Department for Work & Pensions

Research Summary

Research into the first phase of the Fraud and Error Reduction Incentive Scheme (FERIS1)

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What was FERIS1?

The Fraud and Error Reduction Incentive Scheme (FERIS) was a scheme designed to encourage local authorities in England, Scotland and Wales to identify and reduce fraud and error in Housing Benefit claims in their area.

FERIS1 was the first phase which ran from December 2014 to March 2016.

The scheme consisted of two main elements:

- A Performance Improvement Fund (PIF), which issued grants to local authorities to help them tackle fraud and error.
- FERIS incentive payments, awarded to local authorities opting in to the scheme, and based on the extent to which they had reached or exceeded a minimum fraud and error performance threshold.

Together, the funds and incentive payments were intended to supply an additional incentive to tackle fraud and error in Housing Benefit, and to provide local authorities with the initial means to do so.

Context to this research

Housing Benefit is a means tested benefit, paid to people with a low income who pay rent, regardless of whether they are in or out of work. It is paid to households by local authorities, but payments are covered by a Department for Work and Pensions (DWP) subsidy.

The complexities of administering Housing Benefit mean that there is particular scope for both claimant and official error, as well as fraud.

The overpayment rate of Housing Benefit was around 5.2 per cent of total expenditure from October 2014 to September 2015, and in 2013/14 was the largest single source of overpayments due to fraud and error across all DWP benefits.

DWP introduced FERIS to correct this problem. This research was then commissioned to assess the extent to which the FERIS1 scheme delivered on its objectives, and to improve the design and administration of future rounds of FERIS, and its successor scheme, the Right Benefit Initiative.

This research aims to cover the two key dimensions of FERIS1; the process of how FERIS1 was implemented and what sort of activities it encouraged, and the perceived impacts of how successful FERIS1 has been in achieving its aims and objectives of reducing fraud and error in Housing Benefit, improving local authority finances and positively affecting claimant behaviour.

Key findings

- Local authority perceptions indicate that FERIS1 had a positive impact on fraud and error in Housing Benefit.
- FERIS1 led to additional F&E (fraud and error) activities than would have otherwise have happened, largely through PIF grant funding.
- There was variable understanding across local authorities as to which activities would prove effective, and which activities did prove effective, in reducing fraud and error locally.
- The perceived impacts of FERIS1 on local authorities finances were mixed, although the authorities were appreciative of the additional funding provided.
- Activities motivated by FERIS1 were more likely to focus upon claimant error than fraud, and upon existing claims rather than new claims.
- Local authorities found the opt-in and bid processes easy and there was good DWP support.
- Perceptions of positive performance were more common amongst unitary authorities and those sharing services.
- Some authorities struggled to innovate in their bids due to a lack of time or funding at the bidding stage, and smaller authorities generally had more difficulties working with FERIS1 than larger ones.
- Overall FERIS1 was well-received and local authorities wanted it to continue, albeit with some modifications.

Methodology

The FERIS1 research was a multi-stage research project, consisting of three main stages, outlined below:

- An online survey of local authorities and shared services (February to March 2016);
- Five case studies at selected local authorities, shared services and outsourcing contractors (March to April 2016);
- Six round table discussion events, including local authorities, shared services and outsourcing contractors (June to July 2016).

The online survey of local authorities across England, Scotland and Wales was carried out over six weeks in February and March 2016, providing provided information on the broad prevalence of particular outcomes or issues among local authorities.

The online survey was followed by a series of five case studies, designed to target authorities who had either achieved a particularly large reduction in Housing Benefit fraud and error, or tried innovative approaches.

The purpose of this part of the research was to capture good practice and to help with the design of future initiatives. The interviews also provided some detailed insights into the process and effectiveness of FERIS, providing a level of detail unavailable in either the surveys or round tables.

The final strand of the research involved a series of round table events. They allowed a broader qualitative perspective on FERIS1 in comparison to the case studies as they involved a greater number of organisations with both positive and negative experiences.

Findings explained

Local authority perceptions indicate that FERIS1 had a positive impact on fraud and error in Housing Benefit:

More than half (57 per cent) of local authorities that introduced or expanded activity as a result of FERIS1 felt that there had been a slight (42 per cent) or substantial (15 per cent) improvement on fraud and error in Housing Benefit locally.

However, around a quarter (27 per cent) of those local authorities were uncertain whether work carried out under FERIS1 had had an impact locally. A further 17 per cent felt that there had been no improvement at all.

FERIS1 led to additional F&E activities than would have otherwise have happened, largely through PIF grant funding:

The 233 local authorities that took part in the survey ran a total of 410 'projects' that were funded through the PIF grant funds. The survey findings show that almost three-fifths (59 per cent) of the projects would not have happened at all without the funds, and around a further third (35 per cent) would have gone ahead, but with delays or on a smaller scale.

Half of the projects were completely new work (50 per cent), and only a small minority of projects (three per cent) would have continued unchanged without the funding.

There was variable understanding across local authorities as to which activities would prove effective, and which activities did prove effective, in reducing fraud and error locally:

Difficulties in forecasting and assessing the impact of FERIS1 activities were a recurring issue in the research. This uncertainty was cited by local authorities as the biggest single obstacle to implementing FERIS PIF grant-funded projects (mentioned as a barrier in relation to 66 per cent of projects).

Feedback from round table events suggested a lack of expertise and resources to make use of available data (including that sent by the DWP) to forecast potential impact and retrospectively to assess impact.

This limited the extent to which FERIS incentive payments worked as an incentive, as local authorities found it difficult to predict their likelihood of reaching performance thresholds and to monitor progress towards them.

The perceived impacts of FERIS1 on local authority finances were mixed, although local authorities were appreciative of the additional funding provided:

While around a third (35 per cent) of respondents reported a 'very' or 'slightly' positive financial impact on their organisation, nearly a quarter (23 per cent) reported a 'very' or 'slightly' negative financial impact.

It is likely that this mix of outcomes reflects a combination of benefits from PIF grant funding, and underestimating the cost of 'knock-on' effects of fraud and error detection such as increased customer contact and debt recovery efforts.

Feedback from round table events suggested that these 'knock-on' effects were not always budgeted for by local authorities at the planning stage.

Activities motivated by FERIS1 were more likely to focus upon claimant error than fraud, and upon existing claims rather than new claims:

The online survey showed that local authorities primarily targeted overpayments due to claimant error (97 per cent) with fewer (66 per cent) targeting deliberate fraud.

Some local authorities raised the issue that older claims were more expensive to investigate and recover debt from and a few mentioned that they had decided not to prioritise claims more than 12 months old.

There were contrasting views among authorities as to whether it was a legitimate approach only to investigate recent overpayments for claims going back multiple years.

Local authorities found the opt-in and bid processes easy and there was good DWP support:

The majority of local authorities found the process for opting in to FERIS1 (91 per cent) and applying for the PIF (86 per cent) to be either fairly or very easy. Local authorities that contacted DWP to discuss their application rated the information and support received as either very or fairly good (91 per cent).

Nevertheless, evidence from the round table events suggests that some local authorities would have welcomed further time and resource to create an innovative and effective bid.

Perceptions of positive performance were more common amongst unitary authorities and those sharing services:

Unitary authorities started or expanded more activities in response to FERIS1, compared to two-tier district authorities Single-tier authorities were slightly more likely to report a positive financial outcome than two-tier district authorities.

Smaller authorities faced more difficulties when carrying out FERIS1 work compared to larger ones, often because they were less likely to have a developed existing infrastructure and technology.

Some authorities struggled to innovate in their bids due to a lack of time or funding at the bidding stage and smaller authorities generally had more difficulties working with FERIS1 than larger ones:

Some local authorities felt it was only possible to bid for a continuation or expansion in scale of basic day-to-day activities. Some suggested they needed funding for the applications to enable them to put in the time necessary to design better bids.

Small authorities found it more difficult than larger authorities to work with FERIS, due to the small size of PIF and the lack of in-house expertise.

Overall FERIS1 was well-received and local authorities wanted it to continue, albeit with some modifications:

On the whole, local authorities considered that FERIS had enabled them to undertake valuable activities. Tackling fraud and error was seen by local authorities to be a social/moral obligation and many had been uncomfortable with the scaling-back (or even removal) of this activity in the years prior to the introduction of FERIS.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 911003 81 6. Research Report 947. September 2017).

You can download the full report free from: https://www.gov.uk/government/organisations/department-for-work-pensions/about/research#research-publications

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