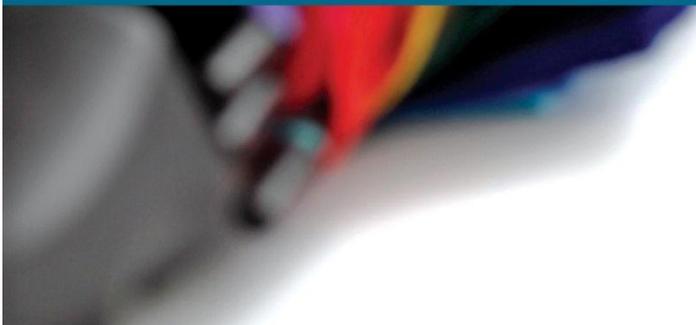


Review of housing benefit overpayments 2008/09 to 2011/12



 AUDIT SCOTLAND

Prepared by Audit Scotland
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. Audit Scotland has reviewed the Department for Work and Pensions (DWP) housing benefit overpayments information regarding Scottish councils published by the DWP for the period 2008/09 to 2011/12, identified trends where possible, and compared performance in Scotland against English and Welsh councils in respect of the identification and recovery of overpayments. This report sets out the main findings from this review.
2. This report also provides a summary of the areas of concern (see Appendix A) and areas of good practice (see Appendix B) we found from our benefits performance audit work in 2011/12 to help councils identify potential actions which might lead to improvements in overpayment recovery performance.
3. It is particularly important that councils rigorously pursue benefits overpayments as the introduction of Universal Credit in October 2013 will have a significant impact on the ability of councils to recover these debts once the responsibility for helping customers with housing costs is transferred to the DWP.

Background

4. To protect public funds, councils should take appropriate steps to ensure that overpayments are minimised, and that when they do occur, that they are rigorously recovered. Housing benefit subsidy rules mean councils are penalised financially if 'local authority error' overpayments are above predetermined levels set by the DWP. It is therefore in the best interest of all councils to ensure that 'local authority error' overpayments are avoided when possible.
5. However, it is beneficial for councils to recover overpayments as soon as possible as the benefit subsidy rules allow councils to retain the full amount recovered in addition to any benefit subsidy they may have already received in respect of the overpayment.
6. The value of overpayments identified is an indication of the level of fraud and error in the benefits system, and along with the value of overpayments recovered, helps determine the effectiveness of councils in recovering overpaid debt. Overpayment data is significant as it is used:
 - to brief ministers and other senior officials on fraud and error issues
 - for responses to parliamentary questions
 - to inform policy decisions and changes to policy.
7. Overpayments statistics allow for benchmarking to be undertaken and comparisons to be made locally and nationally. This can help in the identification of good practice and facilitate the actions required to improve performance.

Housing Benefit Recoveries and Fraud

8. Housing Benefit Recoveries and Fraud (HBRF) statistics were introduced by the DWP in April 2008 to collect overpayment and fraud data from councils at scheduled times throughout the year and replaced the Stats 124 returns (also known as Administration Data).
9. There are four overpayment aspects to the HBRF statistics. These are the:
 - value of overpayments outstanding
 - value of overpayments identified
 - value of overpayments recovered
 - value of overpayments written off.
10. From April 2008, HBRF collected all the data previously submitted via the Stats 124 return along with a further three new fraud datasets relating to cases with a DWP benefit interest.
11. Further improvements were introduced from the start of the 2009/10 collection period, when an additional four new overpayment datasets were included. These variables were added to allow councils to enter only a total value in instances when split entries for rent rebate and rent allowance could not be provided.
12. HBRF data is collected electronically from councils on a quarterly basis as per a pre-agreed timetable at the end of June, September, December and March.

Recovery options

13. There are a number of options available for councils to recover overpayments. The most efficient and effective method is recovery from ongoing deductions when the customer is still entitled to housing and council tax benefit (HB/CTB).
14. Where recovery by ongoing deductions is not an option, councils can pursue overpayments using a number of different methods. These include issuing a sundry debtor invoice, working with the DWP's Debt Management Unit to recover overpayments from on-going DWP benefits where appropriate, or working with external debt recovery agents such as Sherriff Officers.

Summary findings

15. The data and analysis used for this report is based on the HBRF statistics for 2008/09, 2009/10, 2010/11 and 2011/12.
16. It is of concern that we found a number of omissions from published datasets during this review. This makes meaningful analysis difficult, and the data cannot be fully utilised for benchmarking, to identify good practice, to hold councils to account for their performance, or ultimately to help deliver continuous improvement. In producing this report a number of assumptions have been made based on the available data.

17. The total value of benefit overpayments outstanding in Scottish councils has risen significantly from £72.1m in 2009/10 to £94.7m in 2011/12. This represents an increase of approximately 31% which, although greater than the increase reported in Wales (25%), is less than that reported in England (38%) for the same period.
18. The value of benefit overpayments identified each year in Scotland decreased by 3% between 2009/10 and 2010/11 before increasing by approximately 8% to £51.8m in 2011/12. Although fluctuating, the value of overpayments identified has increased by approximately 5% between 2009/10 and 2011/12.
19. This increase could be a result of a number of factors. For example:
 - an increase in the number of claims as a result of the economic downturn
 - a more proactive approach by councils in identifying unreported changes of circumstances
 - the introduction of the DWP's Automated Transfers to Local Authority Systems (ATLAS) service in July 2011 which resulted in a significant increase in the number of changes of circumstances that councils had to process.
20. The value of benefit overpayments recovered each year has increased by 3.5% from £34.3m in 2009/10 to £35.5m in 2011/12. Performance in respect of debt that has been recovered in-year was 71% in 2009/10, 69% in 2010/11 and has improved in 2011/12 to 70%. This is commendable in the current economic climate.
21. Analysis of the performance of the 27 councils that provided sufficient data showed that 59% had recovered more overpayments in 2011/12 than in 2010/11. However, without more detailed information in respect of the methods of recovery used, no firm conclusions can be drawn from this data.
22. The value of benefit overpayments written off during the period has decreased from £9.6m in 2009/10, which represents 19% of the value of overpayments identified, to £5.9m in 2011/12, which represents 11% of the value of overpayments identified. This may in part be due to improved recovery performance, or differing corporate debt write off policies operating in councils.
23. As mentioned earlier, we found omissions from each of the annual data sets and a number of anomalies in the reported data. For example, in 2011/12:
 - one council reported that it had no rent allowance overpayments outstanding
 - one council reported that it had recovered no overpayments during the year
 - one council reported that it had not identified any overpayments during the first quarter of the year.
24. During our benefits performance audit work in 2011/12 we identified a number of initiatives and good practice. These included:
 - a daily system report detailing all overpayments created the previous day is produced and each entry checked to ensure the correct classification and recovery method is used

- an interface in place between the council benefits system and the system used by a large registered social landlord which automatically stops benefits payments when a tenancy ends.

A full list is provided at Appendix B.

Data return rates

25. The data and analysis used for this report is based on the HBRF statistics for 2008/09, 2009/10, 2010/11 and 2011/12.
26. Although the data contained within the HBRF is of significant importance, it is of concern that we found a number of omissions from the published datasets, particularly in 2008/09. The lack of a complete dataset means that it is not possible to accurately report the level of fraud and error in council benefits IT systems across the country. Councils are therefore unable to benchmark performance with their peers, or identify areas of good practice to allow them to take action to improve performance. The following tables detail the data omissions.

All data

27. The table below details the number of Scottish councils who provided a complete HBRF dataset to the DWP.

Exhibit 2 - HBRF data return rates				
Year	Fully completed	Partially completed	No data	% fully completed
2008/09	12	17	3	38%
2009/10	16	16	0	50%
2010/11	18	13	1	56%
2011/12	16	16	0	50%

Source: DWP HBRF

28. For each financial year the council is required to provide four quarterly returns to the DWP. Therefore where we have reported the number of councils with a partially completed dataset, we found one or more quarterly returns with incomplete data.
29. The subsequent tables break down the complete dataset into each of the four component parts to establish if there are any key areas of weakness in respect of the data submitted.

Outstanding debt

30. Of the 32 Scottish councils, 47% did not provide the DWP with complete data for 2008/09 in respect of the value of outstanding overpayments. Although in subsequent years, the level of data provided has improved considerably, there has not been a complete dataset published by the DWP since 2008/09, and therefore it cannot accurately report the value of overpayments outstanding in respect of Scottish councils.

Exhibit 3: HBRF return rate - Outstanding overpayments

Year	Fully completed	Partially completed	No data	% fully completed
2008/09	17	12	3	53%
2009/10	28	4	0	88%
2010/11	28	2	2	88%
2011/12	28	3	1	88%

Source: DWP HBRF

Overpayments identified

31. The value of overpayments identified is an indication of the level of fraud and error in the benefits system and, along with the value of overpayments recovered, helps determine the effectiveness of councils in recovering overpaid benefit. However, as with the outstanding overpayments dataset, data return rates were poor in 2008/09, but showed significant improvement from 2009/10 onwards.

Exhibit 4: HBRF return rate - Overpayments identified

Year	Fully completed	Partially completed	No data	% fully completed
2008/09	17	12	3	53%
2009/10	28	4	0	88%
2010/11	29	2	1	91%
2011/12	29	3	0	91%

Source: DWP HBRF

Overpayments recovered

32. The value of overpayments recovered provides a good indication of the effectiveness of councils in pursuing overpayments although it could be reasonably expected that a high percentage of overpayments are recovered automatically from on-going deductions where a customer is still in receipt of benefit.
33. As councils can receive up to 100% subsidy from the DWP in respect of benefits overpayments in addition to the amount recovered, a council that has a well managed and rigorous process for recovering overpayments could gain financially by generating extra revenue from its debt recovery activities. Consequently, councils that are not as effective at

recovering overpayments can be penalised by receiving no subsidy for certain types of overpayment.

34. This dataset follows a similar trend to previous datasets with a poor return in 2008/09 but improvement in subsequent years. It is of concern that one council has not reported overpayment recovery data to the DWP since 2008/09.

Exhibit 5: HBRF return rate - Overpayments recovered				
Year	Fully completed	Partially completed	No data	% Fully completed
2008/09	16	12	4	50%
2009/10	27	4	1	84%
2010/11	28	2	2	88%
2011/12	27	4	1	84%

Source: DWP HBRF

Overpayments written off

35. When a council has exhausted all means of attempting to recover an overpayment it can take a decision to write off the debt. Generally such overpayments can only be written off following authorisation from a senior officer in the council. Depending on the value of the debt, a write off could be authorised by a senior assessor, the Benefits Manager, the Head of Service, the Chief Executive, or a council committee.
36. Although for accounting purposes the debt has been written off, it can still be recovered if the customer reclaims benefit, or if the council obtains information about the customer's whereabouts that would allow recovery action to recommence.
37. We found that the data returns in respect of the value of write offs was the most incomplete across all four financial years. Despite a slight improvement from 2008/09 to 2010/11, the maximum data return rate of 56% means that nearly half of all Scottish councils did not provide the DWP with a full dataset, with four councils providing no write off data in 2008/09, and one council in 2010/11.

Exhibit 6: HBRF return rate - Overpayments written off

Year	Fully completed	Partially completed	No data	% Fully completed
2008/09	12	16	4	38%
2009/10	17	15	0	53%
2010/11	18	13	1	56%
2011/12	16	16	0	50%

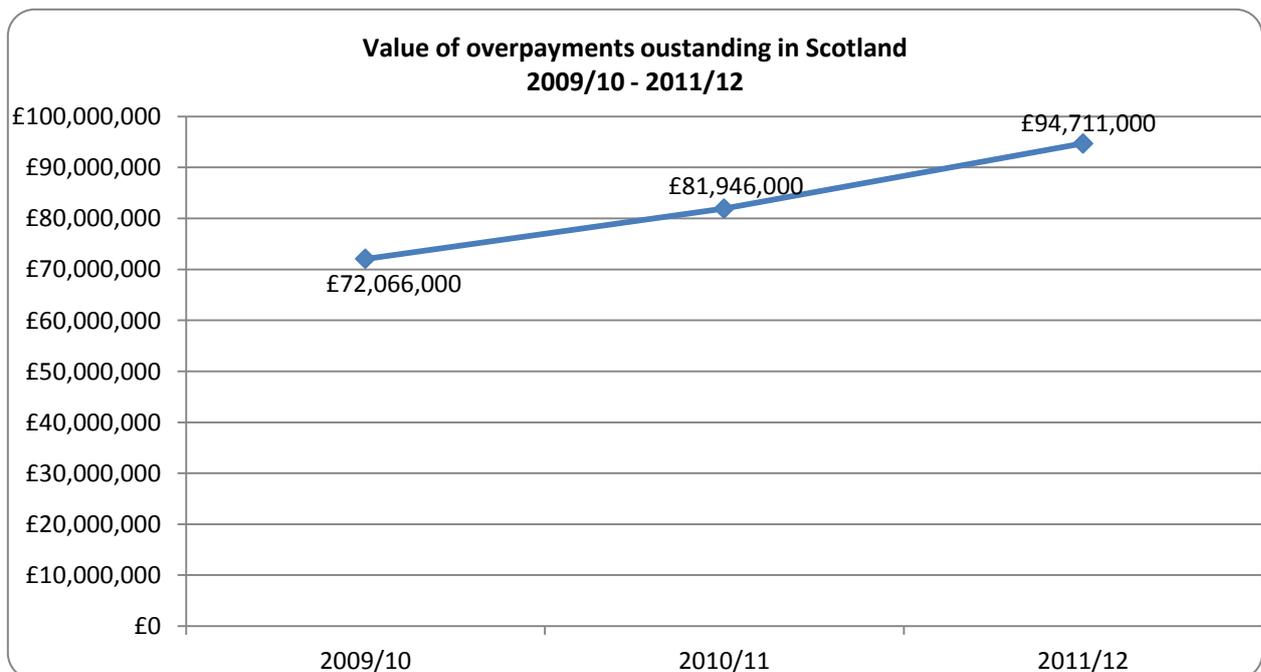
Source: DWP HBRF

38. While there have been improvements since 2008/09 in the number of councils who have submitted HBRF data, the missing data means that it is difficult to compare and contrast performance within and across Scotland as a whole. In view of the low returns in 2008/09, subsequent analysis will be based on data submitted in 2009/10, 2010/11, and 2011/12 as these years provide a more complete dataset.

Summary of overpayments

Value of overpayments outstanding (Scotland)

39. Exhibit 7 below details the value of overpayments outstanding from 2009/10 to 2011/12 in Scotland.



Source: DWP HBRF

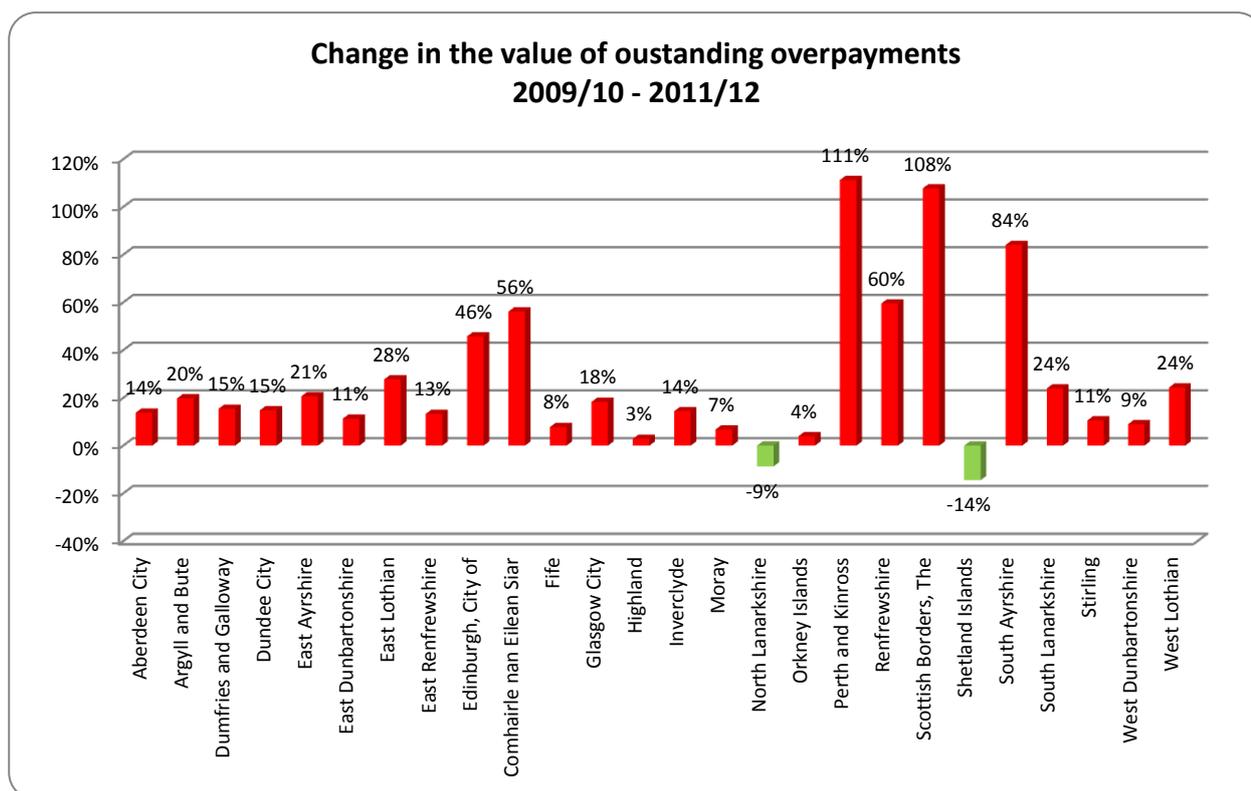
40. The total value of overpayments outstanding shows a significant increase from 2009/10 to 2011/12 of approximately £22m (31%) which could be attributed to a number of factors. For example:

- the economic downturn, which led to an increase in the number of customers claiming benefit for the first time
- existing customers finding themselves in difficult financial circumstances
- a failure by councils to rigorously pursue the recovery of benefits overpayments
- a 38% reduction in the value of overpayments written off during the same period.

41. However, although this increase is greater than the increase in Wales (25%) during the same period, it is less than the reported increase in England (38%).

Value of overpayments outstanding (Councils)

42. Exhibit 8 below details the percentage change in the value of overpayments outstanding in the 26 councils who had reported sufficient data to allow a comparison to be carried out.



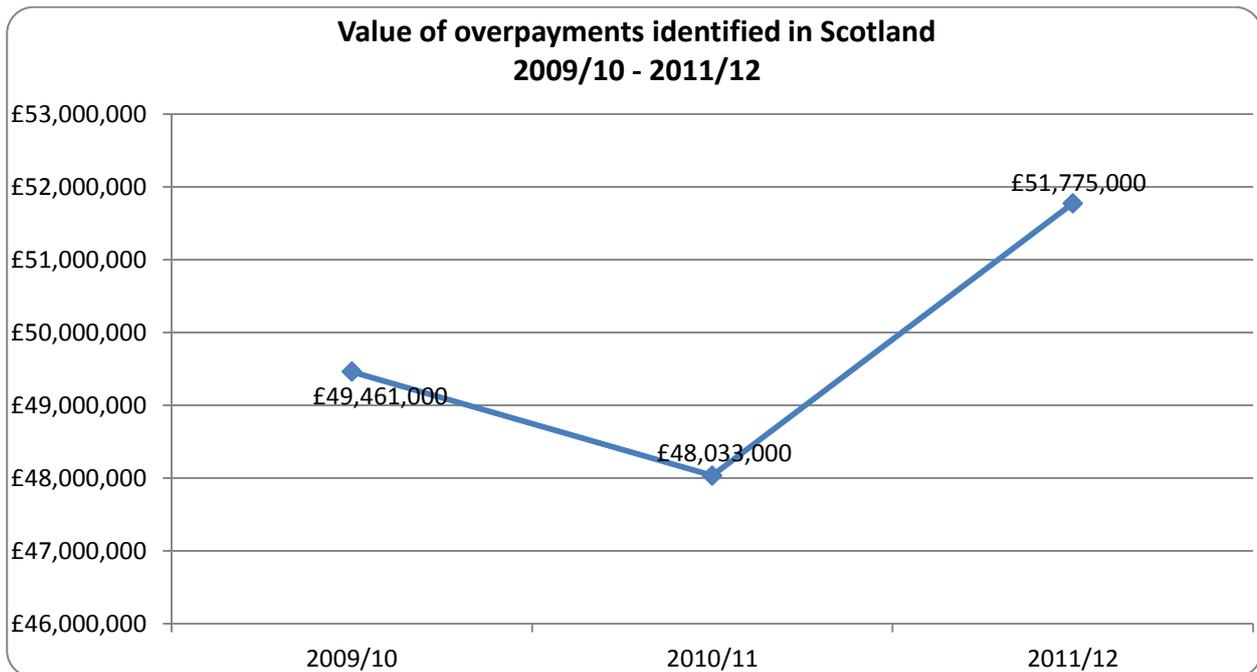
Source: DWP HBRF

43. It is clear that the majority of councils have seen an increase in the value of debt outstanding with 24 of the 26 councils (92%) reporting an increase in the range of 3% to 111%. Only Shetland Council and North Lanarkshire Council reported a reduction in the value of overpayments outstanding of 14% and 9% respectively.

44. Further analysis would be required to fully establish the reasons for the significant increase in the value of debt outstanding at Scottish Borders, Perth and Kinross and South Ayrshire councils. However, we are aware that the Scottish Borders council had experienced problems with the extraction of accurate overpayments data from its benefits system which might account in part for the apparent anomaly. This issue was resolved in November 2011.

Value of overpayments identified (Scotland)

45. Exhibit 9 below details the value of overpayments identified in Scotland.

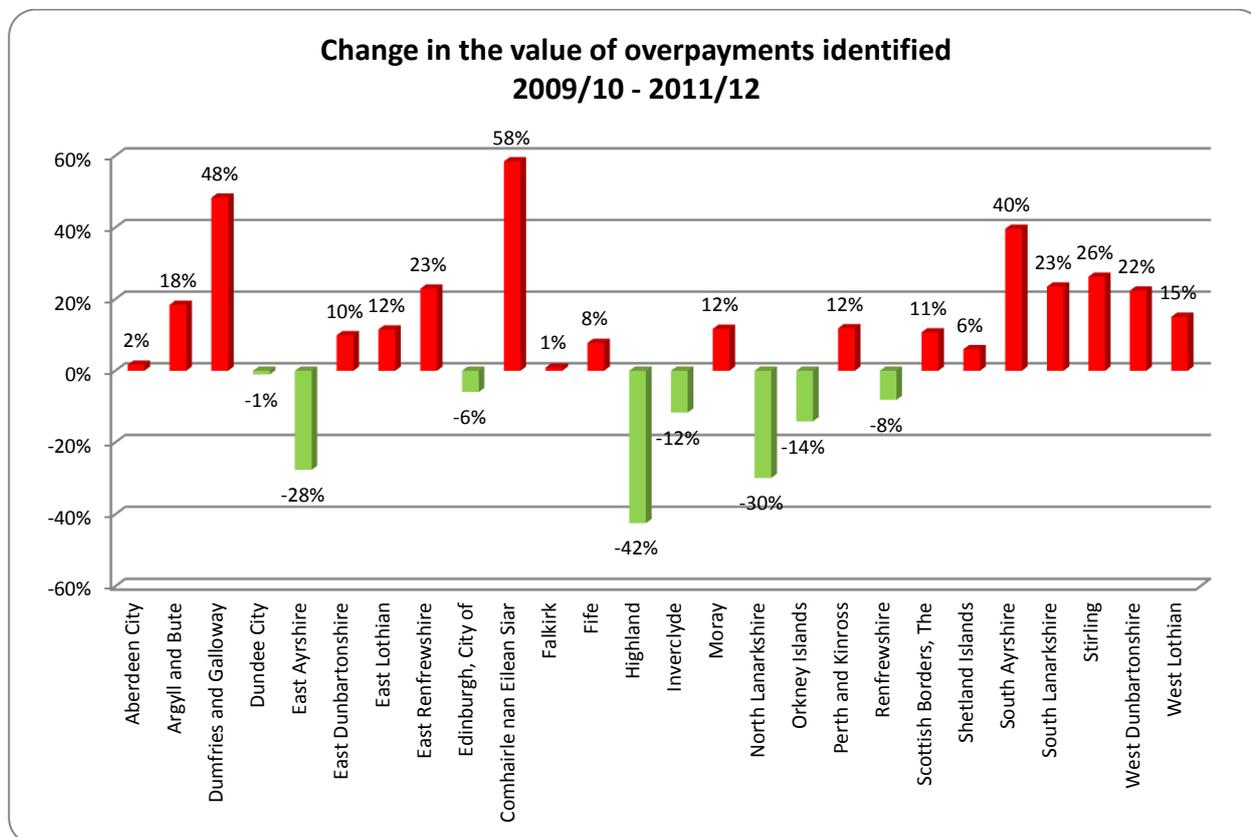


Source: DWP HBRF

46. The value of overpayments identified across Scotland has remained relatively static during the period at between £49m and £52m. However, no firm conclusions can be drawn from this data as it is based on an incomplete dataset.

Value of overpayments identified (Councils)

47. Exhibit 10 below details the percentage change in the value of overpayments identified between 2009/10 and 2011/12 in respect of the 26 councils that provided sufficient data.



Source: DWP HBRF

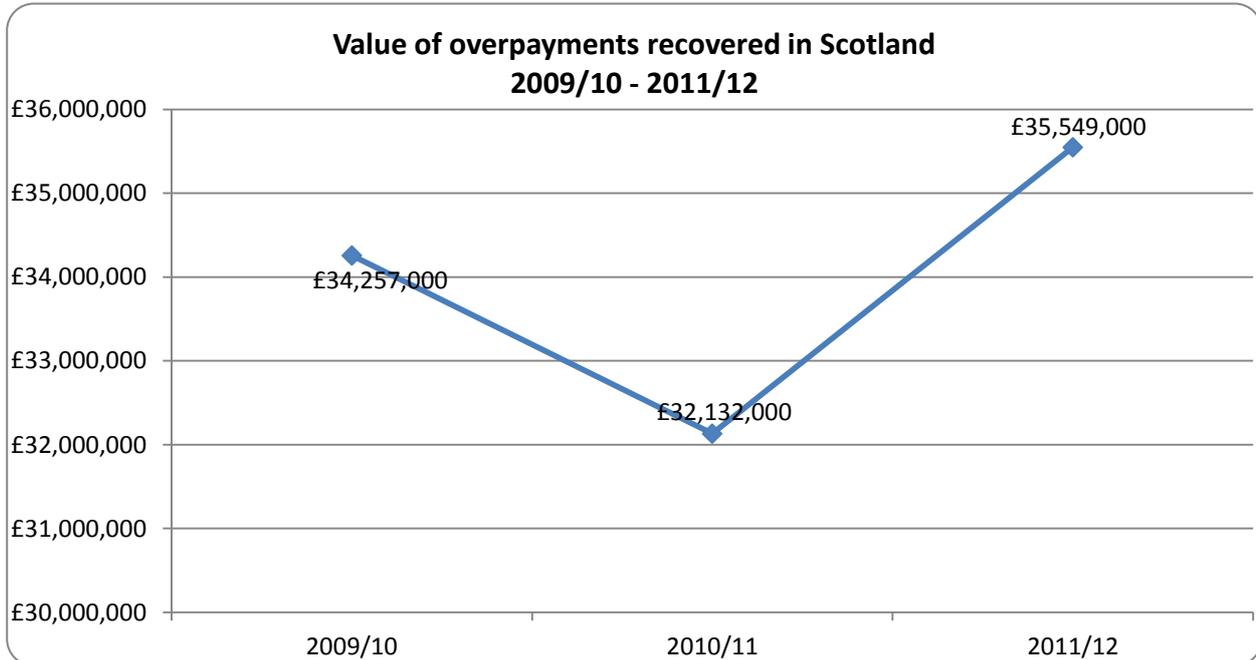
48. Eight councils saw a decrease in the value of overpayments identified during the period, with North Lanarkshire Council and The Highland Council reporting the largest decreases of 30% and 42% respectively. In contrast, Comhairle Nan Eilean Siar (Western Isles) reported the largest increase at 58%.

49. There could be a number of reasons for a change to the value of overpayments identified. For example:

- a decline in the accuracy of claims processing
- an increase in the number of claimants failing to report change of circumstances
- the level of risk based intervention activity being undertaken
- the number of fraudulent claims identified.

Value of overpayments recovered (Scotland)

50. Exhibit 11 below details the value of overpayments recovered in Scotland.

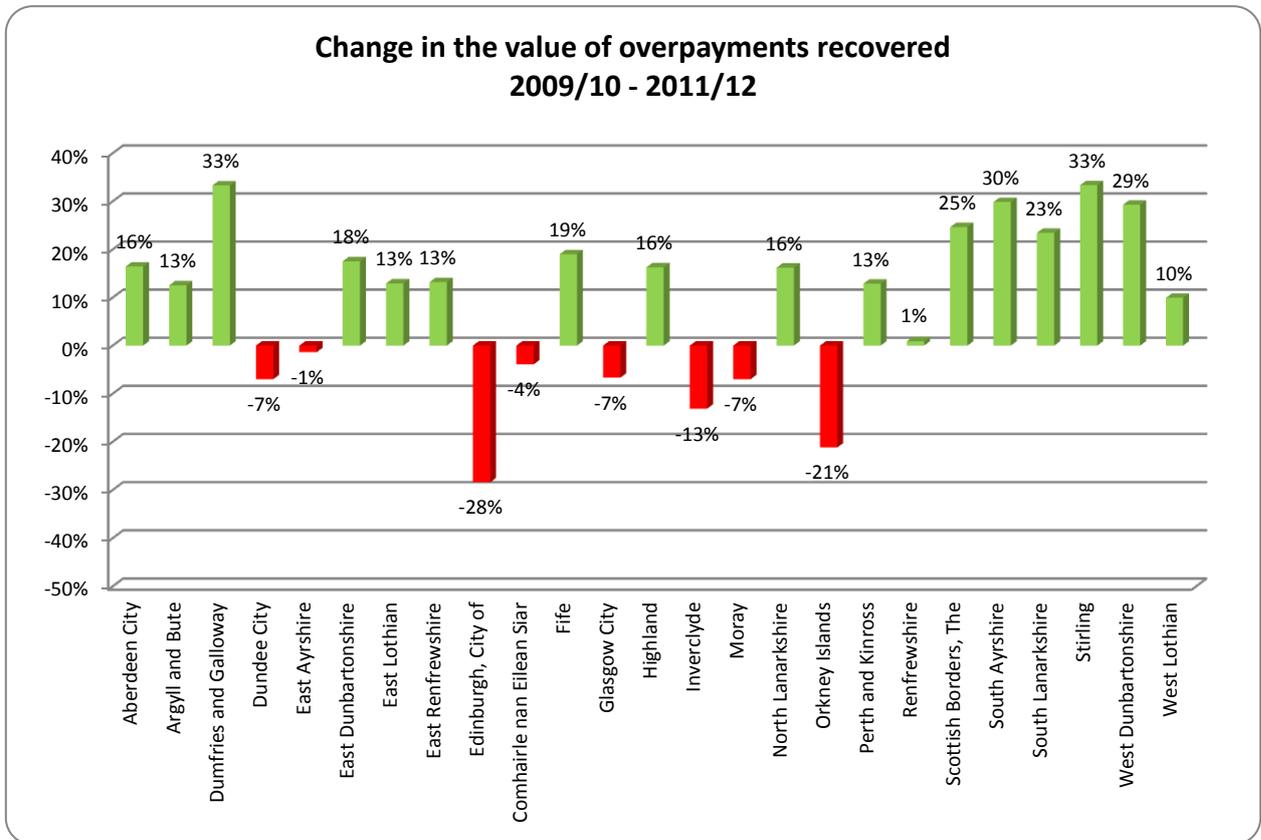


Source: DWP HBRF

51. The figure above shows that the value of overpayments recovered between 2009/10 and 2011/12 has remained relatively static between £32m and £35m. The increase in the level of debt recovered in 2011/12 could relate to the reported increase of £3.7m in the value of overpayments identified during the period.
52. The decline in recovery levels in 2010/11 may have been due to a number of factors, including reduced recovery activity being undertaken in councils, or a failure to properly utilise all available debt recovery methods.

Value of overpayments recovered (Councils)

53. Exhibit 12 below details the value of overpayments recovered in Scotland for the 25 councils that provided sufficient data.

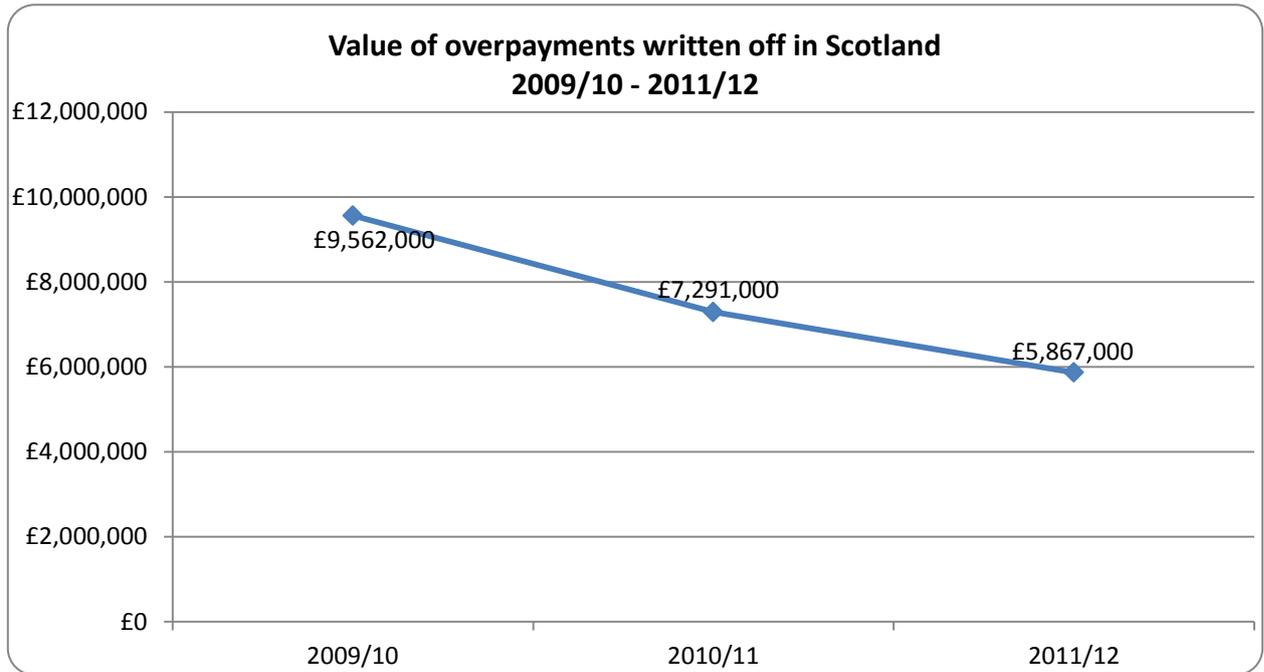


Source: DWP HBRF

54. The figure above shows that 17 of the 25 councils (68%) recovered more overpayments in 2011/12 than in 2009/10 within the range of 1% to 33%. The remaining eight councils recovered less overpayments in the range of 1% to 28%.
55. Of the councils that recovered more overpayments in 2011/12, Dumfries and Galloway, Stirling and South Ayrshire performed best by recovering 33%, 33% and 30% more overpayments respectively. In contrast, Edinburgh City Council recovered 28% less overpayments in 2011/12 than it had achieved in 2009/10.

Value of debt written off (Scotland)

56. There are no set requirements for councils to write off debt at predetermined times or after certain recovery actions have been taken. It is for individual councils to agree their policies for writing off debt. It is therefore difficult to make accurate, meaningful comparisons between councils. We have assumed that councils reporting data have adhered to the same write-off policies between 2009/10 and 2011/12.
57. Exhibit 13 below details the value of overpayments written off in Scotland.

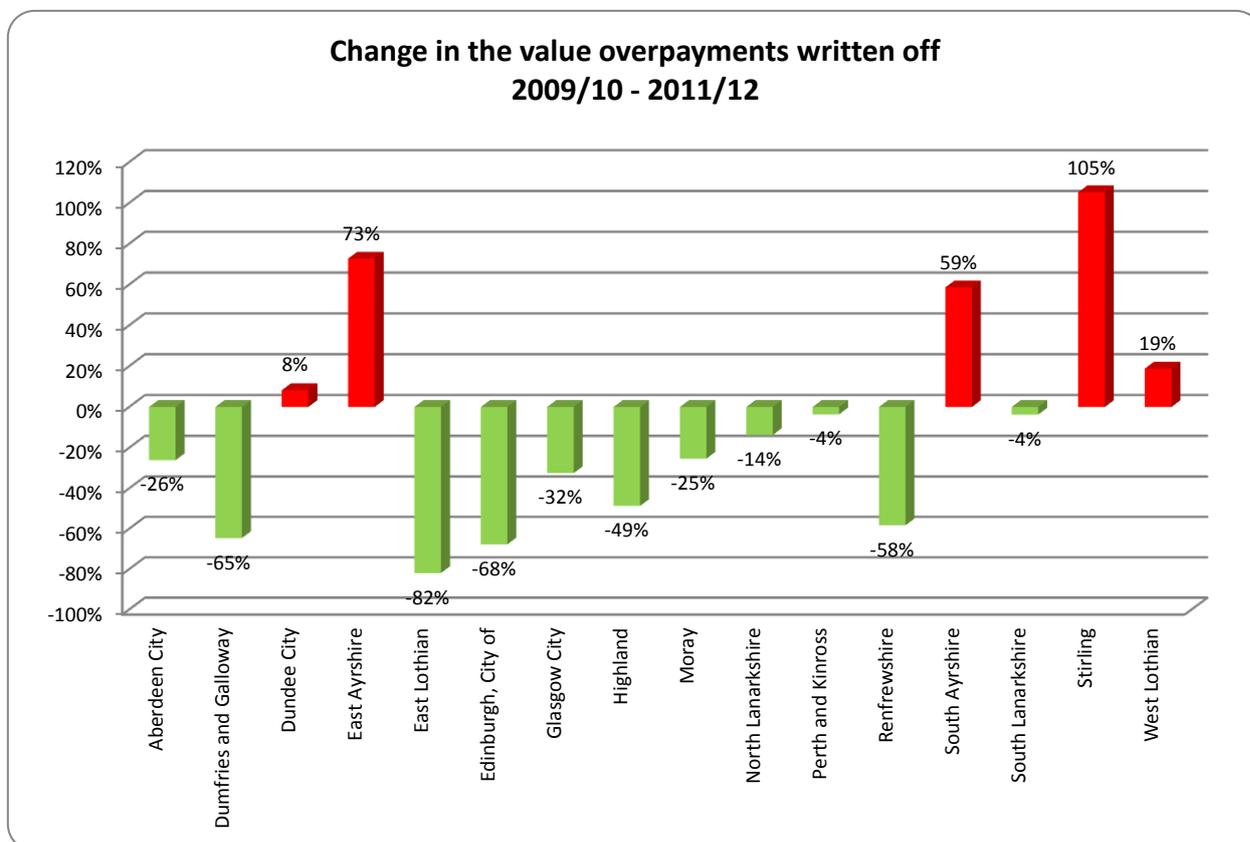


Source: DWP HBRF

58. The total value of write offs shows a downwards trend from 2009/10 to 2011/12. This decrease represents a reduction of approximately 38% in the value of debt written off. This may account in part for the 31% increase in the total overpayments outstanding over the same period.

Value of debt written off (Councils)

59. Exhibit 14 below details the value of overpayments written off in Scotland for the 16 councils that provided data. Any council that reported no write off data in any one quarter was excluded.



Source: DWP HBRF

60. While five councils (31%) have increased the level of write offs from 2009/10 to 2011/12, the remaining 11 councils in our sample data have shown a decrease in the range of 4% to 82%. Most notably, Stirling Council reported an increase in the value of overpayments written off from £19,000 to £39,000, while East Lothian Council reported a decrease of 82% from £271,000 to £49,000 during the same period.

Overpayments performance

In-year recovery performance (Scotland)

61. Exhibit 15 below details recovery performance with the number in brackets relating to the number of councils providing sufficient data to include in the analysis.

Exhibit 15: In-year recovery performance (Scotland)			
Year	Overpayments Identified	Overpayments Recovered	% of debt recovered in-year
2009/10 (27)	£45,567,000	£32,332,000	71%
2010/11 (28)	£45,291,000	£31,283,000	69%
2011/12 (27)	£47,893,000	£33,288,000	70%

Source: DWP HBRF

62. In 2009/10, the number of councils with completed data was 27. During the year these councils identified £45.6m of overpayments and recovered £32.3m, which represents an in-year recovery rate of 71%. On average each council identified and recovered approximately £1.69m and £1.2m respectively.
63. The average overpayments identified and recovered for English councils was £1.65m and £1.1m representing a recovery rate of 44%, and for Wales the average value of overpayments identified was £0.96m with £0.72m recovered which is a recovery rate of 75%. Again there were gaps in the data for English and Welsh councils.
64. In 2010/11, the number of councils with completed data was 28. During the year these councils identified £45.3m of overpayments and recovered £31.3m which represents an in-year recovery rate of 69%. On average each council identified and recovered approximately £1.62m and £1.12m respectively. In 2010/11 there was a decline in in-year recovery performance from £32.3m to £31.3m, representing a decrease of 3.1%.
65. The average overpayments identified and recovered for English councils was £1.78m and £1.15m representing a recovery rate of 65%, and for Wales the average value of overpayments identified was £1m with £0.71m recovered which is a recovery rate of 71%. Again there were gaps in the data for English and Welsh councils.
66. In 2011/12, the number of councils with completed data was 27. During the year these councils identified £47.9m of overpayments and recovered £33.3m which represents an in-year recovery rate of 70% and represents a slight increase in performance from 2010/11. On average each council identified and recovered approximately £1.77m and £1.23m respectively.

67. The average overpayments identified and recovered for English councils was £2m and £1.3m representing a recovery rate of 65%, and for Wales the average value of overpayments identified was £1.13m with £0.8m recovered which is a recovery rate of 71%. Again there were gaps in the data for English and Welsh councils.

In-year recovery performance (Councils)

68. Exhibit 16 details each council's performance in recovering overpayments during the year. As overpayments recovered in one year could relate to overpayments that were raised in previous years, councils can report that they have recovered more than 100% of the overpayments identified during the year.
69. Six councils had insufficient data to establish performance from 2010/11 to 2011/12. Of the remaining 27 councils, 15 (56%) reported an improved performance in 2011/12 with the remaining 11 councils reporting a decrease in recovery performance.

Exhibit 16: In-year recovery performance				
Council	2009/10	2010/11	2011/12	Change 10/11 to 11/12
Aberdeen City	62%	69%	70%	↑
Aberdeenshire	N/A	N/A	N/A	N/A
Angus	N/A	70%	84%	↑
Argyll and Bute	77%	70%	73%	↑
Clackmannanshire	N/A	N/A	N/A	N/A
Dumfries and Galloway	97%	122%	88%	↓
Dundee City	79%	70%	74%	↑
East Ayrshire	106%	118%	144%	↑
East Dunbartonshire	59%	61%	63%	↑
East Lothian	51%	37%	51%	↑
East Renfrewshire	45%	61%	42%	↓
Edinburgh, City of	71%	50%	54%	↑
Comhairle nan Eilean Siar	101%	73%	61%	↓
Falkirk	N/A	N/A	N/A	N/A
Fife	62%	56%	68%	↑

Exhibit 16: In-year recovery performance				
Glasgow City	84%	74%	66%	
Highland	38%	73%	76%	
Inverclyde	69%	82%	68%	
Midlothian	56%	66%	N/A	N/A
Moray	93%	102%	77%	
North Ayrshire	N/A	84%	85%	
North Lanarkshire	76%	90%	126%	
Orkney Islands	100%	86%	92%	
Perth and Kinross	71%	83%	72%	
Renfrewshire	66%	78%	73%	
Scottish Borders, The	51%	58%	57%	
Shetland Islands	177%	85%	N/A	N/A
South Ayrshire	75%	N/A	70%	N/A
South Lanarkshire	52%	55%	52%	
Stirling	77%	71%	81%	
West Dunbartonshire	66%	58%	70%	
West Lothian	62%	55%	59%	

Source: DWP HBRF

Appendix A

Areas of concern

70. Our benefits performance audit work for year 2011/12 identified a number of areas of concern with regards to overpayment creation, recovery and write off. These are identified and summarised below:

- overpayments created, recovered and written off are not accurately recorded resulting in inaccurate performance reporting
- there is a lack of management information to enable officers to measure and compare the effectiveness of different options used to recover debt
- a lack of monitoring was evident with regards to fraud overpayments to ensure they are rigorously recovered and benefit fraud is deterred
- there is a lack of any routine analysis of overpayments raised and recovered to identify necessary changes or additions to processes, procedures or training that could minimise official error and improve recovery performance
- very limited or no analysis of claimant error overpayments to help minimise overpayments occurring, to better target intervention activity and to inform any education programme to remind customers of their responsibility to promptly report change events
- a lack of evidence of overpayments being checked for accuracy of classification and calculation
- targets not being set for the recovery of debt and the targets that are set in some councils are not challenging
- no service level agreement or targets in place for external debt management partners
- the council's external recovery agent not being used for the recovery of benefits overpayments
- a downturn in the time taken to process change of circumstances adversely impacting upon the level of overpayments created
- a decline in the recovery of debt in recent years
- a need to address the reasons for significant increases in the values of overpayments created in recent years.

Appendix B

Areas of good practice identified

71. A number of innovative initiatives and areas of good practice have been identified in benefits services across Scotland. A number of these have helped individual councils to improve performance and may be useful to other councils to help deliver improvements. The initiatives and areas of good practice identified include:

- the prioritisation of reported change of circumstances where it is likely there will be a reduction in benefit entitlement
- benefits payments being suspended when a customer notifies the council of a change of address
- pre-payment accuracy checks helping to minimise levels of overpayments created
- the regular checking of cases where recovery action has ceased
- debt policies in place which include the prioritisation of the recovery of fraudulent overpayments
- a benefits specific overpayment recovery policy setting out the council's approach to the management and recovery of benefits overpayments
- a dedicated debt recovery officer in place with responsibility for managing and monitoring the recovery of debt
- checks being carried out on overpayments created to identify lessons to be learned to deliver improvements
- using the aged debt analysis report to identify overpayments for specific recovery action
- phone-coaching training being used to make staff aware of effective techniques that can be used to maximise debt recovery
- a daily system report detailing all overpayments created the previous day is produced and each entry checked to ensure the correct classification and recovery method is used
- an interface in place between the council benefits system and the system used by a large registered social landlord which automatically stops benefits payments when a tenancy ends
- the use of a variety of recovery options including:
 - recovery by deductions from on-going benefit
 - offsetting against underlying entitlement
 - issuing a sundry debtor invoice where the customer is no longer on benefit
 - working with the DWP's Debt Management Unit to recover overpayments from on-going DWP benefits where appropriate
 - using the DWP's Customer Information System to trace customers who are no longer claiming benefit in the local area

- having a data sharing protocol with other councils
- the arrestment of wages
- using commercial debt recovery products
- using social media
- referring debt to the council's external debt recovery partner.