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Fraud and Error in Housing Benefit, April 2002 to September 2004

A report showing the latest estimates of Housing Benefit (HB)¹ fraud and error for the period April 2002 to September 2004 is published today. The report can be found at the following website address:

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

This report provides an estimate of fraud and error in the period from October 2003 to September 2004, and compares this to the baseline year (April 2002 to March 2003). This series of reports is used to monitor progress against DWP's Public Service Agreement (PSA) target 'to reduce the level of HB fraud and error paid to working age claimants by 25% by 2006'.

Interpretation of results

Estimates of HB fraud and error are derived from statistical analysis of data collected by the Housing Benefit Review (HBR). The HBR is a continuous survey exercise in which specialist DWP staff examine a random sample of around 10,000 HB cases per year. The report includes further details of this process.

Since the results are based on a sample, they are subject to statistical uncertainties. In particular, it is unlikely that the sample selected was perfectly representative of the overall HB caseload and expenditure. This uncertainty has been quantified by the estimation of '95% confidence intervals'.

Other uncertainties arise from unavoidable imperfections in the practical operation of the survey process. Detailed material on these uncertainties is presented in this report and should be remembered when interpreting any of the estimates presented. Their main consequence is that the HBR currently cannot confidently measure relatively small changes in the levels of fraud and error. Ongoing work is aimed at reducing uncertainty in future results.

Headline levels of fraud and error, for the year to September 2004

The key findings about the overall (i.e. working age and pensioner) levels of HB fraud and error during October 2003 to September 2004 are:

- Around £480m (4.5%) of HB expenditure within the scope of the HBR sample² is estimated to have been overpaid due to fraud and error;
- By using a rough extrapolation, around a further £140m is estimated to have been overpaid in the HB expenditure outside the scope of the HB sample;
- This gives an estimate of around £600m (4.9%) for total overpaid expenditure³. However, alternative assumptions for the rough extrapolation could have resulted in an estimate that was £50m higher or lower.

¹ Housing Benefit is administered by 408 Local Authorities (LAs) in Great Britain. The Department for Work and Pensions is responsible for the design and funding of the benefit.

² 15% of annual HB expenditure is estimated to be outside the scope of the HBR sample. This arises mainly from the relatively long processing times for new HB claims.

³ The extrapolated figures have been rounded to the nearest £50m because of the additional uncertainty surrounding the unproven assumptions used. All other figures have been rounded to the nearest £10m.

Assessment of change over time, including progress against the PSA target

Assessment of change over time is presented via the comparison of estimates for the latest year and the baseline year. Overall, the results suggest that some reduction in the overall levels of HB fraud and error may have occurred. However, the differences in the estimates are small compared with the statistical and other uncertainties that surround them. Therefore they are not statistically significant, since they could be just the results of random sampling effects, and it is not possible to say with confidence that reduction has occurred. This uncertainty is not unexpected at this stage, as the effects of the main policies in the government's strategy to achieve the target are not expected to be fully realised until the latter part of the target period. The main points of interest for the latest 12 months are:

- PSA target – Working Age: 5.8% (£400m) of Working Age expenditure within the scope of the HBR sample is estimated to have been overpaid. This is 6% (equivalent to £20m) below the baseline year estimate of 6.2%.
- Pensioners: 2.2% (£90m) of Pensioner expenditure within the scope of the sample is estimated to have been overpaid. This is 20% (equivalent to £20m) below the baseline year estimate of 2.7%. However, the sample size used for pensioners is particularly small, so despite this difference, we can not be confident that a reduction has occurred.
- Working Age and Pensioners combined: 4.5% (£480m) of HB expenditure within the scope of the sample is estimated to have been overpaid. This is 8% (equivalent to £40m) below the baseline year estimate of 4.9%.
- Working Age and Pensioners combined - extrapolated: The roughly extrapolated estimate that 4.9% (£600m) of all HB expenditure to the whole of the HB caseload was overpaid is 8% (equivalent to £50m) below the baseline year estimate of 5.3%. The difference here should be treated with extra caution, because of the additional uncertainty surrounding the untested assumptions used in the rough extrapolation.

Among other more detailed breakdowns for fraud and error presented in the report, some estimates are higher than previous estimates and some are lower. This would be expected to occur purely as a result of chance in a sampling exercise like this regardless of whether change had actually occurred. The differences include the following, which are not statistically significant:

- Fraud: 1.0% (£110m) of HB expenditure within the scope of the sample is estimated to have been overpaid. This is 30% (equivalent to £50m) below the baseline year estimate of 1.5%.
- Claimant Error: 1.4% (£150m) of HB expenditure within the scope of the sample is estimated to have been overpaid. This is 11% (equivalent to £10m) above the baseline year estimate of 1.3%.

Revisions

Some of the baseline year figures published in this report are revisions of the previous HBR estimates published in February 2005. These revisions have resulted from additional information, greater understanding of the data and improvements made to the method of extrapolating the results to cover the whole of HB expenditure. As an illustration of this, the baseline year estimate of overpaid Working Age expenditure within the scope of the HBR sample changed from 6.3% in the last HBR report to 6.2% in this report. Since revisions have been made, tables and figures should not be compared directly across published reports as this could give misleading conclusions.

Notes to Editors

'Fraud and Error in Housing Benefit April 2002 to September 2004' 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.

The report is accompanied by a 'Summary Quality Report', which can also be found at the website address above.