comparing the latest estimates of fraud and error overpayments against the estimate for the relevant baseline period. This means the estimates of performance against targets are affected by sampling and other sources of error in both the baseline and the target years, and so are prone to greater statistical uncertainty.
- 3.3 Proportions of benefit expenditure overpaid are compared when assessing changes over time because monetary amounts are affected by changes to overall benefit expenditure which can obscure the changes to fraud and error.

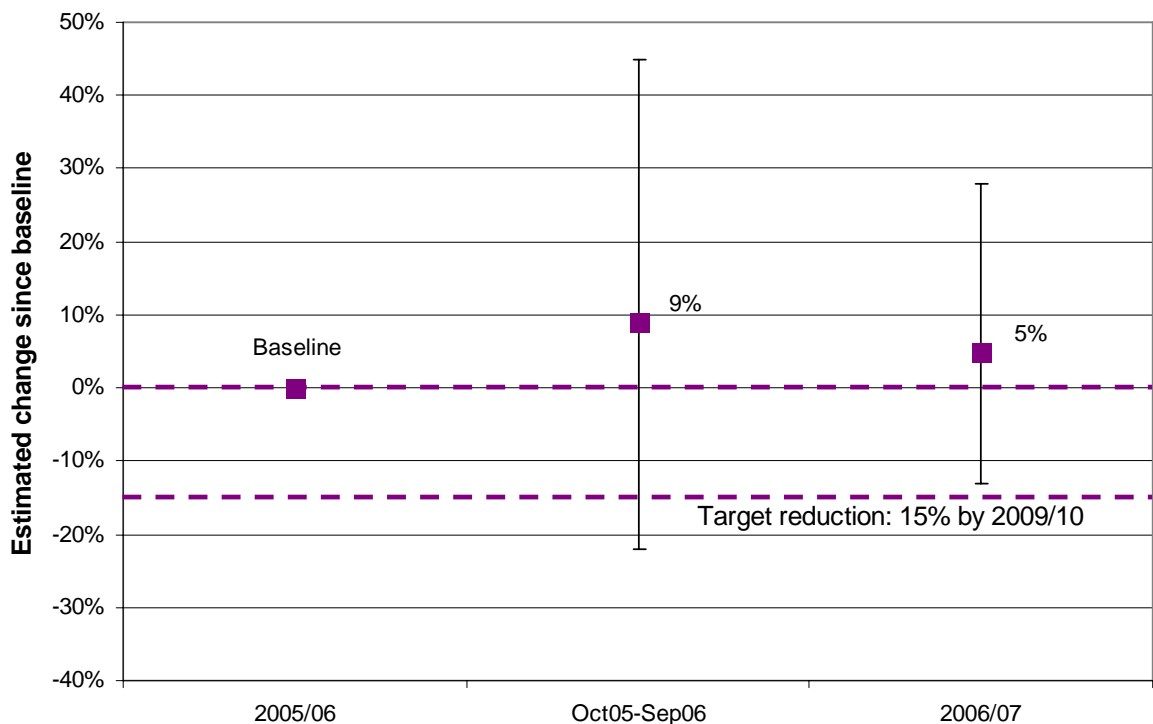
Change over time in Income Support and Jobseeker's Allowance (PSA Target 10A)

- 3.4 The Department has a PSA target to reduce the level of fraud and error in Income Support and Jobseeker's Allowance by 15% by March 2010 from a baseline period of April 2005 to March 2006.
- 3.5 For measuring the PSA 10A target, change over time is calculated by comparing estimated proportions of expenditure overpaid that have been extrapolated to cover all expenditure on IS and JSA.
- 3.6 The central estimate used for this target in the baseline year, was that 4.9% of Income Support and Jobseeker's Allowance expenditure was overpaid through fraud and error. The central estimate for April 2006 to March 2007 is 5.1%, which is **5% above** the baseline estimate. The 95 per cent confidence interval around this is between a 13% decrease and a 28% increase. Given that zero falls well within this interval, there is no evidence of a statistically significant

change in the level of fraud and error since the baseline, though an increase is more likely than not.

- 3.7 Figure 3A shows estimates of change since 2005/06 in the level of fraud and error in Income Support and Jobseeker’s Allowance expenditure. The estimates are presented with 95% confidence intervals.

Figure 3A: Estimated progress against target to reduce fraud and error in Income Support and Jobseeker’s Allowance (PSA 10A)



The graph shows estimated change over time – a positive number shows an increase in the estimate of fraud and error. The bars give confidence intervals around the estimates of change over time.

- 3.8 For Income Support and Jobseeker's Allowance, the confidence limits around the change over time have reduced compared to the October 2005 to September 2006 estimate. The sample was designed to get an optimal result for a full financial year's data and therefore the extra uncertainty around using part year's data does not exist for the 2006/07 estimates.

Change over time in Working Age Housing Benefit (PSA Target 10B)

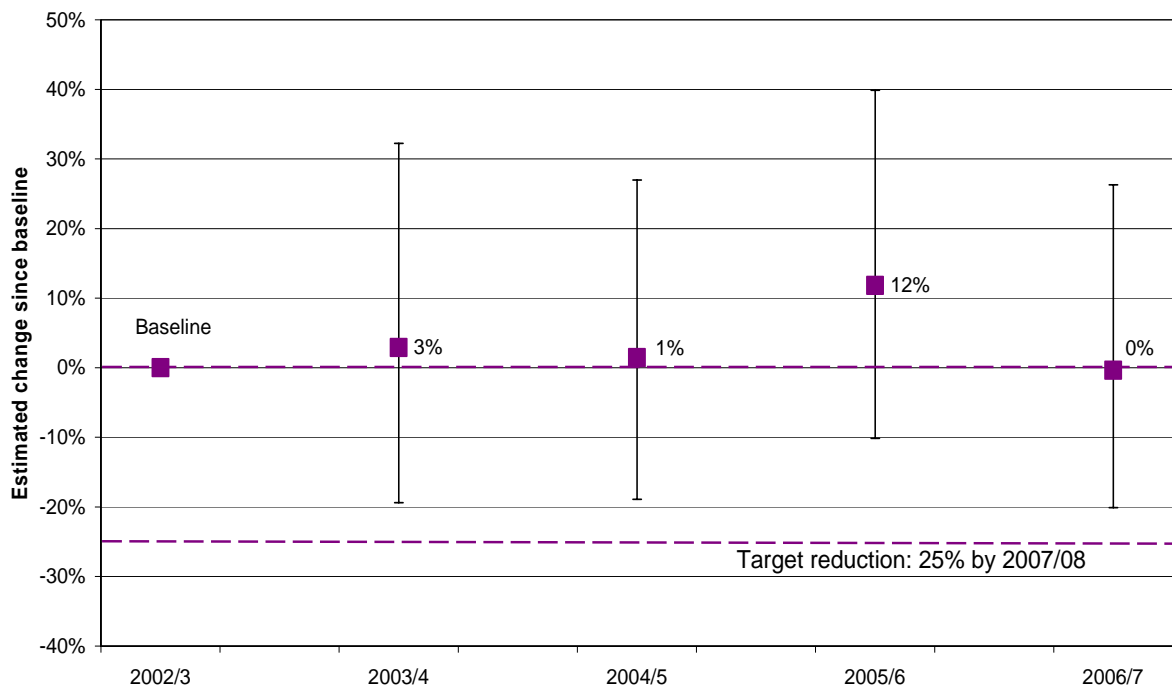
- 3.9 The Department has a PSA target to reduce the level of fraud and error in Housing Benefit paid to *working age customers* by 25% by March 2008, from a baseline period of 2002/03.

3.10 As discussed in paragraph 2.5, a significant proportion of Housing Benefit expenditure is outside the scope of the sample. For measuring the PSA 10B target, only expenditure within the scope of the sample is used, so figures used for measuring progress against the target will differ from those presented earlier in this report which relate to all HB expenditure. This contrasts with PSA 10A and Pension Credit, where change over time is estimated by comparing proportions of all expenditure overpaid on the respective benefits.

3.11 The central estimate used for this target in the 2002/03 baseline year, was that 5.9% of working age Housing Benefit expenditure was overpaid through fraud and error. The central estimate for April 2006 to March 2007 is also 5.9%, so that there is **0% change** since 2002/03. The 95 per cent confidence interval around this is between a 20% decrease and a 26% increase.

3.12 *Figure 3B* below shows estimates of change since 2002/03 in the level of fraud and error in working age Housing Benefit expenditure. The estimates are presented with 95% confidence intervals which show that there is considerable uncertainty about the true level of change.

Figure 3B: Estimated progress against target to reduce fraud and error in Working Age Housing Benefit (PSA 10B)



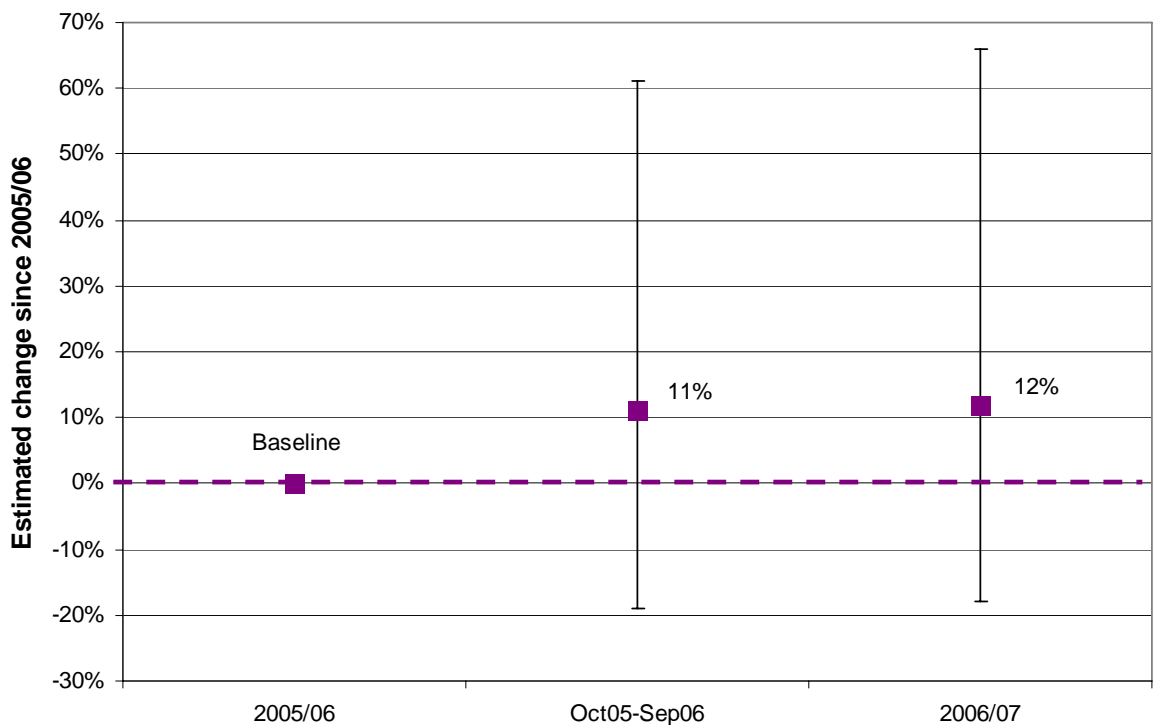
The graph shows estimated change over time – a positive number shows an increase in the estimate of fraud and error. The bars give confidence intervals around the estimates of change over time.

Change over time in Pension Credit

3.13 Change over time in Pension Credit is calculated by comparing estimated proportions of expenditure overpaid that have been extrapolated to cover all expenditure on this benefit.

3.14 The central estimate of change is of a **12% increase** since 2005/06, with a 95 per cent confidence interval around this ranging from an 18% decrease to a 66% increase. As zero falls well within the interval, there is no evidence of a significant change in the level of fraud and error since 2005/06, although an increase is more likely than not.

Figure 3C: Estimated change in fraud and error in Pension Credit since 2005/06



The graph shows estimated change over time – a positive number shows an increase in the estimate of fraud and error. The bars give confidence intervals around the estimates of change over time.

3.15 For Pension Credit, the confidence limits around the change over time are similar to those for the October 2005 to September 2006 estimate. The large amount of uncertainty around the 2005/06 estimate of fraud and error in Pension Credit drives the majority of the uncertainty around both estimates of change, since both comparisons refer back to 2005/06.

4. Fraud and error across the benefit system

Background

- 4.1 The Department publishes estimates of overpayments across the whole of benefit expenditure in its Resource Accounts¹. The time taken to produce fraud and error statistics has meant that these have relied on the measurement of fraud and error in the preceding financial year. This chapter presents an update to the estimate in the 2006/07 Resource Account.

Updated estimates for 2006/07

- 4.2 *Figures 4A and 4B* present revised estimates that include results that were not available when the Resource Account was published. In particular they incorporate the estimates of the percentage of expenditure overpaid in Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit that are presented in the preceding chapters.
- 4.3 There has also been a slight change to the benefit expenditure figures, to make them more consistent with the measurement process.
- 4.4 It is estimated that, in 2006/07, around **2.2%**, or **£2.6 billion** of benefit expenditure was overpaid.

Interpretation and composition

- 4.5 These estimates are subject to the same kind of statistical uncertainties and other limitations discussed in Chapter 2. They also rely on a variety of assumptions about benefits which are not regularly reviewed and which are described below. The bottom row of each table gives confidence intervals for the total estimates of fraud, customer error and official error.
- 4.6 They exclude an estimated £700m of Disability Living Allowance (DLA) expenditure, where the payment is legally correct, but the benefit award would cease or reduce if the case were reassessed.

¹ See Note 44 to DWP's Resource Accounts for 2006/07

4.7 Three different types of estimate contribute to the total. These are:

Continuous measurement: Just over a quarter of all benefit expenditure is covered by the main measurement exercises on Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit. Official error is measured continuously in Incapacity Benefit and Retirement Pension. There is also an annually updated estimate of 'Instrument of Payment' fraud, which captures the value of altered cheques and cheques reported lost or stolen that were later found encashed.

One-off 'snapshot' measurement: Since 1995, the Department has carried out 'National Benefit Reviews' (NBRs) of some benefits to estimate the level of fraud and error in a single year. These benefits cover around three-fifths of total expenditure. As these exercises are not carried out annually, we have assumed that the percentage level of fraud and error has remained constant since the last NBR.

Assumptions about and modelling of unmeasured quantities: Benefits where there has not been any recent measurement activity make up around 13% of total expenditure. For these, we have based the estimates on the level of fraud and error found in similar, measured benefits. For example, Council Tax Benefit (CTB) has many similarities to Housing Benefit. 'Interdependencies' is an estimate of the effect of overpayment of DLA on other benefits where receipt of DLA is a qualifying criterion. It is based on a combination of modelled and measured data.

Figure 4A: Estimated overpayments during 2006/07

Estimated overpayments in 2006/07	Expenditure	Fraud & Error	Fraud	Customer Error	Official Error	Last measured				
Continuously reviewed										
Income Support	£9.0bn	5.2%	£470m	2.6%	£240m	1.2%	£110m	1.4%	£130m	Apr 06 - Mar 07
Jobseeker's Allowance	£2.4bn	5.0%	£120m	2.6%	£60m	0.4%	£10m	2.0%	£50m	Apr 06 - Mar 07
Pension Credit	£7.0bn	5.3%	£370m	1.9%	£130m	1.3%	£90m	2.1%	£150m	Apr 06 - Mar 07
Housing Benefit	£14.9bn	5.1%	£750m	0.7%	£100m	2.9%	£440m	1.4%	£210m	Apr 06 - Mar 07
Instrument of Payment			£10m		£10m					Apr 06 - Mar 07
Occasionally reviewed										
Disability Living Allowance ¹	£9.2bn	1.9%	£170m	0.5%	£40m	0.6%	£60m	0.8%	£70m	Apr 04 - Mar 05
Retirement Pension ^{2,3}	£53.7bn	0.2%	£110m	0.0%	£0m	0.1%	£40m	0.1%	£60m	Apr 05 - Mar 06
Carer's Allowance	£1.2bn	5.5%	£70m	3.9%	£50m	1.0%	£10m	0.6%	£10m	Apr 96 - Mar 97
Incapacity Benefit ³	£6.7bn	1.7%	£110m	0.1%	£10m	0.2%	£20m	1.3%	£90m	Apr 00 - Mar 01
Interdependencies ⁴			£40m		£10m		£10m		£20m	Apr 06 - Mar 07
Unreviewed										
Unreviewed (ex CTB) ⁵	£11.7bn	1.8%	£210m	0.6%	£70m	0.5%	£50m	0.7%	£80m	
Council Tax Benefit ⁶	£3.9bn	4.5%	£180m	0.6%	£20m	2.6%	£100m	1.3%	£50m	Apr 06 - Mar 07
Total⁷	£119.8bn	2.2%	£2.6bn	0.6%	£0.8bn	0.8%	£0.9bn	0.8%	£0.9bn	
Range⁸		(1.9-2.6)	(2.3-3.1)	(0.5-0.9)	(0.5-1.1)	(0.6-1.1)	(0.8-1.3)	(0.6-1.0)	(0.7-1.2)	

Notes to table

Figures expressed as percentages (%) give the overpayments as a percentage of the benefit paid out in the year.

- 1 The 2004/05 DLA National Benefit Review identified cases where the change in customer's needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot identify when the change occurred. The legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the customer to tell us that their needs have changed, so cases in this sub-category are legally correct. The difference between what customers in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit were reassessed was estimated to be around £0.7 billion (+/- £0.2 billion). This component is not included in the total above.
- 2 The 2005/06 Retirement Pension pilot National Benefit Review identified around £30 million of overpayments due to non-notification of death to the International Pension Centre. These have been included as customer error in this table, although a small amount of these may be fraudulent.
- 3 Official error estimates for Incapacity Benefit and Retirement Pension are derived from the 2006/07 measurement exercises.
- 4 An estimate of the knock-on effects of DLA overpayments on caring and disability premiums on income-related benefits, which depend on the rate of DLA in payment.
- 5 The rate of fraud and error on unreviewed benefits has been estimated by comparing with reviewed benefits that are similar, where suitable proxies exist. Where such proxies are not available, the average of all measured benefits has been used.

- 6 The estimate of fraud and error in Council Tax Benefit (CTB) is based on the results of measurement of Housing Benefit, adjusted to account for the greater proportion of pensioners that are in receipt of CTB.
- 7 Rows and columns may not sum to totals due to rounding.
- 8 Approximate 95% confidence intervals are given. They allow for non-sample error in periodically reviewed benefits and the additional uncertainty that comes from the use of older measurements.

Underpayments

- 4.8 Using similar assumptions it is estimated that, in 2006/07, underpayments across the benefit system totalled around **£1.0bn**, equivalent to **0.8%** of total benefit expenditure. Please refer to *Figure 4B*. Note that this information only covers recipients who are getting less than they are entitled to, and does not include those who are entitled to benefits but who do not apply, or whose applications are not awarded when they should be.²

² For estimates of 'non-take-up' of some benefits see www.dwp.gov.uk/asd/irb.asp

Figure 4B: Estimated underpayments during 2006/07

Estimated underpayments in 2006/07	Expenditure	Fraud & Error	Fraud	Customer Error	Official Error	Last measured				
Continuously reviewed										
Income Support ¹	£9.0bn	1.2%	£110m	0.1%	£10m	0.5%	£40m	0.7%	£60m	Apr 06 - Mar 07
Jobseeker's Allowance ¹	£2.4bn	0.4%	£10m	0.1%	£0m	0.0%	£0m	0.3%	£10m	Apr 06 - Mar 07
Pension Credit ¹	£7.0bn	1.5%	£110m	0.0%	£0m	0.3%	£20m	1.3%	£90m	Apr 06 - Mar 07
Housing Benefit ¹	£14.9bn	1.4%	£210m	0.0%	£0m	0.9%	£140m	0.5%	£70m	Apr 06 - Mar 07
Occasionally reviewed										
Disability Living Allowance	£9.2bn	2.5%	£230m	0.0%	£0m	2.4%	£220m	0.1%	£10m	Apr 04 - Mar 05
Retirement Pension ²	£53.7bn	0.2%	£80m	0.0%	£0m	0.0%	£0m	0.2%	£80m	Apr 05 - Mar 06
Carer's Allowance	£1.2bn	0.1%	£0m	0.0%	£0m	0.1%	£0m	0.0%	£0m	Apr 96 - Mar 97
Incapacity Benefit ²	£6.7bn	0.8%	£50m	0.0%	£0m	0.2%	£10m	0.5%	£40m	Apr 00 - Mar 01
Unreviewed										
Unreviewed (ex CTB) ³	£11.7bn	1.4%	£160m	0.0%	£0m	1.2%	£140m	0.2%	£20m	
Council Tax Benefit ⁴	£3.9bn	1.3%	£50m	0.0%	£0m	0.6%	£30m	0.6%	£30m	Apr 06 - Mar 07
Total⁵	£119.8bn	0.8%	£1.0bn	0.0%	£0.0bn	0.5%	£0.6bn	0.3%	£0.4bn	
Range⁶		(0.6-1.1)	(0.7-1.4)	(0.0-0.0)	(0.0-0.0)	(0.3-0.8)	(0.3-0.9)	(0.3-0.5)	(0.3-0.5)	

Notes to table

Figures expressed as percentages (%) give the underpayments as a percentage of the benefit paid out in the year.

- 1 Extrapolated underpayment figures to cover the whole of expenditure on continuously measured benefits are not published. The values given here represent the percentage underpaid applied to total expenditure.
- 2 Official error estimates for Incapacity Benefit and Retirement Pension are derived from the 2006/07 measurement exercises.
- 3 The rate of fraud and error on unreviewed benefits has been estimated by comparing with reviewed benefits that are similar, where suitable proxies exist. Where such proxies are not available, the average of all measured benefits has been used.
- 4 The estimate of fraud and error in Council Tax Benefit (CTB) is based on the results of measurement of Housing Benefit, adjusted to account for the greater proportion of pensioners that are in receipt of CTB.
- 5 Rows and columns may not sum to totals due to rounding.
- 6 Approximate 95% confidence intervals are given. They allow for non-sample error in periodically reviewed benefits and the additional uncertainty that comes from the use of older measurements.

5. Detailed estimates

Introduction

- 5.1 This chapter presents breakdowns of the estimates for the continuously measured benefits into detailed types and causes of incorrectness.
- 5.2 Note that the estimates are often very small percentages of expenditure, and will sometimes be based on only a few sample cases. This means that the statistical uncertainties can be large relative to the size of the central estimates, and they tend not to be suitable for examining changes over time in particular types of error. However, they can give a useful indication of which types of error are causing the most overpaid expenditure and how error typically gets into the system.
- 5.3 Estimates for Income Support, Jobseeker's Allowance and Pension Credit are presented together as they have similar entitlement conditions and administration. Housing Benefit is administered by Local Authorities (LAs), but entitlement often hinges on the award of other benefits by DWP. This leads to quite different error types and, for official errors, a division of responsibility by DWP and the LAs, so estimates for Housing Benefit are broken down in different ways and are presented separately.
- 5.4 Additional tables including detailed estimates of underpayments, and historical results for Housing Benefit will be available on the DWP website at www.dwp.gov.uk/asd/asd2/fraud_error.asp shortly after publication of this report. A list of these tables is given in Annex 2 of this report.

Fraud and error in Income Support, Jobseeker's Allowance and Pension Credit: by type

- 5.5 *Figure 5A* overleaf presents cash estimates of the amounts overpaid due to different types of fraud and customer error in the main income-related benefits. Explanations of the different error types are given below.

Earnings – incorrect or undeclared income from employment.

Partner Earnings – incorrect or undeclared earnings of customer's partner.

Capital – incorrect or undeclared amount of capital held.

Dependants – claiming incorrectly for number or type of dependants.

Other Income – other undeclared source of income e.g. occupational pension or sick pay.

Living Together as Husband and Wife/ Living Together as Civil Partners (LTAHAW/ LTACP) – the customer has a partner, but is receiving benefit as a single person.

Identity (ID) – false or assumed identity.

Address / Not at Address – customer cannot be contacted at registered address, is no longer at address or provided a false address.

Housing – incorrectly declared housing costs or income from housing.

Benefits – customer receiving other benefit.

College – customer in education and may be receiving funding.

Abroad – customer continuing to receive benefit whilst living abroad.

Hospitalisation – customers not declaring long-term hospitalisation.

Maintenance – undeclared or incorrectly declared income from maintenance payments.

Non-dependants – claiming incorrectly for non-dependants.

Prison – receiving benefit whilst in detention.

Other – covers a range of different cases not covered in the categories above. Examples include alteration of documents (e.g. medical certificate) and appointee fraud.

5.6 The proportion of Pension Credit expenditure overpaid through fraud has increased further and the difference compared to 2005/06 is still statistically significant. The key drivers behind the higher estimate are customers found to be receiving benefit while living abroad and fraud associated with the customer not being contactable at their registered address.

5.7 Overpayments to IS customers with incorrect or undeclared capital are substantially lower than in the 2005/06 baseline. This change has coincided with an alignment of capital limits across benefits whereby IS and JSA customers can hold more capital than they could in the past before it affects the amount of benefit they receive or their entitlement ceases. The reduction in this error type is also the biggest contributor to the fall in IS customer error.

5.8 Beyond these, the other major types of overpayment were:

- fraud by Income Support and Jobseeker's Allowance customers where full- or part-time earnings are not declared;

- fraud by Income Support customers found to be living with a partner they had not declared;
- customer error by Income Support and Pension Credit customers who are receiving other benefits;
- customer error by Pension Credit customers with incorrect or undeclared sources of income.

Figure 5A: Estimated fraud overpayment in Income Support, Jobseeker's Allowance and Pension Credit: April 2006 to March 2007

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Earnings	0.4%	(0.3, 0.7)	£39m	(23, 61)
Partner Earnings	0.1%	(0.0, 0.2)	£10m	(4, 19)
Capital	0.1%	(0.0, 0.2)	£8m	(3, 14)
Dependants	0.3%	(0.2, 0.5)	£26m	(14, 45)
Income	0.1%	(0.0, 0.2)	£9m	(4, 15)
LTAHAW	0.9%	(0.6, 1.2)	£78m	(57, 105)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.2%	(0.1, 0.4)	£22m	(12, 34)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.1%	(0.0, 0.1)	£7m	(2, 11)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.2%	(0.1, 0.4)	£21m	(8, 40)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.1)	£4m	(2, 9)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.1%	(0.0, 0.2)	£7m	(1, 14)
Other	0.1%	(0.0, 0.1)	£5m	(0, 11)
Total	2.6%	(2.0, 3.3)	£240m	(180, 290)
Jobseeker's Allowance				
Earnings	1.1%	(0.7, 1.6)	£27m	(16, 39)
Partner Earnings	0.3%	(0.1, 0.5)	£6m	(2, 11)
Capital	0.3%	(0.1, 0.5)	£6m	(2, 11)
Dependants	0.1%	(0.0, 0.2)	£2m	(0, 4)
Income	0.1%	(0.0, 0.1)	£1m	(0, 3)
LTAHAW	0.3%	(0.1, 0.5)	£7m	(3, 12)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.4%	(0.2, 0.6)	£9m	(4, 16)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£1m	(0, 2)
College	0.0%	(0.0, 0.0)	£0m	(0, 1)
Abroad	0.0%	(0.0, 0.0)	£0m	(0, 1)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 1)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.1%	(0.1, 0.3)	£3m	(1, 6)
Total	2.6%	(1.7, 3.4)	£60m	(40, 80)

Figure 5A continued: Estimated fraud overpayment in Income Support, Jobseeker's Allowance and Pension Credit

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support and Jobseeker's Allowance combined				
Earnings	0.6%	(0.4, 0.8)	£67m	(50, 95)
Partner Earnings	0.1%	(0.1, 0.2)	£17m	(9, 27)
Capital	0.1%	(0.1, 0.2)	£14m	(8, 22)
Dependants	0.2%	(0.1, 0.4)	£28m	(14, 45)
Income	0.1%	(0.0, 0.1)	£10m	(5, 16)
LTAHAW	0.7%	(0.5, 1.0)	£85m	(61, 110)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.3%	(0.2, 0.4)	£32m	(20, 46)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.1%	(0.0, 0.1)	£7m	(3, 11)
College	0.0%	(0.0, 0.0)	£0m	(0, 1)
Abroad	0.2%	(0.1, 0.3)	£21m	(8, 38)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.1)	£5m	(2, 9)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.1%	(0.0, 0.1)	£7m	(1, 13)
Other	0.1%	(0.0, 0.1)	£8m	(3, 15)
Total	2.6%	(2.1, 3.2)	£300m	(240, 360)
Pension Credit				
Earnings	0.1%	(0.1, 0.2)	£9m	(4, 16)
Partner Earnings	0.1%	(0.0, 0.1)	£4m	(1, 9)
Capital	0.1%	(0.1, 0.2)	£10m	(5, 15)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.1%	(0.1, 0.2)	£10m	(5, 17)
LTAHAW	0.0%	(0.0, 0.1)	£2m	(0, 4)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.3%	(0.2, 0.6)	£24m	(11, 39)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.0%	(0.0, 0.1)	£3m	(0, 7)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	1.0%	(0.6, 1.4)	£68m	(40, 98)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 0)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.1)	£2m	(0, 5)
Total	1.9%	(1.4, 2.4)	£130m	(100, 170)

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

Figure 5B: Estimated customer error overpayment in Income Support, Jobseeker's Allowance and Pension Credit: April 2006 to March 2007

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Earnings	0.1%	(0.0, 0.2)	£8m	(3, 14)
Partner Earnings	0.0%	(0.0, 0.1)	£3m	(1, 8)
Capital	0.1%	(0.1, 0.2)	£11m	(6, 17)
Dependants	0.2%	(0.1, 0.3)	£16m	(9, 24)
Income	0.1%	(0.1, 0.2)	£9m	(5, 16)
LTAHAW	0.1%	(0.0, 0.1)	£8m	(3, 13)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 1)
Housing	0.0%	(0.0, 0.0)	£1m	(0, 3)
Benefits	0.4%	(0.2, 0.6)	£35m	(22, 52)
College	0.0%	(0.0, 0.0)	£1m	(0, 3)
Abroad	0.0%	(0.0, 0.0)	£0m	(0, 0)
Hospitalisation	0.0%	(0.0, 0.1)	£1m	(0, 5)
Maintenance	0.1%	(0.1, 0.2)	£11m	(6, 15)
Non-Dependants	0.0%	(0.0, 0.0)	£1m	(0, 3)
Prison	0.0%	(0.0, 0.0)	£1m	(0, 4)
Other	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	1.2%	(0.9, 1.5)	£110m	(80, 140)
Jobseeker's Allowance				
Earnings	0.1%	(0.0, 0.2)	£2m	(0, 5)
Partner Earnings	0.0%	(0.0, 0.1)	£1m	(0, 2)
Capital	0.1%	(0.0, 0.2)	£2m	(0, 5)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.1%	(0.0, 0.2)	£2m	(0, 5)
LTAHAW	0.0%	(0.0, 0.1)	£1m	(0, 2)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 0)
Housing	0.0%	(0.0, 0.1)	£0m	(0, 2)
Benefits	0.0%	(0.0, 0.1)	£1m	(0, 3)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.0%	(0.0, 0.0)	£0m	(0, 0)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.0)	£0m	(0, 1)
Non-Dependants	0.0%	(0.0, 0.1)	£0m	(0, 2)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	0.4%	(0.1, 0.7)	£10m	(0, 20)

Figure 5B continued: Estimated customer error overpayment in Income Support, Jobseeker's Allowance and Pension Credit

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support and Jobseeker's Allowance combined				
Earnings	0.1%	(0.0, 0.1)	£10m	(4, 16)
Partner Earnings	0.0%	(0.0, 0.1)	£4m	(1, 10)
Capital	0.1%	(0.1, 0.2)	£12m	(7, 19)
Dependants	0.1%	(0.1, 0.2)	£16m	(9, 24)
Income	0.1%	(0.1, 0.2)	£11m	(6, 18)
LTAHAW	0.1%	(0.0, 0.1)	£8m	(4, 15)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 1)
Housing	0.0%	(0.0, 0.0)	£2m	(1, 4)
Benefits	0.3%	(0.2, 0.5)	£36m	(22, 54)
College	0.0%	(0.0, 0.0)	£1m	(0, 3)
Abroad	0.0%	(0.0, 0.0)	£0m	(0, 0)
Hospitalisation	0.0%	(0.0, 0.0)	£1m	(0, 5)
Maintenance	0.1%	(0.1, 0.1)	£11m	(6, 15)
Non-Dependants	0.0%	(0.0, 0.0)	£2m	(1, 4)
Prison	0.0%	(0.0, 0.0)	£1m	(0, 4)
Other	0.0%	(0.0, 0.0)	£0m	(0, 0)
Total	1.0%	(0.7, 1.3)	£110m	(90, 150)
Pension Credit				
Earnings	0.1%	(0.0, 0.2)	£5m	(1, 11)
Partner Earnings	0.1%	(0.0, 0.1)	£5m	(1, 10)
Capital	0.2%	(0.2, 0.3)	£17m	(12, 22)
Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Income	0.4%	(0.3, 0.5)	£27m	(19, 36)
LTAHAW	0.0%	(0.0, 0.0)	£0m	(0, 1)
ID	0.0%	(0.0, 0.0)	£0m	(0, 0)
Address / Not at Address	0.0%	(0.0, 0.0)	£0m	(0, 0)
Housing	0.0%	(0.0, 0.0)	£0m	(0, 0)
Benefits	0.4%	(0.2, 0.6)	£26m	(16, 39)
College	0.0%	(0.0, 0.0)	£0m	(0, 0)
Abroad	0.1%	(0.0, 0.2)	£7m	(1, 17)
Hospitalisation	0.0%	(0.0, 0.0)	£0m	(0, 0)
Maintenance	0.0%	(0.0, 0.1)	£1m	(0, 4)
Non-Dependants	0.0%	(0.0, 0.0)	£0m	(0, 0)
Prison	0.0%	(0.0, 0.0)	£0m	(0, 0)
Other	0.0%	(0.0, 0.0)	£1m	(0, 3)
Total	1.3%	(1.0, 1.6)	£90m	(70, 110)

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

5.9 *Figure 5C* overleaf gives a breakdown by error type of official error in Income Support, Jobseeker's Allowance and Pension Credit. Explanations of the different error types are given below.

Mortgage and Housing Costs – Inaccurate consideration of mortgage interest and other housing costs such as ground rent and service charges.

Income and Other Benefits – Interfaces between benefit systems, incorrect attribution, arithmetic or transcription errors.

Premiums – Incorrect award of premiums or premiums omitted (e.g. severe disability premium). Poor interfaces can contribute to these errors.

Child Benefit (CHB) – Errors resulting from interfaces with this benefit.

Conditions of Entitlement – Incorrect consideration of fundamental entitlement to benefit, e.g. customer no longer a single parent or no longer unfit for work.

Incorrect Treatment of Final Earnings – Treatment of final earnings affects the date the customer first qualifies for IS or JSA, e.g. correct details for pay in lieu of notice or holiday pay not obtained from the employer.

Applicable Amounts – Incorrect action taken on hospital downrating, urgent need payments, partner or dependants incorrectly omitted/included in assessment, CSA reductions omitted or customer's award not updated.

Arrears – Overpayment or underpayment of arrears.

Date of Claim – Incorrect date of claim is used when the claim is registered.

Capital – Incorrect treatment of capital on IS, JSA(IB) or Pension Credit. Can involve property and/or income that is to be treated as capital.

Labour Market – Insufficient evidence of attempts to find work, unavailability for work, incorrect completion of the Jobseeker's Agreement.

Continuity – Failure to consider all/any linking benefits, or incorrect action during the claim lifetime. This affects contributory JSA (JSA(C)) only.

Contributions – Errors surrounding the contribution conditions for JSA(C).

Retirement Income Provision – Errors surrounding the Assessed Income Period or retirement income provision.

Savings Credit – Errors with the Savings Credit part of the award e.g. not awarded when the customer is entitled, or awarded at the wrong level.

New Tax Credits – Errors where any New Tax Credits payable to the customer are not taken into consideration correctly.

Additional Amounts Guarantee Credit – Incorrect or missing award of additional amounts related to the Guarantee Credit component of the Pension Credit award (referred to as premiums in previous reports).

Others – Any error recorded in this category that does not fall into any of the other categories available.

5.10 The major types of official error overpayment found were:

- overpayments in Income Support, Jobseeker's Allowance and Pension Credit cases belonging to the error category "Income and other benefits";
- overpayments to Pension Credit customers with an incorrect or missing award of additional amounts related to the Guarantee Credit component e.g. severe disability premium.

Figure 5C: Estimated official error overpayment in Income Support, Jobseeker's Allowance and Pension Credit: April 2006 to March 2007

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support				
Mortgage and Housing Costs	0.0%	<i>(0.0, 0.1)</i>	£4m	<i>(2, 6)</i>
Income and Other Benefits	0.4%	<i>(0.3, 0.6)</i>	£37m	<i>(25, 50)</i>
Premiums	0.3%	<i>(0.2, 0.4)</i>	£25m	<i>(18, 34)</i>
Child Benefit	0.0%	<i>(0.0, 0.1)</i>	£4m	<i>(1, 8)</i>
Conditions of Entitlement	0.3%	<i>(0.2, 0.5)</i>	£31m	<i>(18, 49)</i>
Incorrect Treatment of Final Earnings	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Applicable Amounts	0.1%	<i>(0.1, 0.2)</i>	£11m	<i>(6, 15)</i>
Arrears	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Date of Claim	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Capital	0.0%	<i>(0.0, 0.1)</i>	£4m	<i>(1, 8)</i>
New Tax Credits	0.1%	<i>(0.0, 0.2)</i>	£10m	<i>(4, 16)</i>
Other	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Total	1.4%	<i>(1.1, 1.7)</i>	£130m	<i>(100, 150)</i>
Jobseeker's Allowance				
Mortgage and Housing Costs	0.1%	<i>(0.0, 0.2)</i>	£2m	<i>(0, 5)</i>
Income and Other Benefits	0.4%	<i>(0.2, 0.7)</i>	£11m	<i>(5, 18)</i>
Premiums	0.1%	<i>(0.0, 0.2)</i>	£2m	<i>(1, 5)</i>
Child Benefit	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Conditions of Entitlement	0.3%	<i>(0.1, 0.5)</i>	£7m	<i>(3, 13)</i>
Incorrect Treatment of Final Earnings	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 3)</i>
Applicable Amounts	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 2)</i>
Arrears	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 4)</i>
Date of Claim	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Capital	0.0%	<i>(0.0, 0.1)</i>	£1m	<i>(0, 3)</i>
Labour Market Issues	0.6%	<i>(0.3, 0.9)</i>	£14m	<i>(7, 23)</i>
Continuity	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 1)</i>
Contributions	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
New Tax Credits	0.2%	<i>(0.1, 0.4)</i>	£5m	<i>(2, 9)</i>
Other	0.1%	<i>(0.0, 0.2)</i>	£2m	<i>(0, 5)</i>
Total	2.0%	<i>(1.2, 2.9)</i>	£50m	<i>(30, 70)</i>

Figure 5C continued: Estimated official error overpayment in Income Support, Jobseeker's Allowance and Pension Credit

Apr06-Mar07				
	Percentage of expenditure overpaid		Amount of expenditure overpaid	
Income Support and Jobseeker's Allowance combined				
Mortgage and Housing Costs	0.1%	(0.0, 0.1)	£6m	(3, 10)
Income and Other Benefits	0.4%	(0.3, 0.5)	£48m	(34, 63)
Premiums	0.2%	(0.2, 0.3)	£28m	(20, 37)
Child Benefit	0.0%	(0.0, 0.1)	£4m	(1, 8)
Conditions of Entitlement	0.3%	(0.2, 0.5)	£39m	(25, 58)
Incorrect Treatment of Final Earnings	0.0%	(0.0, 0.0)	£1m	(0, 3)
Applicable Amounts	0.1%	(0.1, 0.1)	£11m	(7, 16)
Arrears	0.0%	(0.0, 0.0)	£1m	(0, 4)
Date of Claim	0.0%	(0.0, 0.0)	£0m	(0, 1)
Capital	0.0%	(0.0, 0.1)	£5m	(2, 10)
Labour Market Issues	0.1%	(0.1, 0.2)	£14m	(9, 22)
Continuity	0.0%	(0.0, 0.0)	£0m	(0, 1)
Contributions	0.0%	(0.0, 0.0)	£0m	(0, 0)
New Tax Credits	0.1%	(0.1, 0.2)	£15m	(9, 22)
Other	0.0%	(0.0, 0.0)	£2m	(1, 5)
Total	1.5%	(1.2, 1.8)	£170m	(140, 210)
Pension Credit				
Mortgage and Housing Costs	0.0%	(0.0, 0.1)	£3m	(1, 6)
Income and Other Benefits	0.8%	(0.5, 1.1)	£55m	(36, 75)
Conditions of Entitlement	0.2%	(0.0, 0.4)	£12m	(2, 30)
Applicable Amounts	0.0%	(0.0, 0.0)	£0m	(0, 0)
Arrears	0.0%	(0.0, 0.0)	£0m	(0, 1)
Date of Claim	0.0%	(0.0, 0.0)	£0m	(0, 0)
Capital	0.3%	(0.2, 0.4)	£18m	(11, 29)
Retirement Income Provision	0.3%	(0.2, 0.4)	£20m	(12, 30)
Savings Credit	0.0%	(0.0, 0.0)	£0m	(0, 0)
New Tax Credits	0.0%	(0.0, 0.0)	£0m	(0, 0)
Additional Amounts Guarantee Credit	0.5%	(0.3, 0.8)	£37m	(21, 58)
Other	0.0%	(0.0, 0.0)	£1m	(0, 3)
Total	2.1%	(1.5, 2.7)	£150m	(100, 190)

Estimates are rounded to the nearest £1m and presented with 95% confidence intervals, which include adjustments to incorporate some non-sampling sources of uncertainty. A figure of £0m indicates that the unrounded estimate is less than £0.5m. Total estimates are rounded to the nearest £10m. Columns may not sum to totals due to rounding.

Fraud and Error in Housing Benefit: by type

- 5.11 *Figure 5D* overleaf gives a breakdown of Housing Benefit overpayments into types of fraud and error. Note that unlike the previous section, these estimates include fraud, customer error *and* official error together in one table. *Figure 5E* gives a separate assessment of how responsibility for official error is split between the DWP, LAs and Her Majesty's Revenue and Customs (HMRC).
- 5.12 Both tables present extrapolated estimates. We have assumed the breakdown in the expenditure outside the scope of the sample is the same as the breakdown within the scope of the sample. However, there are certain error types which we might expect to be more or less likely in new claims, so we may have under- or overstated the amount of expenditure overpaid for these errors. The different types are explained below:

Non-residence: Errors where we can confirm the customer no longer lives at the HB address. This also includes a proportion of cases where non-residence is suspected but not proven and where the Review Officer was unable to contact the customer. The likelihood that these cases really were non-resident is estimated as part of the final calculation.

Earnings: Errors where the amount or existence of earnings was incorrect in the HB assessment or has changed since the original HB assessment, affecting eligibility to HB.

Tax Credits: This covers incorrect treatment of a Tax Credit award in the HB assessment. The review process cannot assess the correctness of the Tax Credit award itself. It includes Disabled Persons Tax Credit, Working Families Tax Credit, and from April 2003 Child Tax Credit and Working Tax Credit.

Living Together: Errors where a partner has been incorrectly included or excluded from the HB assessment, or related passporting benefit, or Pension Credit Savings Credit only assessment.

Capital: Errors where the amount or existence of capital was incorrect in the HB assessment.

Other Benefits: Errors where the amount or existence of other benefits means that the HB award is incorrect.

Other Income: Errors where the amount or existence of other income (excluding Tax Credits) means that the HB award is incorrect.

Other Means Testing: Errors due to changes in other parts of the means test not already mentioned above e.g. number of children or assessment of entitlement to premiums.

Non-dependants: Errors in HB due to an incorrect or missing non-dependant deduction.

Tenancy: Errors which occur because the customer has no rent liability or is ineligible for HB.

Rent: Includes incorrect declaration of rent and incorrect conversion to a weekly amount.

Incorrectly Treated as Passported: This covers all errors where information about passporting benefits has not been used or has been used incorrectly by the LA, but does not cover errors in entitlement to the passporting benefits.

Notification of Passporting Benefit: This covers all errors where information about passporting benefits has not been notified or has been incorrectly notified to Local Authorities. This does not cover errors in entitlement to the passporting benefits.

Figure 5D: Estimated fraud and error in Housing Benefit: Apr 2006 to Mar 2007

Apr06-Mar07			
	Percentage of expenditure overpaid		Amount of Expenditure overpaid
Working Age			
Non-residence	1.4%	(1.1, 2.8)	£140m (100, 270)
Confirmed non-residence	0.7%	(0.5, 1.6)	£70m (50, 160)
Suspected non-residence	0.3%	(0.1, 1.3)	£30m (10, 130)
No claimant contact	0.3%	(0.2, 1.0)	£30m (10, 90)
Identity, death or temporary absence	0.1%	(0.0, 0.4)	£10m (0, 30)
Earnings	1.7%	(1.4, 2.8)	£170m (140, 270)
Unreported Earnings	0.6%	(0.4, 1.6)	£60m (40, 160)
Incorrect Earnings	1.0%	(0.9, 1.6)	£100m (90, 160)
Tax Credits	0.7%	(0.6, 1.1)	£60m (50, 100)
Unreported Tax Credits	0.5%	(0.4, 0.8)	£50m (40, 80)
Incorrect Tax Credits	0.2%	(0.2, 0.3)	£20m (20, 30)
Living Together	0.3%	(0.2, 0.8)	£30m (20, 80)
Capital	0.2%	(0.1, 0.6)	£20m (10, 60)
Other Benefits	0.1%	(0.1, 0.3)	£10m (10, 30)
Other Means testing	0.2%	(0.1, 0.6)	£20m (10, 60)
Other Income	0.2%	(0.2, 0.7)	£20m (10, 60)
Non-dependants	0.3%	(0.2, 0.8)	£30m (20, 70)
Tenancy	0.3%	(0.1, 1.2)	£30m (10, 120)
Rent	0.1%	(0.0, 0.7)	£10m (0, 70)
Passporting	0.7%	(0.4, 2.6)	£70m (40, 250)
Incorrectly treated as in receipt of a passporting benefit by the LA	0.7%	(0.3, 2.5)	£70m (30, 240)
Incorrect information about passporting benefit on DWP systems	0.1%	(0.0, 0.3)	£10m (0, 30)
Total	6.3%	(5.6, 9.1)	£620m (550, 890)
Pensioners			
Non-residence	0.7%	(0.1, 1.1)	£30m (10, 110)
Confirmed non-residence	0.4%	(0.0, 0.8)	£20m (0, 80)
Suspected non-residence	0.0%	(0.0, 0.0)	£0m (0, 0)
No claimant contact	0.0%	(0.0, 0.1)	£0m (0, 10)
Identity, death or temporary absence	0.2%	(0.0, 0.4)	£10m (0, 40)
Earnings	0.4%	(0.0, 0.6)	£20m (0, 60)
Unreported Earnings	0.2%	(0.0, 0.4)	£10m (0, 40)
Incorrect Earnings	0.2%	(0.1, 0.2)	£10m (10, 20)
Tax Credits	0.0%	(0.0, 0.0)	£0m (0, 0)
Unreported Tax Credits	0.0%	(0.0, 0.0)	£0m (0, 0)
Incorrect Tax Credits	0.0%	(0.0, 0.0)	£0m (0, 0)
Living Together	0.0%	(0.0, 0.0)	£0m (0, 0)
Capital	0.5%	(0.1, 0.8)	£20m (10, 80)
Other Benefits	0.2%	(0.1, 0.4)	£10m (10, 40)
Other Means testing	0.0%	(0.0, 0.0)	£0m (0, 0)
Other Income	0.3%	(0.1, 0.4)	£20m (10, 40)
Non-dependants	0.2%	(0.0, 0.3)	£10m (0, 30)
Tenancy	0.2%	(0.0, 0.5)	£10m (0, 50)
Rent	0.1%	(0.0, 0.1)	£0m (0, 10)
Passporting	0.1%	(0.0, 0.1)	£0m (0, 10)
Incorrectly treated as in receipt of a passporting benefit by the LA	0.1%	(0.0, 0.1)	£0m (0, 10)
Incorrect information about passporting benefit on DWP systems	0.0%	(0.0, 0.0)	£0m (0, 0)
Total	2.6%	(1.8, 3.4)	£130m (90, 170)

Figure 5D continued: Estimated fraud and error in Housing Benefit

Apr06-Mar07			
	Percentage of expenditure overpaid		Amount of Expenditure overpaid
Combined working age and pensioners			
Non-residence	1.2%	(0.8, 2.1)	£170m (120, 320)
Confirmed non-residence	0.6%	(0.3, 1.4)	£90m (50, 200)
Suspected non-residence	0.2%	(0.1, 0.7)	£30m (10, 110)
No claimant contact	0.2%	(0.1, 0.6)	£30m (10, 80)
Identity, death or temporary absence	0.1%	(0.1, 0.4)	£20m (10, 60)
Earnings	1.2%	(1.0, 1.9)	£180m (150, 280)
Unreported Earnings	0.5%	(0.3, 1.1)	£70m (40, 160)
Incorrect Earnings	0.7%	(0.6, 1.0)	£110m (90, 150)
Tax Credits	0.4%	(0.4, 0.7)	£60m (50, 100)
Unreported Tax Credits	0.3%	(0.2, 0.5)	£50m (40, 80)
Incorrect Tax Credits	0.1%	(0.1, 0.2)	£20m (10, 30)
Living Together	0.2%	(0.1, 0.5)	£30m (20, 70)
Capital	0.3%	(0.1, 0.8)	£40m (20, 130)
Other Benefits	0.2%	(0.1, 0.4)	£30m (20, 60)
Other Means testing	0.1%	(0.1, 0.3)	£20m (10, 50)
Other Income	0.3%	(0.2, 0.5)	£40m (30, 80)
Non-dependants	0.3%	(0.2, 0.6)	£40m (30, 90)
Tenancy	0.2%	(0.1, 0.9)	£40m (10, 130)
Rent	0.1%	(0.0, 0.4)	£20m (10, 60)
Passporting	0.5%	(0.2, 1.5)	£70m (30, 220)
Incorrectly treated as in receipt of a passporting benefit by the LA	0.4%	(0.2, 1.4)	£70m (20, 210)
Incorrect information about passporting benefit on DWP systems	0.1%	(0.0, 0.1)	£10m (0, 20)
Total	5.1%	(4.5, 6.9)	£750m (670, 1030)

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which quantify sampling uncertainty only. A figure of £0m indicates that the unrounded estimate is less than £5m. Columns may not sum to row totals due to rounding.

5.13 *Figure 5E* overleaf gives a breakdown of official error overpayments in Housing Benefit. This shows how official errors can occur through incorrect assessments by DWP, the LA or HMRC. Errors can also be due to late or incorrect transfer of information between different agencies.

Figure 5E: Reasons for official error in Housing Benefit: April 2006 to March 2007

Apr06-Mar07				
Reason for official error	Percentage of expenditure overpaid		Amount of Expenditure overpaid	
Working Age				
LA causes				
Incorrect assessment by LA, or software error	0.5%	<i>(0.3, 1.2)</i>	£40m	<i>(30, 120)</i>
Post not yet actioned, or overlooked by LA	1.0%	<i>(0.7, 1.9)</i>	£90m	<i>(70, 190)</i>
DWP causes				
Incorrect assessment by DWP	0.1%	<i>(0.0, 1.0)</i>	£10m	<i>(0, 100)</i>
Post not yet actioned, or overlooked by DWP	0.0%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 10)</i>
Problems with DWP notification	0.1%	<i>(0.1, 0.3)</i>	£10m	<i>(0, 30)</i>
Percentage uprating	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Incorrect HMRC notification	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Total	1.7%	<i>(1.3, 3.0)</i>	£160m	<i>(130, 300)</i>
Pensioners				
LA causes				
Incorrect assessment by LA, or software error	0.4%	<i>(0.1, 0.7)</i>	£20m	<i>(10, 30)</i>
Post not yet actioned, or overlooked by LA	0.4%	<i>(0.0, 0.6)</i>	£20m	<i>(0, 30)</i>
DWP causes				
Incorrect assessment by DWP	0.1%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 10)</i>
Post not yet actioned, or overlooked by DWP	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Problems with DWP notification	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Percentage uprating	0.1%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 0)</i>
Incorrect HMRC notification	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Total	0.9%	<i>(0.5, 1.2)</i>	£50m	<i>(20, 60)</i>
Combined				
LA causes				
Incorrect assessment by LA, or software error	0.5%	<i>(0.3, 1.0)</i>	£70m	<i>(40, 150)</i>
Post not yet actioned, or overlooked by LA	0.8%	<i>(0.5, 1.4)</i>	£110m	<i>(80, 210)</i>
DWP causes				
Incorrect assessment by DWP	0.1%	<i>(0.0, 0.6)</i>	£10m	<i>(0, 90)</i>
Post not yet actioned, or overlooked by DWP	0.0%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 10)</i>
Problems with DWP notification	0.1%	<i>(0.0, 0.2)</i>	£10m	<i>(0, 20)</i>
Percentage uprating	0.0%	<i>(0.0, 0.1)</i>	£0m	<i>(0, 10)</i>
Incorrect HMRC notification	0.0%	<i>(0.0, 0.0)</i>	£0m	<i>(0, 0)</i>
Total	1.4%	<i>(1.1, 2.2)</i>	£210m	<i>(160, 330)</i>

Estimates are rounded to the nearest £10m and presented with 95% confidence intervals, which quantify sampling uncertainty only. A figure of £0m indicates that the unrounded estimate is less than £5m. Columns may not sum to row totals due to rounding.

6. Further information and future reporting

Further information

- 6.1 Further figures and background documentation are presented on the DWP website as National Statistics at:
www.dwp.gov.uk/asd/asd2/fraud_error.asp
- 6.2 In 2007, the Department published its strategy to reduce error in the benefit system. This is available on the DWP website at:
www.dwp.gov.uk/publications/dwp/2007/error_strategy.asp
- 6.3 Estimates of fraud and error across the whole benefit system are also published in the Department's Resource Account. The estimates in this report supersede those in the 2006/07 Resource Account, which was published in September 2007 and is available on the DWP website at:
www.dwp.gov.uk/publications/dwp/2007/res_acc/report_2006_07.pdf
- 6.4 The United Kingdom Statistics Authority maintain a release schedule of all National Statistics publications, available on their website at:
www.statistics.gov.uk/ReleaseCalendar/currentreleases.asp

Future reporting

- 6.5 Fraud and error estimates covering the period October 2006 to September 2007 are published in a separate report alongside this publication. The next issue of fraud and error statistics, for the period April 2007 to March 2008, is due out in October/November 2008.
- 6.6 In future, this series will monitor progress against the indicator "Proportion of benefit expenditure overpaid or underpaid due to fraud and error" which supports the Department's Strategic Objective 6 (DSO6) – Pay our customers the right benefit at the right time. This indicator builds on the commitment made within SR04 (PSA 10A and 10B) as the Department now has a wider commitment to reduce both overpayments and underpayments across all benefits by 2011.
- 6.7 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.”

- 6.8 Unplanned revisions of figures in reports in this series may 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.

Annex 1: Glossary of abbreviations and statistical terms

Abbreviations

CHB	Child Benefit
CTB	Council Tax Benefit
DLA	Disability Living Allowance
DSO	Departmental Strategic Objectives
DWP	Department for Work and Pensions
HB	Housing Benefit
HBR	Housing Benefit Review
HMRC	Her Majesty's Revenue and Customs
IS	Income Support
JSA	Jobseeker's Allowance
JSA(C)	Jobseeker's Allowance (contributory)
JSA(IB)	Jobseeker's Allowance (income-based)
LA	Local Authority
NBR	National Benefit Review
PC	Pension Credit
PSA	Public Service Agreement
SR	Spending Review

Statistical terms

Confidence Interval:	The range of values within which we can be 95% sure that the true value we are trying to estimate lies. It is used as a measure of the statistical uncertainty in an estimate.
Estimate:	An indication of the value of an unknown quantity based on observed data.
Population:	A population is any entire collection of things from which we may collect data. It is the entire group we are interested in, which we wish to describe or draw conclusions about (generally benefit customers or expenditure in the context of this report).
Sample:	A group selected (randomly in the context of this report) from a larger group (known as the population). By analysing the sample it is hoped to draw valid conclusions about the larger group.

- Statistic:** A statistic is a quantity that is calculated from a sample of data. It provides information about unknown values in the population that we are trying to measure.
- Statistically significant:** A statement about figures derived from samples is 'statistically significant' if there is less than a 5% chance (in the context of this report) that a particular result came about by chance rather than because of genuine underlying trends in the population.

Annex 2: Supporting material

The supporting information is available on the DWP website at:

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

Income Support, Jobseeker's Allowance and Pension Credit documentation

1. Income Support, Jobseeker's Allowance and Pension Credit Technical Annex

Income Support, Jobseeker's Allowance and Pension Credit tables

1. Breakdown of 2006/07 overpayments by client group:
 - Income Support Disabled, Sick and Other
 - Income Support Lone Parents
 - Income Support Working Age
 - Jobseeker's Allowance
 - Income Support Working Age and Jobseeker's Allowance
 - Pension Credit
 - Total Income Support, Jobseeker's Allowance and Pension Credit
2. Breakdown of 2006/07 underpayments by client group
3. Breakdown of 2006/07 cases incorrect by client group
4. Breakdown of 2006/07 underpayments by the different causes of frauds and errors

Housing Benefit documentation

1. Housing Benefit Review Technical Annex

Housing Benefit tables

1. Headline estimates of Housing Benefit fraud and error, split by year and client group (working age, pensioners)
2. Estimates for Housing Benefit fraud and error by the cause of incorrectness, split by error category, year and client group:
 - Working age not in receipt of Income Support or Jobseeker's Allowance (Income Based)
 - Working age in receipt of Income Support or Jobseeker's Allowance (Income Based)
 - Pensioner not in receipt of Pension Credit (Guarantee Credit)
 - Pensioner in receipt of Pension Credit (Guarantee Credit)

- Total not in receipt of Income Support / Jobseeker's Allowance (Income Based) / Pension Credit (Guarantee Credit)
 - Total in receipt of Income Support / Jobseeker's Allowance (Income Based) / Pension Credit (Guarantee Credit)
3. Estimates for Housing Benefit incorrect payments and underpayments, split by year and client group:
 - Working age not in receipt of Income Support or Jobseeker's Allowance (Income Based)
 - Working age in receipt of Income Support or Jobseeker's Allowance (Income Based)
 - Pensioner not in receipt of Pension Credit (Guarantee Credit)
 - Pensioner in receipt of Pension Credit (Guarantee Credit)
 4. Estimates for Housing Benefit fraud and error by the component of the Housing Benefit assessment that was incorrect, split by year and client group (working age, pensioner)
 5. Estimates for Housing Benefit fraud and error by the component of the HB assessment that was incorrect, split by year and error category
 6. Extrapolated estimates for the whole Housing Benefit caseload and expenditure, split by error category, year and client group (working age, pensioner)
 7. Estimates for Housing Benefit official error overpayments by the cause of the incorrectness, by year and client group (working age, pensioner)
 9. Sample information by the component of the Housing Benefit assessment that was incorrect

Housing Benefit charts

1. Estimates for working age expenditure overpaid by the cause of incorrectness
2. Estimates of change since the 2002/03 baseline for working age expenditure
3. Estimates for working age expenditure overpaid by the component of the Housing Benefit assessment that was incorrect
4. Estimates for total expenditure overpaid by the component of the Housing Benefit assessment that was incorrect

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