

Housing Benefit Circular

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

HB A11/2015

ADJUDICATION AND OPERATIONS CIRCULAR

WHO SHOULD READ	All Housing Benefit staff
ACTION	For information
SUBJECT	Fraud and Error Reduction Incentive Scheme Incentive Payments: Clarity on the end of year adjustment (previously known as 'final year adjustment')

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>

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Fraud and Error Reduction Incentive Scheme Incentive Payments: Clarity on the end of year adjustment (previously known as ‘final year adjustment’)

Background

1. We have received feedback that suggests some local authorities (LAs) have concerns about the “cliff edge” nature of the incentive payments.
2. For example, one LA achieved an improvement of 7.99% in the first period covered by the Fraud and Error Reduction Incentive Scheme (FERIS), just missing out on the 8% threshold to qualify for an incentive payment. The LA felt that they could therefore not qualify for any incentive payments for the whole of the year. In reality, however, the FERIS design takes such circumstances into account.
3. This was communicated and described in [HB Circular A17/2014](#) (paragraphs 34 to 36) which outlined the details of FERIS, and specifically the ‘final year adjustment’. However, it did not include a worked example and in hindsight this could have been clearer.
4. This circular is intended to clarify the details of this specific aspect of the FERIS design using worked examples. To further aid clarity, we have decided to rename ‘final year adjustment’ and instead call it ‘end of year adjustment’ from now onwards.

Clarity on what the end of year adjustment actually means

5. In simple terms, LAs achieving excess performance in some quarters can transfer this excess to other quarters where they achieve below threshold in order to allow them to qualify for incentive payments they might have missed out on at the time.
6. The intention of this part of the FERIS design was to continue to incentivise LAs to never give up and keep on chasing further changes of circumstances.
7. For example, it allows LAs taking longer to implement more complicated improvements the chance to catch up on lost performance.
8. Theoretically, it is possible for the end of year adjustment to indicate that an LA is due less overall than the amount they received in individual payments. In these circumstances, the Department for Work and Pensions will not request money back and LAs will be allowed to keep the higher amount.

Worked examples

9. We have set out two examples to show how this works. Table 1 below shows the thresholds for each of the five FERIS performance periods and the payments the example LA could get for achieving those thresholds.

Table 1

	Period	Lower Threshold (LT)	LT+2%	LT+4%	LT+6%	LT+8%	Upper Threshold
Value of Reductions to Weekly Entitlement Needed	2014/15	£239,700	£244,200	£248,600	£253,100	£257,500	£262,000
	Q1 2015/16	£189,500	£192,900	£196,400	£199,800	£203,300	£206,700
	Q2 2015/16	£202,800	£206,400	£210,100	£213,800	£217,500	£221,200
	Q3 2015/16	£198,300	£201,900	£205,500	£209,100	£212,700	£216,300
	Q4 2015/16	£184,800	£188,100	£191,500	£194,800	£198,200	£201,600
Potential Payments	2014/15	£19,929	£23,915	£27,900	£31,886	£35,872	£39,858
	Q1 2015/16	£14,424	£17,309	£20,194	£23,079	£25,964	£28,849
	Q2 2015/16	£14,424	£17,309	£20,194	£23,079	£25,964	£28,849
	Q3 2015/16	£14,424	£17,309	£20,194	£23,079	£25,964	£28,849
	Q4 2015/16	£14,424	£17,309	£20,194	£23,079	£25,964	£28,849

10. Table 2 sums up these thresholds across the whole 16 months, so we can look at the whole 16 months as one performance period.

Table 2

End of Year Adjustment	Lower Threshold	LT+2%	LT+4%	LT+6%	LT+8%	Upper Threshold
16 Month Total Value of Reductions to Weekly Entitlement Needed	£1,015,100	£1,033,500	£1,052,100	£1,070,600	£1,089,200	£1,107,800
16 Month Total Potential Payments	£77,625	£93,151	£108,676	£124,202	£139,728	£155,254

Example 1

11. Table 3 below shows our first example. In this example the LA achieved some, but not all, of the thresholds across the duration of the scheme.

Table 3

	Period	Reductions Achieved		Period	Payments Achieved
Value of Reductions to Weekly Entitlement Achieved	2014/15	£258,500	Payments Achieved	2014/15	£35,872
	Q1 2015/16	£188,000		Q1 2015/16	£0
	Q2 2015/16	£199,050		Q2 2015/16	£0
	Q3 2015/16	£210,000		Q3 2015/16	£23,079
	Q4 2015/16	£205,000		Q4 2015/16	£28,849
	Total	£1,060,550		Total	£87,800

12. Looking at the actual performance (in table 3), and comparing it to the thresholds in table 1, the LA achieved LT+ 8% in the 2014/15 period, failed to achieve lower threshold in Q1 and Q2, achieved LT+ 6% in Q3, and the upper threshold in Q4.
13. Overall across the 16 months the LA achieved reductions of £1,060,550 and received payments of £87,800. Comparing this to the total thresholds across the entire 16 months (shown in table 2), this performance (i.e. achieving £1,060,550) would put the LA at LT+ 4% and would entitle it to £108,676 in payments.
14. As the LA already received £87,800 in quarterly incentive payments, it would be eligible for a further £20,876 as an end of year adjustment.
15. In table 3 we can see that the LA achieved above its upper threshold in Q4 2015/16. However, even if it failed to achieve any upper thresholds in any of the quarters, it could still be eligible for an end of year adjustment, if they have performed at consistently high levels across the sixteen month period.

Example 2

16. In our second example, table 4 below shows that, overall across the sixteen months, the LA achieved reductions of £1,054,750 and received payments of £84,915. Comparing this to the total thresholds across the entire sixteen months (shown in table 2), this performance (i.e. achieving £1,054,750) would still put the LA at LT+ 4% and would entitle it to £108,676 in payments.
17. Therefore, as the LA already received £84,915 in quarterly incentive payments, it would be eligible for a further £23,761 as an end of year adjustment even though it did not reach the upper threshold in any of the performance periods.

Table 4

	Period	Reductions Achieved		Period	Payments Achieved
Value of Reductions to Weekly Entitlement Achieved	2014/15	£258,500	Payments Achieved	2014/15	£35,872
	Q1 2015/16	£188,000		Q1 2015/16	£0
	Q2 2015/16	£199,050		Q2 2015/16	£0
	Q3 2015/16	£210,000		Q3 2015/16	£23,079
	Q4 2015/16	£199,200		Q4 2015/16	£25,964
	Total	£1,054,750		Total	£84,915