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## **HOUSING BENEFIT OVERPAYMENT AND DEBT RECOVERY REPORT**

**Report by Service Director Neighbourhood Services**

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### **AUDIT & RISK COMMITTEE**

**11 May 2015**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report details the activity on Housing Benefit (HB) overpayments and debt recovery as requested by the Audit Committee at its meeting on 23 September 2014. The report provides an update on the performance during 2014/15 in comparison to 2013/14.**
- 1.2 The value of overpayments outstanding at the start of quarter 4 of 2014/15 is £1.4m in comparison to 2013/14 when it was £1.3m.
- 1.3 During 2013/14, SBC made awards of Housing Benefit totalling £30m. Of this, £746,340 (2.5%) was subsequently classed as overpaid. The awards for 2014/15 also totalled £30m however the percentage of Housing Benefit overpaid increased to 3.3%.
- 1.4 In comparison with all 32 Scottish Local Authorities, SBC have the 10<sup>th</sup> lowest level of total overpayments outstanding at the start of quarter 2 of 2014/15 financial year.

#### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Committee:-**
  - (a) notes the comparative activity relating to Housing Benefit overpayments and debt recovery during the period 1 April 2013 to 31 March 2014 and 1 April 2014 to 31 March 2015;**
  - (b) notes the intended improvement actions outlined in the report;**
  - (c) requests that a further performance report be brought back to the Committee in six months.**

### **3 BACKGROUND**

- 3.1 Housing Benefit is administered by local authorities on behalf of the Department for Work and Pensions (DWP). Each year Scottish Borders Council (SBC) pays out housing benefit in the region of £30m to approximately 8,400 claimants. In terms of funding, Local Authorities are paid "subsidy" in respect of Housing Benefit both paid and overpaid.
- 3.2 Overpayments arise where claimants are paid benefit to which they are not entitled and are caused by a number of reasons. The main reasons are as follows:
- (a) Claimant error – this is by far the most common reason and is due to claimants either providing incorrect information at the time of their claim or by not informing the Council of a change in their circumstances at the time the change occurs;
  - (b) Local Authority error and administrative delay - for example not acting on a notified change of circumstances on time;
  - (c) Fraud – where benefit has knowingly been claimed based on incorrect information.
- 3.3 The value of overpayments is an indication of the level of fraud and error in the benefits system and under the duty to protect public funds, local authorities must take appropriate steps to ensure that overpayments are minimised and when they do occur that recovery is sought.
- 3.4 In terms of subsidy for overpayments, for example, caused by claimant error, local authorities receive 40% subsidy on any overpaid benefit. However, local authorities are penalised where overpayments are caused by 'local authority error and administrative delay' overpayments and reach trigger levels determined by the DWP. These are expressed as a percentage of the value of correct payments and are calculated as follows:
- (a) Less than or equal to 0.48% - 100% subsidy
  - (b) Between 0.48% and 0.54% - 40% subsidy
  - (c) Above 0.54% - nil subsidy
- 3.5 There are a number of options available for local authorities to recover overpayments. The most efficient and effective method is recovery from ongoing deductions when the claimant is still entitled to Housing Benefit. Where those deductions are not an option, local authorities can pursue overpayments by, for example, invoicing, recovery from certain other DWP Benefits or engaging external debt recovery agents.

### **4 PERFORMANCE**

- 4.1 As shown in table 1 below the value of overpayments outstanding to SBC was £1.5m at the start of quarter 4 2014/15. This is a cumulative figure covering all overpayments which have been identified over a number of years and remain outstanding.

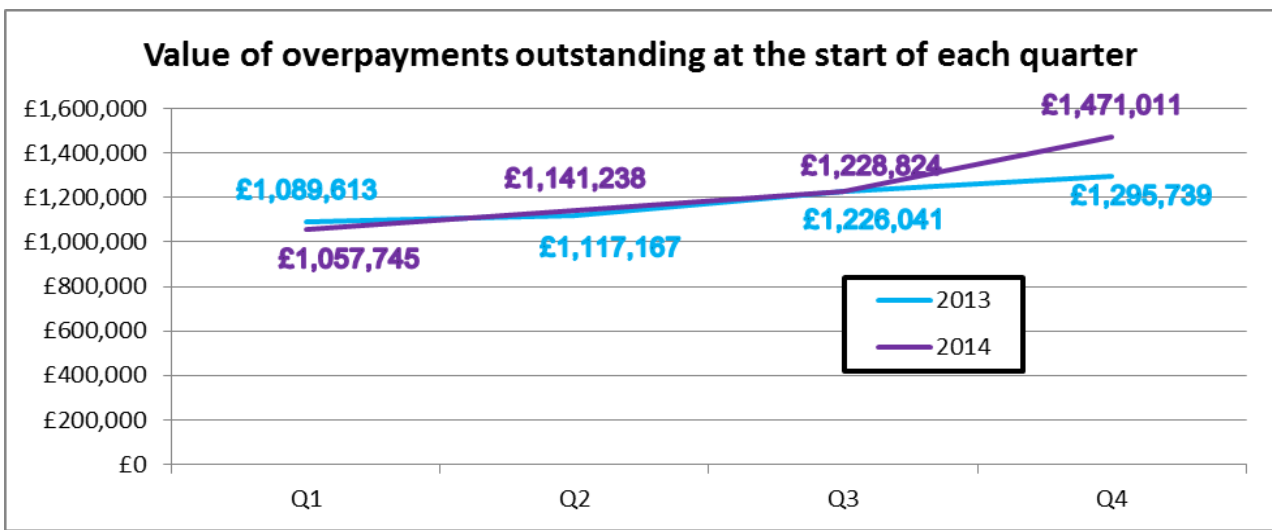


Table 1

4.2 Table 1 shows a fluctuation in the value of outstanding overpayments each quarter compared to the same period the previous year.

4.3 Table 2 below shows the increase in the level of overpayments identified in quarter 3 and 4 of this year which reflects the impact of a new initiative, (Real Time Information) introduced by the DWP, to improve the speed and quality of information available to reassess benefit claims.

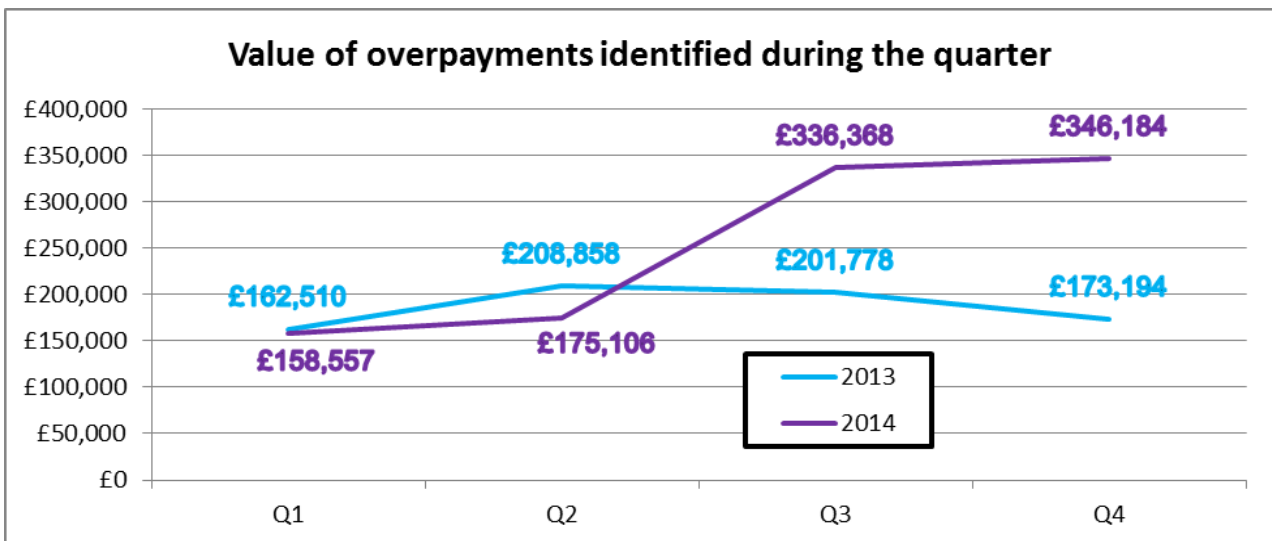


Table 2

4.4 This allows local authorities access to information on earnings and private pensions from HMRC via 'Real Time Information'. The first data exchange supplied in September 2014 included changes back to April 2013 resulting in the large increase in identified overpayments in quarter 3 of 2014/15. The initiative was temporary to 31 March 2015 however it has been extended into 2015/16. This will continue to produce overpayments but of lesser amounts and will help ensure the correct entitlement is being paid to the claimant.

- 4.5 During 2013/14, SBC made awards of Housing Benefit totalling £30m. Of this, £746,340 (2.5%) was overpaid. The percentage of Housing Benefit overpaid during 2014/15 has increased to 3.3% on the same level of spend (£30m).

Year	Overpayments Identified	Overpayments Recovered	% of debt recovered in year
2013-14	£746,340	£489,979	65.7%
2014-15	£1,016,215	£522,311	51.4%

Table 3 (source DWP HBRF)

- 4.6 The table above demonstrates that SBC have recovered 65.7% of overpayments identified during 2013/14. This has decreased during 2014/15 to 51.4%. Action is proposed at paragraph 6 onwards to address that downward trend.

## 5 BENCHMARKING

- 5.1 Every quarter, each Local Authority is required to provide a Housing Benefit Recoveries and Fraud (HBRF) return to the DWP. A link to those figures including those published on 10 September 2014 for 2013/14 can be found here <https://www.gov.uk/government/collections/housing-benefit-recoveries-and-fraud-data>
- 5.2 The data in Appendix 1 table 1 demonstrates that SBC's value of outstanding overpayments during 2013/14 at the start of each quarter is similar to Inverclyde and is at the median level for the Councils compared. The value of overpayments created by each Local Authority fluctuates quarterly so comparisons are of limited value.
- 5.3 Table 2 reflects that during quarter 1 of 2013/14, Scottish Borders Council identified a low number of overpayments compared to other councils. This increases substantially during the other 3 quarters.
- 5.4 The data in table 3 demonstrates that Scottish Borders Council recovered a low amount of overpayments during quarter 1. However, this increased during the other 3 quarters and during quarter 2 when we recovered a similar amount to Inverclyde.
- 5.5 Table 4 shows that the net amount written off by SBC during each quarter of 2013/14 was £6,000 or less which compares favourably with the comparator Councils.
- 5.6 As detailed in Audit Scotland's report 'Review of auditors' housing benefit subsidy claim reported errors 2013/14' five councils in Scotland exceeded either the lower or higher threshold for local authority and administrative delay overpayments. SBCs performance relating to local authority error and administrative delay overpayments is 0.21%, well below (15<sup>th</sup> best in Scotland) the lower threshold resulting in 100% subsidy.

- 5.7 In comparison with all 32 Scottish Local Authorities, SBCs performance is within the top third of Scottish Local Authorities in terms of achieving the lowest total amounts of overpayments outstanding at the start of quarter 2 of 2014/15 financial year.
- 5.8 The amount of overpayments recovered during the first 2 quarters of 2014/15 totals circa. £235k. SBC falls within the top performing half of all Scottish Local Authorities for the percentage of overpayments recovered against overpayments identified during the first 2 quarters of 2014/15

## **6 IMPROVEMENT PLAN**

- 6.1 Officers will evaluate the current recovery methods and agree the best combination of methods to be utilised in the future.
- 6.2 Officers will utilise funding received under the Fraud and Error Reduction Incentive Scheme (FERIS) to carry out more reviews to ensure the correct rate of entitlement is in payment but also to target areas where work will improve collection levels. Whilst the FERIS scheme is likely to identify more overpayments the level of each is likely to be lower leading to a reduction in the level of overall increase. The DWP has extended the submission of Real Time Information scheme into 2015/16 therefore the impact is likely to continue in the same manner i.e. an increase in the number of overpayments created but at lower amounts.
- 6.3 Staffing initiatives are being implemented to direct experienced staff resources onto collection of Housing Benefit overpayments whilst maintaining ongoing workloads through post backfilling.
- 6.4 Revised monitoring and responsibility arrangements are being drafted along the lines of the monthly Council Tax collection monitoring to set and achieve monthly and annual targets focussed on reducing the outstanding debt levels.
- 6.5 The mid year renegotiation of the Sheriff Officers contract currently in its early stages will allow an option to change collection arrangements to give greater emphasis to Housing Benefit overpayment recovery.

## **7 IMPLICATIONS**

### **7.1 Financial**

- (a) There are no costs attached to any of the recommendations contained in this report. However, there are financial implications from the creation of Housing Benefit overpayments.
- (b) When an overpayment is created as a result of Local Authority error, the amount of subsidy paid to SBC depends on the level of our total Local Authority error overpayments compared to the total amount of Housing Benefit SBC has paid out.

- (c) Where that percentage is less than 0.48% subsidy is paid at the rate of 100%. Where the percentage is more than 0.54% the subsidy paid is nil. Between 0.48% and 0.54% the subsidy paid is 40%
- (d) When an overpayment is created for claimant error the subsidy paid to SBC is 40% for example, if the overpayment was £100, we would receive £40 subsidy.
- (e) When we recover most types of overpaid Housing Benefit, either in part or in full, including in the examples at 7.1 (c) and (d) those funds recovered are retained by the Council.
- (f) There are various other categories where differing levels of subsidy may apply however the examples at 7.1 (c) and (d) and the provision covered at 7.1(e) illustrate how the identification of and proper categorisation of overpaid Housing Benefit together with debt recovery action can amount to an income stream for the Council. Conversely these may result in budget shortfalls if expected identification, processing, error rate and recovery targets are not achieved.

## **7.2 Risk and Mitigations**

- (a) As the roll out of Universal Credit begins, the number of new overpayments will gradually diminish however if a bulk transfer of cases is implemented at some stage, the level of new overpayments will reduce significantly from that point in time.
- (b) An alternative route of collection from Universal Credit will arise for cases no longer in receipt of Housing Benefit. This may mean the level of overpayment debt recovery may slow as individual debtor action will be required rather than automatic deduction from ongoing Housing Benefit entitlement.

## **7.3 Equalities**

There are no adverse equality implications.

## **7.4 Acting Sustainably**

There are no economic, social or environmental implications.

## **7.5 Carbon Management**

There are no effects on carbon emissions.

## **7.6 Rural Proofing**

This is not a new or amended policy or strategy.

## **7.7 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Scheme of Administration or the Scheme of Delegation required.

## 8 CONSULTATION

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and their comments have been incorporated into the final report.

### Approved by

**Service Director Neighbourhood Services**

**Signature .....**

### Author(s)

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**Background Papers:** None

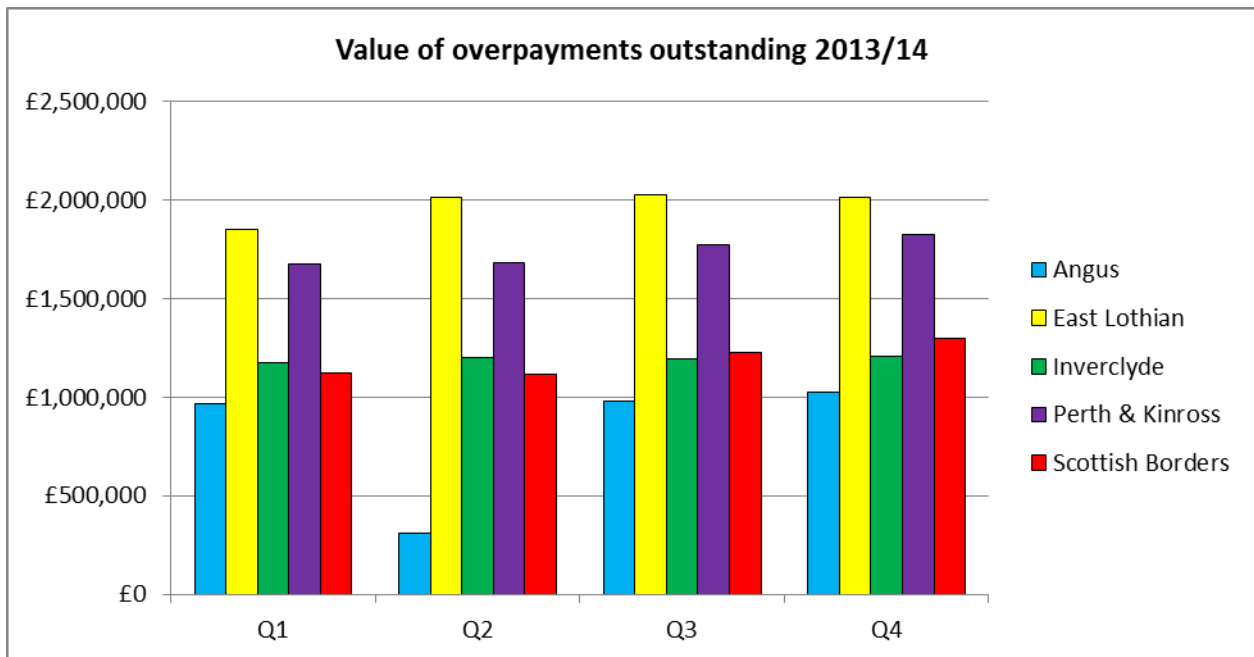
**Previous Minute Reference:** 23 September 2014 Audit Committee

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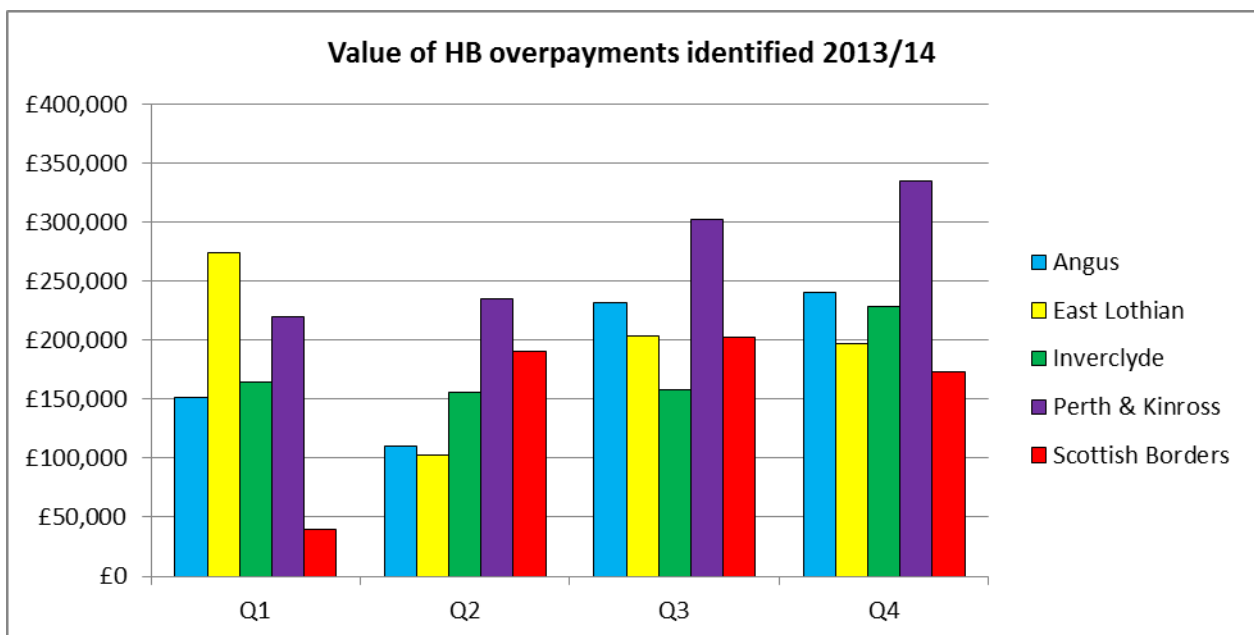
## Appendix 1

Table 1



(Source - HB recoveries and fraud data: April 2013 to March 2014)

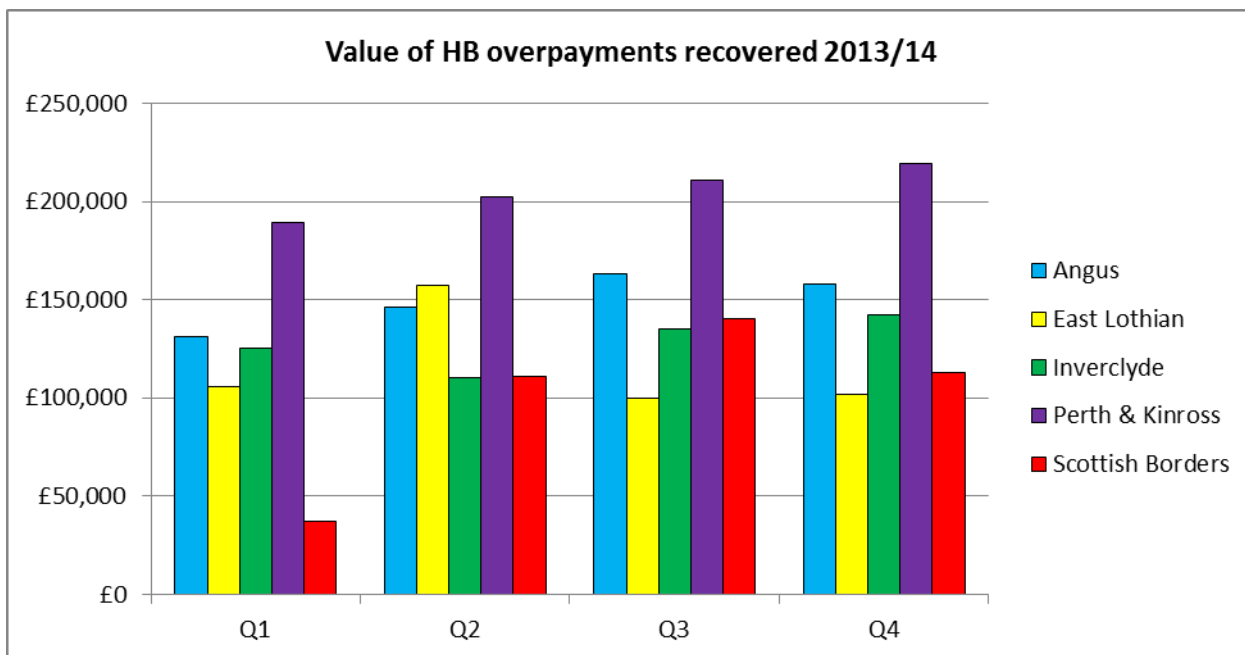
Table 2



(Source - HB recoveries and fraud data: April 2013 to March 2014)

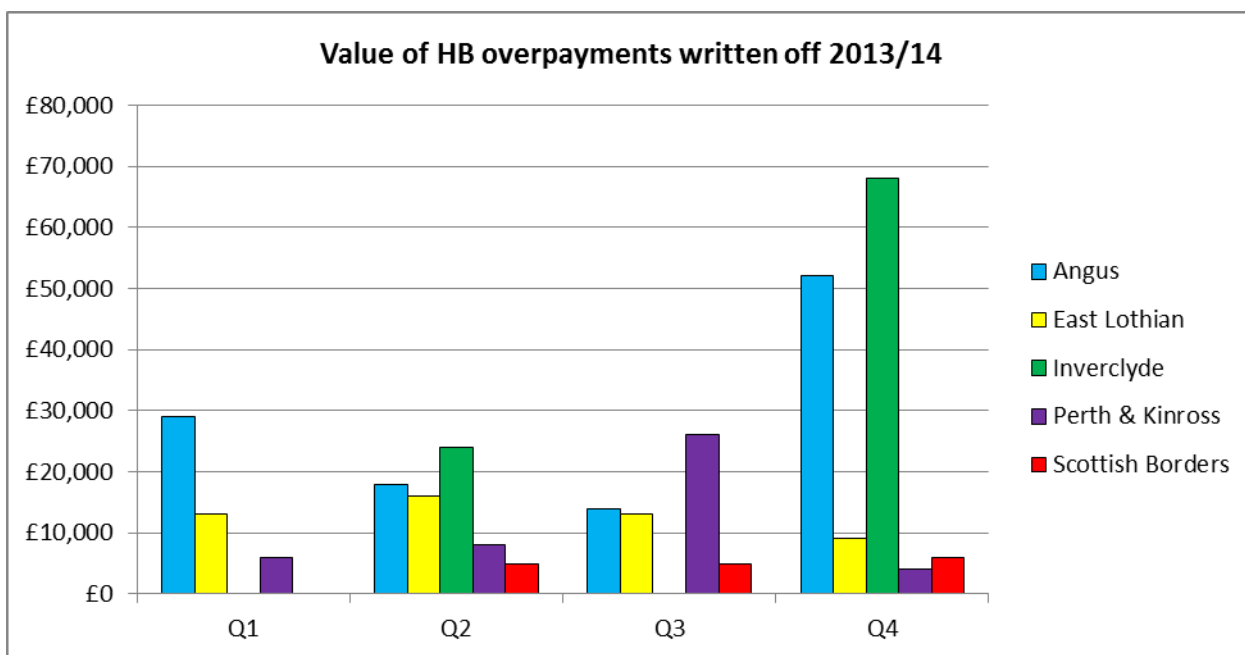


Table 3



(Source - HB recoveries and fraud data: April 2013 to March 2014)

Table 4



(Source - HB recoveries and fraud data: April 2013 to March 2014)

NB - Where there is no data, the Local Authority has not reported any write offs or has reported a very small amount of write offs during that quarter.