

Housing Benefit Circular

Department for Work and Pensions
Caxton House, Tothill Street, London SW1H 9NA

HB A3/2015

ADJUDICATION AND OPERATIONS CIRCULAR

WHO SHOULD READ	All Housing Benefit staff
ACTION	For information
SUBJECT	Fraud and Error Reduction Incentive Scheme Questions & Answers

Guidance Manual

The information in this circular does not affect the content of the HB Guidance Manual.

Queries

extra copies of this circular/copies of previous circulars can be found at <https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars>

- about the
 - **technical content of this circular**, contact DWP Performance & Development Team (PDT)
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Fraud and Error Reduction Incentive Scheme Question & Answers (Q&A)

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Fraud and Error Reduction Incentive Scheme Question & Answers (Q&A)

Introduction

1. The Fraud and Error Reduction Incentive Scheme (FERIS) launched on 24 November 2014. This involved publishing [HB Circular A17/2014](#) and sending each local authority (LA) a personalised letter providing details of their baseline, threshold and potential payments.
2. The aim of this circular is to provide further clarity and additional information for LAs in the form of Questions and Answers (Q&A).
3. An additional document has been published alongside this circular and will also be published on GOV.UK:
 - [FERIS Good Practice Guide](#), which sets out how to effectively maximise performance to ensure benefit stays right, including how to identify changes to meet FERIS objectives.
4. Any queries about this circular should be sent to feris.team@dwp.gsi.gov.uk.

Baseline

Q1. The 2013/14 reductions are inflated by the Removal of the Spare Room Subsidy (RSRS) and the benefit cap legislative changes. Shouldn't these cases be removed from the baseline calculations to ensure an equitable baseline is set for FERIS?

Since the launch of the scheme LAs have challenged their baseline on the basis that the reductions in the baseline period were abnormally high due to the introduction of the RSRS, the '1996 loop hole' and benefit cap. We accept that these policy changes created a mass reduction in entitlement and accept that these reductions should not be counted as business as usual reductions.

Using field 21 (weekly amount of social sector size criteria/under occupation deduction) and field 42 (amount of Housing Benefit (HB) award is reduced as a result of benefit cap) on the Single Housing Benefit Extract (SHBE), we have been able to identify the reductions in weekly HB entitlement which were due to the RSRS or benefit cap.

In order to negate the mass reductions which occurred during the initial implementation of the policy changes the reduction in weekly HB entitlement due to the RSRS, or benefit cap, has now been excluded from the FERIS baseline calculations. Any reductions which LAs achieve in the future, due to the RSRS or benefit cap, will still be counted as reductions.

Due to these changes the baselines have decreased for all LAs with the thresholds also decreasing by a proportional amount. A revised FERIS invitation letter was issued to each LA (Chief Executive and Benefits Manager) on 9 January 2015. If the letter was not received by your LA please contact feris.team@dpw.gsi.gov.uk.

Q2. The baseline has been set on, either the higher of 2013/14 performance, or the average of 2012/13 and 2013/14. Have all LA baselines been affected by removing reductions resulting from RSRS and benefit cap, or just baselines using 2013/14?

All LA baselines have been affected. Although these policy changes were effective from April 2013 the way that SHBE extracts covering both March/April 2013 have been used to apportion reductions up to 31 March 2013 means that some of these reductions were included in the 2012/13 baseline. All LAs have been issued with new baseline values.

Q3. The invitation letters detail baseline values and the average reduction per change but does not provide the data sets behind this. Will you provide the underlying data to LAs?

Each LA baseline is based on the total reductions in weekly entitlement during the specified period, derived using SHBE. We have prepared an excel spreadsheet with built in formulas (the template) which LAs can use to copy their SHBE data for the months that correspond to their baseline and to verify the data locally. In addition the template can also be used to monitor progress against thresholds locally. The

template has been issued to all LA HB Managers, and can be requested by contacting feris.team@dwp.gsi.gov.uk.

Q4. How do I find out the average number of reductions found across the baseline period?

LAs can use SHBE to count the number of reductions during the baseline period. An alternative method to get an approximate number of reductions in the baseline period is to divide the baseline amount by the average reduction per change amount (this information is contained in the invitation letter).

Q5. Does the 2014/15 performance period include December, or just quarter 4?

Performance periods would ordinarily follow the four quarters of the financial year. However as FERIS performance monitoring in 2014/15 is over 4 months there is only one performance period from 1 December 2014 to 31 March 2015.

Q6. SHBE data is often submitted mid-month e.g. mid-November, mid-December etc. In considering performance can you confirm which extracts will be used for the December reduction assessment?

In this instance we would compare the mid-December extract with the previous SHBE extract to determine performance in the first part of December. We will then review the January SHBE extract to complete the December performance.

Q7. Can you provide a breakdown of the claimant error amounting to £900 million in 2013/14?

The Fraud and Error (F&E) in the benefit system: 2013/14 estimates are published on GOV.UK. The supplementary tables include a breakdown of the HB totals into categories and 'earnings' is the largest category of overpayments. These categories could provide a steer for LAs on the areas where overpayments are greatest.

Performance

Q8. Can you provide guidance on the types of activities LAs could do to meet the FERIS threshold?

The FERIS Good Practice Guide has been published at the same time as this circular and will be published on GOV.UK soon. It includes guidance on how to effectively maximise performance to ensure benefit stays right, including how to identify more changes to meet FERIS objectives.

Q9. FERIS was launched on 24 November and performance monitoring began on 1 December. Is it reasonable to expect LAs to improve performance in such a short period?

The lower threshold of 8% and upper threshold of 18% in 2014/15 takes account of the period of time LAs will have to improve performance. It is worth noting that performance across the 4 month period will be measured, not just December.

Q10. Is the same process you applied to calculate the baseline being used to calculate performance?

Yes. The baseline and performance are calculated by counting reductions in SHBE extracts. The only difference is that we exclude reductions associated with the benefit reforms from the baseline calculations, whereas we will include these reductions when calculating performance.

Q11. When evaluating FERIS performance will DWP look at reductions and increases (including new claims)?

We will only include reductions in our calculations and will ignore all increases in weekly entitlement (including new claims). Therefore, new benefit awards will not affect achievement of the FERIS threshold.

Q12. How do you treat suspensions and reinstatements of HB when calculating reductions?

Suspended cases on SHBE will be picked up from a subsequent SHBE extract when the case is reinstated and will therefore not be counted as a reduction.

Q13. If an HB claim is reduced but still in payment is that counted as a reduction for the purposes of FERIS?

Yes. If a claim is reduced to a lower level (as long as it is above zero) we immediately count this as a reduction, even if the claim is subsequently changed back up.

Q14. Will claimants moving address within the same council impact the FERIS threshold?

Where a claimant stops claiming at one address, but starts claiming at another address, this will be classed as a continuation of the same case (as long as the claimant HB reference and NINO remain the same).

Q15. Will Real Time Information (RTI) changes count towards the FERIS threshold?

Yes. All reductions, whatever the cause, will be taken account of in monitoring performance against thresholds.

Q16. Can you confirm whether LAs will continue to receive RTI data beyond January 2014/15?

The RTI Bulk Data Matching Project is in the process of working up a proposition in collaboration with LA stakeholders for issuing RTI referrals in 2015/16. LAs will be advised when the detail on extending RTI is available.

Q17. Will LA's FERIS performance be published?

Ministers have set out that "It is crucial that central and local government do more to address losses from Fraud & Error in HB and provide value for money for the tax payer. The government intends to publish local authority performance indicators on HB Fraud & Error to make this more transparent to the electorate".

Officials are developing LA HB Fraud & Error (F&E) indicators in consultation with LA stakeholders which will take account of the different caseload composition of each LA. Therefore, the intention is not to publish details of performance against FERIS thresholds as this would only provide a partial view of how LAs are addressing F&E losses.

Q18. There appears to be no consideration of where an LA currently sits in comparison to each other in regards to the baseline calculations. There is no recognition of LAs that have already committed resources to tackling F&E through effective intervention work. Can you publish all LAs' baseline calculations to show comparative information?

We appreciate that the scheme is based on improvements to existing performance levels and that LAs that already have effective practices in place may find it more difficult to identify additional reductions in order to meet the FERIS threshold. However there is scope for all LAs to improve. It is worth noting that the more advanced LAs are in a better position to prepare bid fund applications, demonstrating returns from innovative ideas or sharing good practice and/or resources with other LAs.

Each LA has received their detailed baseline calculation in a personalised letter. In addition we published circular [HB A17/2014](#), which includes the potential 2014/15 FERIS payments against the thresholds and the start-up fund allocation, which provides some basis for comparison.

DWP has commenced work with LA stakeholders to develop a HB F&E indicator, which will provide a more consistent and complete view of performance levels than would be achieved by publishing FERIS baselines. The aim is to publish the HB F&E indicators by the end of 2015.

Q19. How will rent-free weeks be treated in the FERIS, and will these count as reductions?

Reductions will be calculated based on SHBE field 43 (weekly HB entitlement). According to the SHBE Guidance, already issued to all LAs, the amount of entitlement recorded in this field should be averaged across the whole year (i.e. on 52 week basis). As such rent-free weeks should have no impact on the weekly entitlement as recorded in field 43 of SHBE and, hence, any changes in rent-free weeks should not lead to any reductions in our calculations.

Where a rent-free week is in effect at the time of a SHBE scan, according to the SHBE guidance, field 43 should be recorded either as '£0' or preferably still the average weekly amount (on a 52 week basis). In the former case, where the amount

is recorded as zero, this will not be counted as a reduction in our final estimates as long as the entitlement in field 43 returns to normal in the next SHBE scan.

Q20. When considering engagement with LAs to drive HB F&E performance will the Performance Development Team (PDT) team have regard to comparative existing performance in addition to success or failure against FERIS thresholds?

DWP will take account of a range of information when considering LA performance against FERIS thresholds. The Performance Development Team's (PDT's) objective will be to work collaboratively with LAs to try and resolve any issues in order to help LAs improve their performance.

Opt-in

Q21. What is the deadline for opting-in?

LAs need to opt-in to the FERIS to receive any reward or funding. Opt-in will be presumed where an LA applies to the start-up fund or bid fund (within deadline). If an LA does not wish to apply for the start-up or bid fund but wishes to opt-in to FERIS they should send a secure email to the scheme mailbox feris.team@dwp.gsi.gov.uk by 30 January 2015.

Q22. If an LA opts into FERIS and does not meet the threshold to qualify for any payments are there any financial penalties?

There are no financial penalties for LAs that do not meet the lower threshold. FERIS is an incentive scheme so payments are made to LAs that meet/exceed the threshold and no payment is made to LAs that do not.

Q23. Is it possible for an LA to opt into FERIS but choose not to apply for start-up or bid funding?

Yes. LAs may opt into FERIS and will receive incentive payments if they meet thresholds, without benefit of start-up or bid funding. The start-up fund and bid fund aim to provide LAs with funding to help them undertake activities to meet the FERIS thresholds, and applying for these funds is not compulsory to participate in FERIS.

Q24. Once an LA has opted in, can they opt-out later?

LAs can opt-out of FERIS. However, the only impact of opting-out would be that the LA is no longer able to receive FERIS payments. Irrespective of whether an LA opts into FERIS DWP will monitor F&E in the HB caseload across all LAs, and engage with LAs as they do for HB speed of processing. In addition, ministers have set out that F&E performance indicators will be published for all LAs.

Start-up Fund / Bid Fund

Q25. What types of activities will receive start-up funding?

The start-up fund aims to provide LAs with funding to help them to quickly get projects off the ground that will help them meet the threshold. Examples are provided below, but each application will be assessed on its merits in line with the criteria:

- the cost of additional staff resource to do more pro-active work to identify F&E (including new staff and/or overtime for existing staff)
- the cost of recruitment
- customer education/awareness (e.g. targeted mail shots)
- new processes relating to F&E (e.g. data matching, credit checks, diary dates).

Q26. Can Start-up funding be used to cover costs of existing staff carrying out business as usual activities?

No. Start-up funding applications are being assessed to ensure that the funding is being used to meet an additional cost to the HB Service. In the case of staffing resources this can be against such costs as arise from new staff, temp/agency workers, overtime or for back filling of posts from which more experienced staff have been released to work on activities to help authorities meet their FERIS thresholds etc.

Q27. What types of activities will receive bid funding?

The bid fund is to support new and innovative ideas. The activities proposed must provide a clearly detailed return on investment by improving levels of F&E. Examples are provided, but each application will be assessed on its merits in line with the criteria:

- develop products such as IT software (individual or joint LA bids)
- develop marketing materials or campaigns (individual or joint LA bids)
- high performing LAs running events, workshops, visiting other LAs
- high performing LAs sharing or loaning staff to imbed good practice
- high performing LAs developing generic products such as leaflets or templates to share with other LAs
- funding full-time staff or staff overtime to prepare new products, or trial new processes.

Q28. Will start-up fund applications received before the deadline of 30 January 2015 be assessed immediately?

We welcome start-up fund applications as early as possible. The quicker an LA submits their application the quicker they will receive their start up payment. Our aim is to quickly provide LAs with funding to put plans and resources in place in order to meet FERIS thresholds.

We will aim to notify LAs of the outcome of their start-up application and arrange payment within 20 working days of receipt of the application. The application forms can be found on GOV.UK; circular HB A17/2014.

Q29. We plan to use the same resource to meet the FERIS threshold in 2014/15 and 2015/16 is it possible to apply for the start-up fund and maintenance fund now?

No. A maintenance fund will be available during 2015/16 and is likely to be allocated in the same way as the start-up fund. The maintenance fund will be subject to a further application process next year.

Each LA's invitation letter sets out the maximum amount of start-up funding that can be applied for. The letter sets out illustrative figures for the 2015/16 maintenance fund to support LAs with planning, however, final details will be confirmed early in 2015. Therefore, LAs can only apply for 2014/15 start-up funding at this time.

Q30. Can LAs spend the start-up and bid funding in 2014/15 and 2015/16?

As the bid fund closes on 2 March 2015 (early applications are encouraged), many LAs will receive bid funding very late in the financial year. We appreciate that bid fund spending plans will fall into 2015/16 and LAs will be notified that they may spend bid funding in 2015/16.

The start-up fund closes on 30 January 2015 (early applications are encouraged) as the intention is for LAs to use the funding to quickly put plans and resources in place to meet the 2014/15 FERIS threshold. It is worth noting that there will be a maintenance fund to support LAs in maintaining additional resources in 2015/16, subject to a separate application process to be announced. Therefore, LAs are expected to spend the start-up fund in 2014/15. However, we will take a view where stated plans marginally slip into 2015/16 to ensure the same activities are not funded by the maintenance or bid fund.

LAs should make every effort to comply with the spending assumptions they submit with their start-up fund and bid fund applications.

Q31. Why does the bid fund application for LAs in England require information about the Department for Communities and Local Government (DCLG) Counter Fraud Challenge Fund (CFCF)?

The DCLG CFCF addresses non-welfare benefit fraud whereas the FERIS aims to reduce F&E in HB. The outcome of the DCLG CFCF bidding process was announced on 25 November 2014. The bid fund process for FERIS will ensure that activities covered by DCLG CFCF do not receive FERIS bid funding.

Overpayments

Q32. Is there any way DWP could counter the impact of LAs losing out financially because of FERIS in terms of more F&E resulting in more overpayments, loss of subsidy, the costs of recovery and resources needed?

It is not possible to estimate the level of potential subsidy loss due to LAs finding increased F&E. LAs have a statutory obligation to ensure HB claims are correct and FERIS is incentivising LAs to focus more effort in this area.

Overpayments relating to claimant error and fraud attract a 40% subsidy. LAs on average collect 67% of overpayments. If an LA improved its collection it could benefit from recovering the loss of subsidy and the amount of HB paid (equating to 140%). The PDT is working to support LAs with recovery and will issue an HB Debt Recovery Good Practice Guide to all LAs shortly.

FERIS payments for meeting/exceeding the upper threshold equates to a 10% increase in the LA HB administration subsidy. In addition, there is available to LAs start-up funding of £6.25 million in 2014/15 and maintenance funding of £9.5 million in 2015/16, to support LA efforts to reduce F&E in HB, with the longer term aim of reducing the amount of fraud entering the system.

It is also worth noting that if LAs work to encourage claimants to report their changes of circumstances immediately then there will be no overpayment. The resultant change of entitlement will be just as useful in meeting the FERIS threshold as those overpayments already in the system.

Q33. To mitigate the impact of overpayments created as a result of finding more reductions to weekly benefit entitlement, could LAs calculate the overpayment from the week in which the change is identified rather than the date of change?

DWP guidance to LAs in the [Calculation of Overpayments Guide](#) (section 3.2) is to calculate the overpayment from the benefit week in which any change in HB should have been actioned up to the date entitlement actually reduced or ended. LAs should also adhere to the provisions of the HB Regulations 2006.

Single Fraud Investigation Service (SFIS)

Q34. Why is FERIS being introduced during the SFIS transfer?

SFIS and FERIS are quite different. SFIS is focused on investigating welfare benefit fraud. FERIS incentivises LAs to find more changes of circumstances in order to achieve more reductions to weekly HB entitlement which could be as a result of fraud or error. FERIS will help to prevent F&E entering the system and increase the identification of existing F&E in the system. If through FERIS an LA that has implemented SFIS identifies a fraud case it should still be passed through to SFIS for investigation.

FERIS was developed to address the rise in HB F&E. The 2013/14 F&E estimates published in November 2014 showed a loss due to HB F&E of £1.45 billion, with claimant error making up the largest contribution to this figure at an estimated value of £900 million.

Q35. How does FERIS fit with the transfer of LA fraud staff to SFIS within DWP Fraud and Error Services (FES) during 2014/15?

The start-up fund aims to provide LAs with the initial injection of funding to get FERIS activities off the ground quickly in order to meet the incentive payment thresholds. The start-up fund application requires LAs to set out how the additional resources will contribute to meeting/exceeding the FERIS threshold. Start-up funding could be used to fund staff carrying out more pro-active interventions, fund new staff or temporary staff, over-time or targeted communications to encourage claimants to report changes.

During the implementation of the SFIS project the LA will be asked which of their staff are in scope for transfer. If the LA decides to retain staff for FERIS or any other activity within the LA this will be their decision, but it should be noted they will not be able to put staff back in scope at a later date.

Where a LA that has gone live with the SFIS project subsequently identifies or suspects welfare benefit fraud they should make a fraud referral to DWP.

Q36. Noting that most LAs have or are in the process of reducing their fraud expertise in view of the impending transfer of staff to SFIS where do you think the additional expertise and resources required will be found at such short notice?

FERIS does not prescribe to LAs the measures they should take to detect and reduce F&E. Given the statistics that claimant error forms the largest proportion of HB F&E LAs may choose to focus more on claimant error, and this will be something which LA benefit assessment and customer service staff are used to identifying. It is worth noting that weekly benefit reductions whether in relation to HB fraud, official error and claimant error will all contribute towards the incentive scheme thresholds. For the short-term LAs could utilise start-up funding to cover the costs of staff overtime, rather than recruiting and training new staff.