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

**Report by Service Director – Neighbourhood Services**

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### **AUDIT AND RISK COMMITTEE**

**23 November 2015**

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

- 1.1 This report provides further performance details of Housing Benefit overpayments and debt recovery as requested by the Audit and Risk Committee at its meeting on 11 May 2015. The report provides an update on the performance during the first half of 2015/16.**
- 1.2 The value of overpayments outstanding at the start of quarter 3 of 2015/16 was £1.5m in comparison to 2014/15 when it was £1.1m.
- 1.3 During 2013/14 and 2014/15, Scottish Borders Council (SBC) made awards of Housing Benefit totalling circa. £30m. Of this, £746,340 (2.5%) was overpaid in 2013/14. The amount overpaid increased to £1,016,215 (3.3%) in 2014/15.
- 1.4 The number and value of overpayments have increased from quarter 3 of 2014/15. This is a result of new initiatives from the DWP which allows better matching of data across organisations. This will be an ongoing practice.

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that the Audit and Risk Committee:**

- (a) notes the comparative activity relating to Housing Benefit overpayments and debt recovery during the period 1 April 2015 to 30 September 2015;**
- (b) requests that a further performance report be brought back to the Committee in six months.**

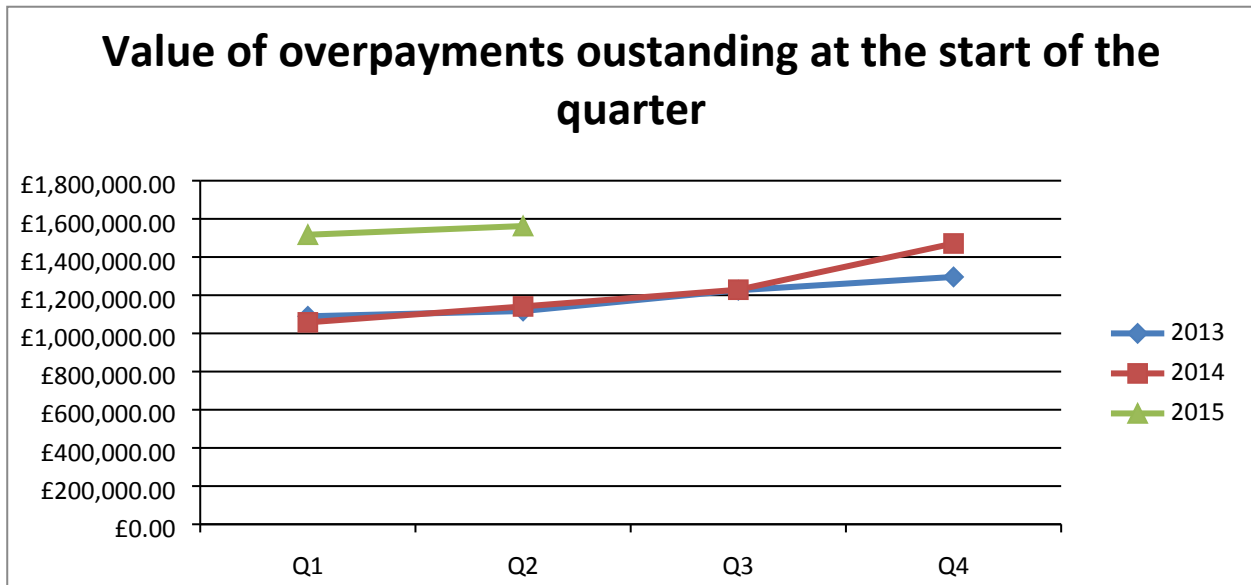
### **3 BACKGROUND**

- 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 8,000 claimants.
- 3.2 Overpayments are created 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, to protect public funds local authorities should take appropriate steps to ensure that overpayments are minimised, and that when they do occur, that recovery is sought.
- 3.4 In terms of subsidy, for the majority of overpayments, caused by claimant error, local authorities receive 40% subsidy on any overpaid benefit. However, local authorities are penalised if 'local authority error and administrative delay' overpayments are above predetermined levels set 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 entitlement when the claimant is still receiving Housing Benefit. Where deductions are not an option, local authorities can pursue overpayments using a number of different methods. These include issuing an invoice, recovery from other DWP benefits or working with 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 1 of this year 2015/16. This is a cumulative figure covering all overpayments which have been identified over a number of years and remain outstanding.

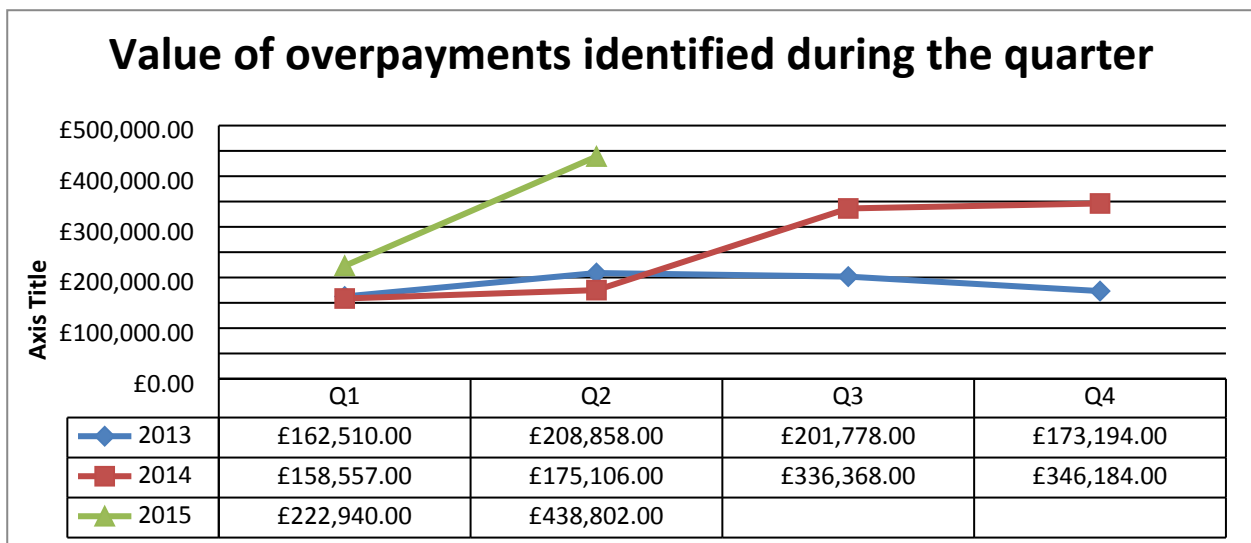
Table 1



4.2 Table 1 shows a fluctuation in the value of outstanding overpayments each quarter compared to previous years. However, table 2 below shows a significant increase in the level of overpayments identified since quarter 3 of 2014/15. This reflects the impact of a new initiative, introduced by the DWP, to improve the quality of information available to assess benefit claims.

4.3 This allows local authorities direct information on earnings and private pensions from HMRC via 'Real Time Information'. The data includes changes back to April 2013, which allows better identification of errors and potential overpayments. Once updated, it ensures that the correct entitlement is being paid to the claimant.

Table 2



- 4.4 During 2013/14, SBC made awards of housing benefit totalling circa. £30m. Of this, £746,340 (2.5%) was overpaid. The percentage of Housing Benefit overpaid during 2014/15 has increased to 3.3%.

Table 3

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%
2015-16 Q1 and Q2	£661,742	£411,532	62.2%

The table above shows that SBC have recovered 62.2% of overpayments identified during the first two quarters of 2015/16. This is an increase on 2014/15.

## 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 the release published on 9 September 2015 for 2014/15 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 shows the value of SBCs outstanding overpayments during 2014/15 at the start of each quarter compared to other similar sized authorities. SBC is around 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 quarters 1 and 2 of 2014/15, Scottish Borders Council identified a low number of overpayments compared to other councils. This increases significantly during quarters 3 and 4.
- 5.4 The data in table 3 demonstrates that Scottish Borders Council, like other authorities, recovered a higher amount in quarter 4. This is mainly because a higher number of overpayments were created in quarters 3 and 4.
- 5.5 Table 4 shows that the net amount written off by SBC in 2014/15 was £33,000, 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% (15<sup>th</sup> lowest in Scotland), well below the lower threshold resulting in 100% subsidy.

## **6 IMPROVEMENT PLAN**

- 6.1 The Council has ended its arrangement to work with an external recovery agent but will continue to work with its Sheriff Officers and the DWP to recover outstanding Housing Benefit overpayments.
- 6.2 Funding has been received from the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) which will allow the Council to carry out more reviews to ensure the correct rate of entitlement is in payment. This is likely to result in more overpayments being created. DWP are extending the submission of Real Time Information direct to local authorities which is also likely to increase the number of overpayments created.
- 6.3 There has been a slight improvement in the percentage of debt being recovered each quarter in comparison to previous periods, though the Council needs to continue to monitor the effectiveness of its arrangements.

## **7 IMPLICATIONS –**

### **7.1 Financial**

There are no costs attached to any of the recommendations contained in this report. However, there are financial implications around the consequences of Housing Benefit overpayments as follows :

- (a) The Council receives 40% subsidy on overpayments created generally. For example, if the overpayment was £100, the Council would receive £40 subsidy.
- (b) If an overpayment is created as a result of Local Authority error, the amount of subsidy received depends on the level of Local Authority error overpayments compared to the total amount of Housing Benefit paid out.
- (c) If the overpayments created as a result of Local Authority error are less than 0.48% of the amount spent on Housing Benefit to date, 100% subsidy is paid to the Council by the DWP.
- (d) If the overpayment created as a result of Local Authority error is more than 0.54% of the amount spent on Housing Benefit to date, there is no subsidy paid by the DWP.
- (e) If the overpayment created as a result of Local Authority error is between 0.48% and 0.54%, 40% subsidy is paid by the DWP.
- (f) If the overpayment IS partially or fully recovered for any of the above, this income is retained by the Council.

If the Council Housing Benefit overpayments are not recovered effectively, this could result in budget shortfalls. The exact impact of these possible shortfalls cannot be quantified at this point in time.

## 7.2 Risk and Mitigations

- (a) As the rollout of Universal Credit (UC) continues, the number of new overpayments is likely to gradually reduce until a bulk transfer of claims takes place. In which case the level of new overpayments will reduce significantly. An alternative route of collection from UC (which will be at a lower rate) will be required where Housing Benefit is no longer in payment. This means the level of overpayment recovery may slow down as sundry debtor accounts will be issued 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 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 any comments received have been incorporated into the final report.

**Approved by**

**Signature .....**

**Name Jenni Craig**  
**Title Service Director – Neighbourhood Services**

**Author(s)**

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**Background Papers:** None

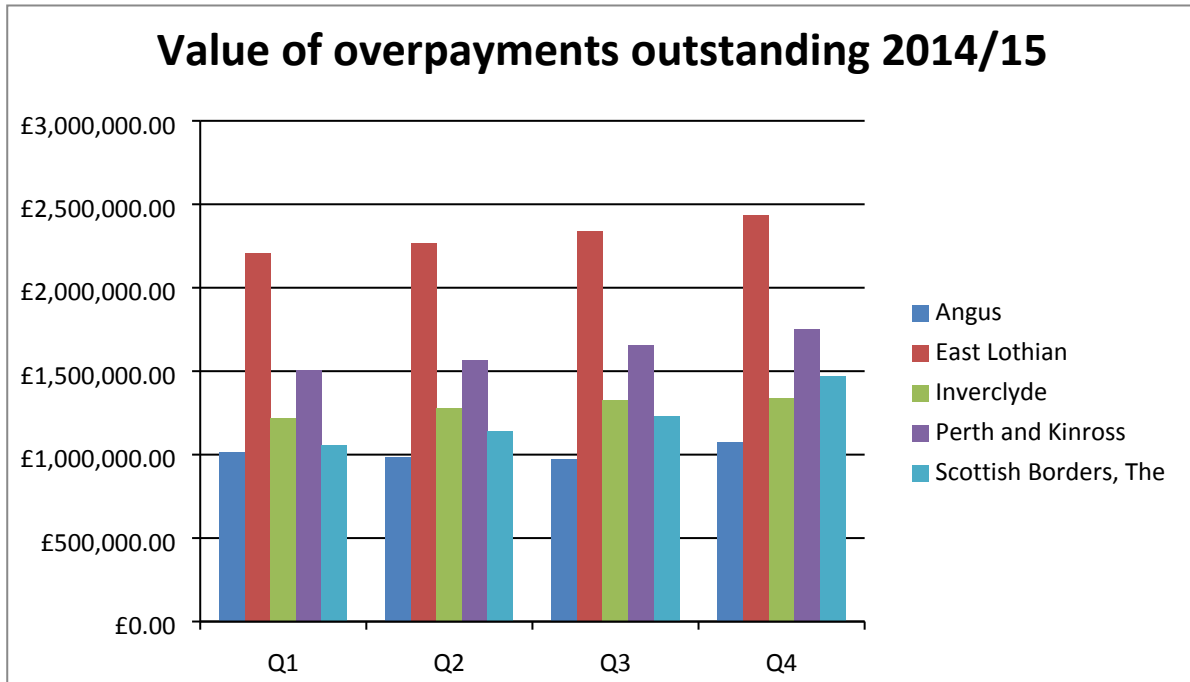
**Previous Minute Reference:** Item 8, 11 May 2015 Audit and Risk Committee

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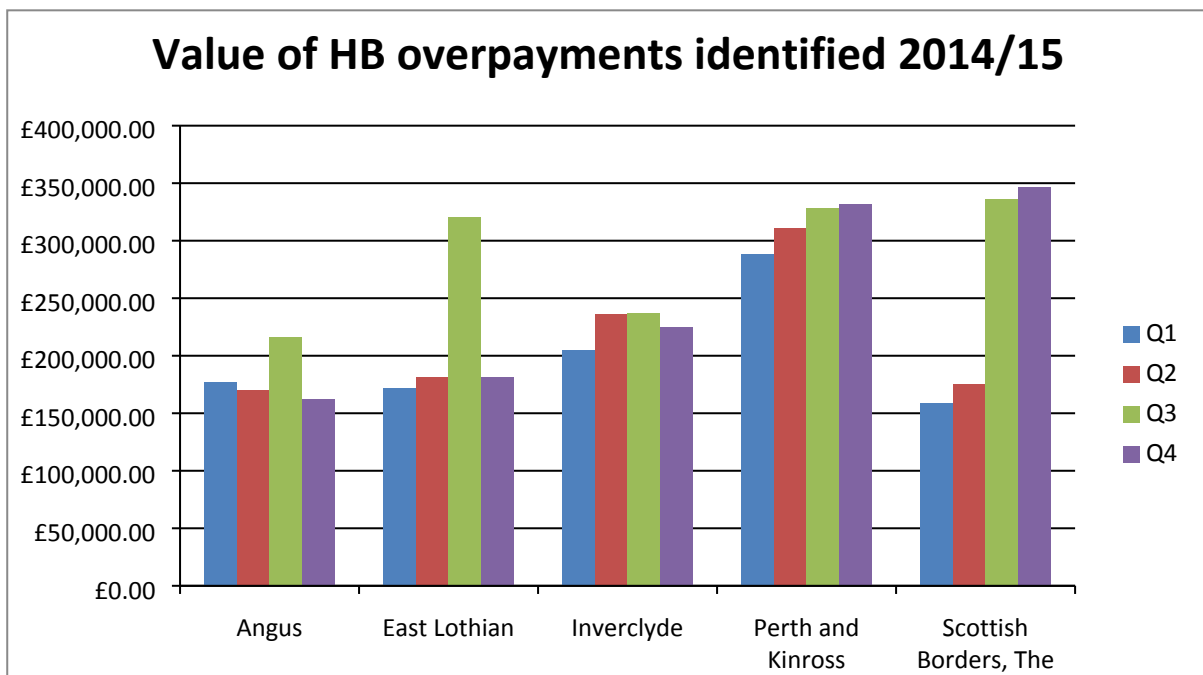
## Appendix 1

Table 1



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

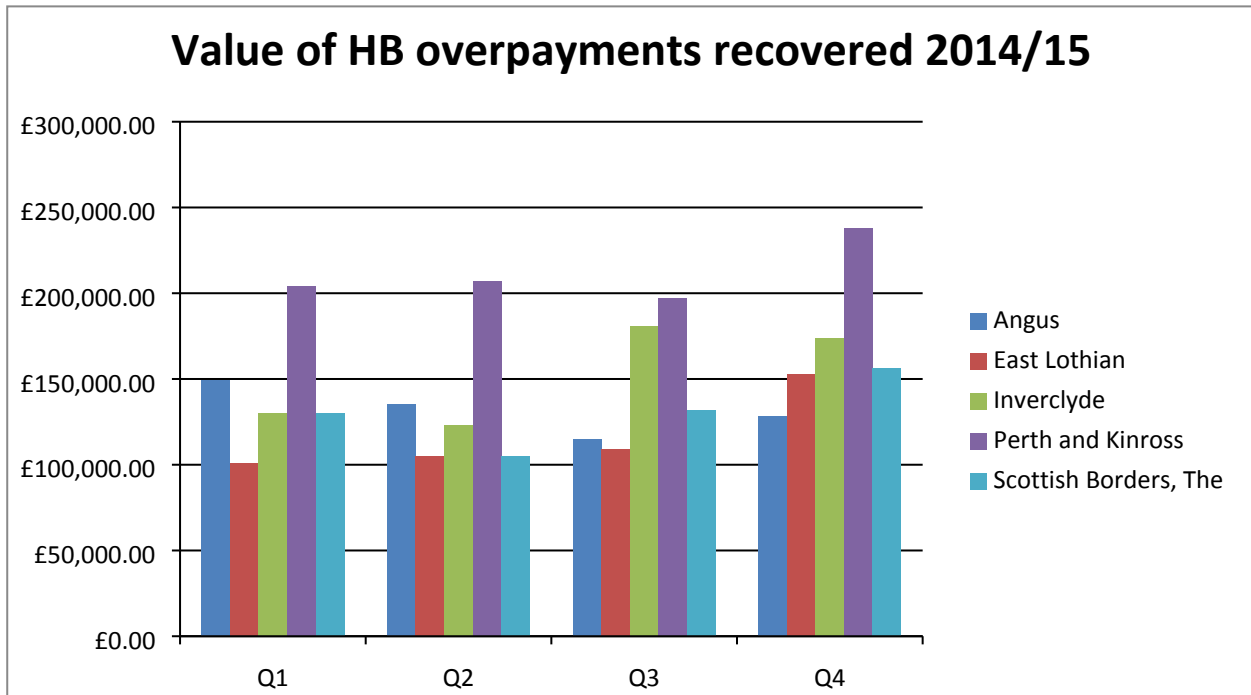
Table 2



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

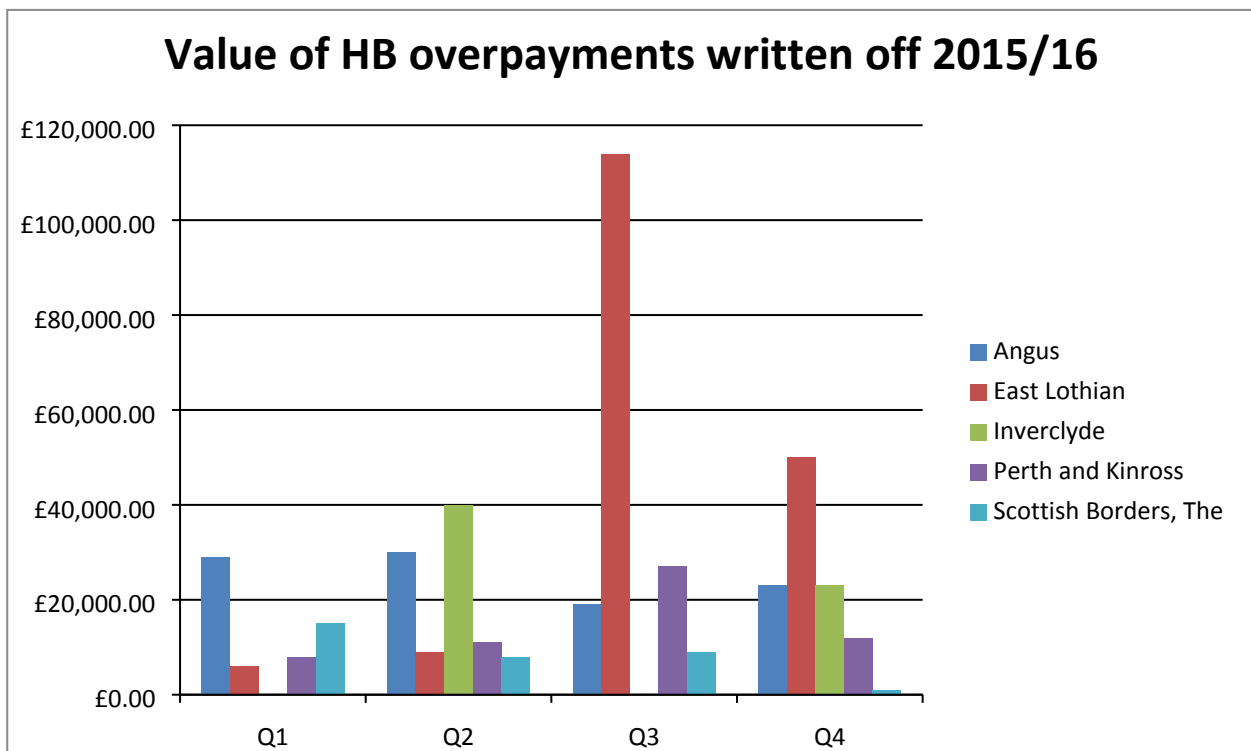


Table 3



(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.