

<b>Report title</b>	<b>Financial Inclusion and Housing Benefit Overpayment Recovery</b>
<b>Report author</b>	Linda Norman
<b>Department</b>	Housing Benefits
<b>Exempt?</b>	No

**Purpose of report:**

To resolve

**Synopsis of report:**

To review how Housing Benefit debt can be recovered in a more targeted and efficient way, taking a collaborative approach to debt recovery and financial inclusion.

To approve a 12-month pilot for a dedicated resource to undertake detailed analysis of the outstanding Housing Benefit Overpayment debt and collate any other debts owed to the Council to facilitate a corporate approach to multiple debt recovery.

To approve the procurement and implementation of specialist software to access credit reference agency data. This data will provide information on a resident's propensity to pay and how the Council can then best recover monies owed whilst having regard to the individual's personal financial circumstances.

**Recommendation(s):**

To approve a supplementary estimate of approximately £50,000, to employ a dedicated resource to undertake a more corporate approach to debt recovery whilst having regard to a person's propensity to pay, to be funded from the Service Transformation reserve

Committee approve the business case for Welfare Support and Corporate Debt Software and to release the £20,000 provision set aside in the capital programme to procure the specialist software systems to access third party financial information to maximise collection of monies owed to the Council, to be funded from the Service Transformation reserve.

**1. Context and background of report**

- 1.1 Housing Benefit overpayments are often created when there is a change in the customers circumstances that is reported late. As non-beneficial changes in entitlement generally take effect from the Monday after the change, this is how many overpayments arise. However, there are also overpayments that are caused by deliberate fraud or wilful neglect in reporting changes that would have led to a lower

entitlement which create large overpayments for individuals who then struggle to repay the amounts.

- 1.2 In 2009 Housing Benefit Overpayment recovery was transferred to Finance where one part time Overpayment Recovery Officer and the Exchequer Services Manager dealt with all overpayment recovery through the Finance system issuing Sundry Debtor invoices.
- 1.3 Following a staffing review in Financial Services, it was agreed that the recovery of Housing Benefit overpayments would return to the Housing Benefit Team. It was anticipated that the recent system improvements within NEC including the facility to set up Direct Debits, deduct from ongoing benefit, create payment arrangements, an integrated overpayment module and better management reports, would mean the Housing Benefit Team were better placed to manage this debt.
- 1.4 In September 2022, £1.3m of Housing Benefit overpayments were transferred back to the Housing Benefits team to undertake this work.
- 1.5 Whilst some initial analysis of the debt was undertaken to try to understand which debts were still recoverable, which were on payment arrangements, which were being managed within Total Finance and which were in NEC, the level of debt still remained very high with £1.1m outstanding due to the lack of a dedicated resource to manage the debt.
- 1.6 In February 2023, the DWP undertook a health-check of the Council's overpayment debt to assist the Council with its approach to debt recovery.
- 1.7 The report identified that there were inaccuracies between the NEC system and Total Finance with many cases being shown as paid in Finance but outstanding in NEC. Severe delays in the recovery process were identified due to the separation of debt being moved out of NEC into Total Finance. The average time from the initiation of the debt to recovery was 93 days which is far too long from a debt recovery perspective.
- 1.8 Payment arrangements of £5 and £10 were accepted irrespective of the level of debt outstanding with some having decades to run before they were paid in full. These amounts are way below the statutory deductions set by the DWP for attachments to benefits and whilst it is appreciated that some of these arrangements were set up to support those customers on low incomes, it is unreasonable to have such payment arrangements in force where the customer will never be clear of the debt.
- 1.9 The DWP calculated that the Council's current collection rate for 21/22 year was 21.8% which is comparable across other Surrey authorities. However, as councils receive 40% subsidy on overpayment debt, any payments above 60% is considered additional revenue to the Council and should be recovered in an efficient manner whilst still having regard to the customer's ability to pay.
- 1.10 Currently there are not the resources within the Benefit Team to effectively analysis and target this debt and with every year that passes, the Council is collecting less monies than have been raised. Each year, the debt is growing as Benefit is often paid in advance and with the cost-of-living crisis and various government grants for the team to deliver, this area of work although important, is not a top priority.

## **2. Report and, where applicable, options considered and recommended**

- 2.1 With the cost-of living crisis, many Local Authorities are finding that they are chasing the same customers for multiple debts who are often in financial difficulty and unable to effectively manage their finances. Staff resources are not being targeted effectively with different staff often dealing with the same customer and payment arrangements are defaulted on as the customer is overwhelmed and unable to meet their obligations.
- 2.2 Many households will face financial hardship, and this will result in loss of income to the Council as customers prioritize food and heating overpaying for Council services. Non-payment of statutory areas such as Council Tax and Rents may result in enforcement action with increased costs, potential evictions or imprisonment. Customers may choose to cancel services such as care alarms and meals at home to try to meet their obligations which could put vulnerable residents further at risk. Non-payment will also affect the Council's income and ability to provide services and it is important to have efficient and effective recovery mechanisms in place to maintain the Council's cash flow.
- 2.3 Debt advice charities are often overwhelmed with the number of people requiring their services with many charities having waiting lists for financial support advice. With a lack of financial advice and support readily available, many residents feel unable to manage their finances and are unable to break the cycle of debt.
- 2.4 There is now vast amounts of data available to the public sector to enable authorities to make informed decisions on a customer's ability to pay and allow councils to work with customers to break the cycle of debt, ensuring they are receiving all benefits and financial support they are entitled to and effectively recovering monies that is owed to the Council. By procuring a software system that is able to give a single view of debt and the debtors' credit score will enable the Council to make a more informed decision about how to recover monies owed.
- 2.5 The use of Ascendant Solutions with robotic process automation (RPA) has a proven track record of bringing efficiencies to Revenues and Benefits services in identifying and supporting vulnerable families through third-party data enhancement. One of their modules is currently being used to administer the much-needed Household Support Fund. Their 'Pathway' solution can provide a clear picture of our residents' financial situations. Ascendent have partnered with Vulnerability Registration Service (VRS) which further enhances their data, not just providing financial data, but also incorporates the VRS data of the customers that have registered themselves as vulnerable.
- 2.6 Local Authorities that are using the Pathway solution have implemented tailored solutions for those in financial hardship. As such, they have seen increased engagement including earlier engagement with their customers. As part of the software solution, standard template letters are available for use.
- 2.7 For those who are unable to pay, the Council can work with these families and other partners to look at solutions for reducing the liability whilst targeting those that can pay in an effective manner. Currently service areas are working independently chasing smaller and smaller disposable incomes and not looking at the implications across the Council on whether non-payment in other areas will result in more costly recovery.
- 2.8 With a more corporate debt approach to collection which is intelligent led through software systems that access relevant data to identify a person's propensity to pay, staff resources can be targeted affectively to recover monies owed to the Council and support residents during this economic crisis. Currently debt recovery across the Council is department led with each service area focusing on their own collection rates

without consideration of the impact service specific payment arrangements may have on the customer or the organization corporately. Legislation relating to recovery varies widely across categories of debt with eviction or imprisonment being the ultimate penalty for non-payment.

- 2.9 It is quite common for customers to have multiple debts particularly those on low incomes or who are more vulnerable and unable to manage their finances effectively. There is often a strong correlation between customers who are in receipt of Housing Benefit and Council Tax. Quite often, if there is an overpayment in Benefits, there will be arrears for Council Tax and if the customer is also a Council Tenant, there may be rent arrears as well.
- 2.10 By employing a corporate resource to look at all Council debts, working collaboratively with colleagues, using local intelligence and specialist software systems, ensuring all available benefits, discretionary payments and budgeting have been explored to maximize the disposable income of the customer, this will provide a more individual and compassionate approach to debt recovery which will enable the Council to effectively recover monies owed whilst supporting vulnerable customers in a time of most need.
- 2.11 In addition to the implementing the Pathway solution, it is proposed to employ an additional member of staff on an initial 12-month fixed contract at Scale 10 (£50,000 including on-costs) to undertake a data cleansing exercise of the Housing Benefit overpayments, collating other debts owed across the Council to pro-actively recover much needed revenue to the authority.
- 2.12 It is anticipated that approximately £450k of revenue could be recovered in a 12-month period which would be returned over a number of years. This role would be expected to visit vulnerable customers in their homes to provide a safe environment where they are able to discuss in depth their individual circumstances.
- 2.13 At the end of the 12-month period, a post-pilot review would be undertaken to assess the impact of the pilot on collection rates, whether any unexpected benefits such as reduction in administration and recovery costs have been delivered and whether a corporate debt approach should be made permanent and what the associated ongoing revenue costs would be against the potential increase in income achieved.

### **3. Policy framework implications**

- 3.1 This pilot underpins the Council's Corporate Theme of 'Health and Wellbeing'. The Council is committed to supporting vulnerable residents particularly through the current cost of living crisis. However, with the Council's current financial position and the need to look for savings, efficiencies and net revenue reductions of £5.2m by the end of 2025/26 financial year, it seems only right that the Council should consolidate its approach to debt recovery to ensure all monies owed are recovered in an efficient manner whilst having regard to individual financial circumstances.

### **4 Resource implications/Value for Money**

- 4.1 Having a specialist resource will enable customers to have a single point of contact and receive compassionate and professional advice to ensure that the Council's income is protected whilst ensuring payment plans are affordable and realistic.

- 4.2 Whilst this post will predominantly work on the 700 cases within Housing Benefits, the postholder will work collaboratively across the organisation to ensure any other debts are dealt with at the same time to avoid duplication.
- 4.2 With better financial data from third party organisations, we should be able to predict more accurately the collection rates and will be able to write off irrecoverable debts in a more efficient manner. Independent credit reports will enable the Council to decide best course of recovery and by working with customers on the whole debt will ensure scarce disposable income is allocated fairly across the organisation.
- 4.3 Potential to recover monies owed in a more organised and methodical without increased legal costs which the customer may be unable to afford.
- 4.4 Clear targets will be set as the Council can no longer afford to lose income through inefficient processes and poor payment arrangements. Collection rates for Housing Benefit Overpayments will be set at 45% to ensure the Council maximises this area of revenue.
- 4.5 The 2023/24 budget approved by full Council in February 2023 included a capital provision of £20,000 for Welfare support and corporate debt software (The Ascendant Pathway solution), along with a £2,000 ongoing revenue provision for ongoing licencing and maintenance costs, subject to a future committee report, including the submission of a full business case for member approval.
- 4.6 In order to ensure that the system is set up correctly and used to its greatest potential, the original business case has been amended to reflect and additional revenue growth of approx. £50,000 for the 12-month pilot that has been identified as ‘an invest to save’ initiative. This is to be funded from the Service Transformation Reserve approved by Councillors earlier in the year.
- 4.7 It is also now proposed to fund the Welfare support and corporate debt software from the Service Transformation Reserve rather than Capital Receipts as originally planned. This will help preserve our capital receipts and is more in keeping with the intentions of the new reserve.

## **5. Legal implications**

- 5.1 The Council is able to collect monies owed under various statutory instruments and regulations including:
- The Social Security Administration Act 1992 and the Housing Benefit Regulations 2006 set out the definition of an overpayment and how it may be recovered.
  - The Council Tax (Administration and Enforcement) Regulations 1992
  - The Traffic Management Act 2004
  - Part 3 of, and schedule 12 to, the Tribunals, Courts and Enforcement Act 2007 and the Taking Control of Goods Regulations 2013.
- 5.2 Section 112 Local Government Act 1972 allows a local authority to appoint such officers as they think necessary for the proper discharge by the authority of such of their or another authority’s functions as fall to be discharged by them and the carrying out of any obligations incurred by them in connection with an agreement made by them. An officer appointed under this power shall hold office on such reasonable terms and conditions, including conditions as to remuneration, as the authority appointing him think fit.

## **6. Equality implications**

6.1 Councillors need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty, as set out in Section 149 of the Equality Act 2010, as part of the decision-making process. The three aims the authority must have due regard for are:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic

6.2 The Council must pay due regard to any obvious risk of such discrimination arising from the decision before them. There is no prescribed manner in how the equality duty must be exercised though producing an EIA is the most usual method. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex or sexual orientation.

6.3 It is anticipated that this pilot will have a positive impact on those with protected characteristics as a dedicated resource will assist those individuals on a case-by-case basis. An EIAQ has been completed and approved by the Equalities Board.

## **7. Environmental/Sustainability/Biodiversity implications**

7.1 Reduced journeys for customers to the Council offices as staff will visit in homes and assist with applications for benefits and able to verify original documents at that time.

7.2 Potential to reduce issuing of recovery notices through better engagement and payment plans via online and Direct Debit channels.

## **8. Risk Implications**

8.1 There are some risks that have been identified with this pilot:

- Salary may not attract suitable calibre of candidate
- Anticipated collection target may be too high and not realise expected income
- Existing staff across different service areas may not have capacity to deal with cases in a more intensive and personal way
- Pilot may be successful but no further funding for future years

8.2 Some mitigation measures have been put in place to reduce these risks:

- Ensure advert and job description is clear, promoting benefits of role both from an employee and resident perspective. Grade is set at a more senior level to reflect complexity and individual responsibility to attract the right candidate
- Once data cleanse completed and unrecoverable amounts written off, recalibrate collection target based on 50% income required and monitor monthly
- Introduce monthly corporate case management reviews which may be a more effective use of other service staffs' time. Case conferences will share local intelligence together with objective credit reports will ensure resources are targeted effectively with uncollectable debt written off
- Close monthly monitoring of collection rates will soon establish whether the project is a success and an extension can be considered in the following year's budget setting process

## **9. Other implications**

9.1 There are none.

## **10. Timetable for Implementation**

10.1 Direct award of The Ascendent ' Pathway' Software to be undertaken and software Implementation and training undertaken from January 2024 to March 2024.

10.2 Job description, advert and recruitment process to be undertaken from January 2024 to March 24.

10.3 Appointment of Financial Inclusion Officer from April 2024.

## **11. Conclusions**

11.1 The Council currently has a collection rate of 21.7% for Housing Benefit overpayments. The current level of Housing Benefit debt is just under £1m.

11.2 For any increase in the collection rate above 60%, this is considered as extra income from the Council and as such, should be considered as a priority for the Council given its current financial position.

11.3 There are no additional resources within the Housing Benefits Team to prioritise this work and with the current cost-of-living crisis, the team are fully committed to processing benefits and administering various government grants.

11.4 Debt recovery is currently service led with very little collaborative working resulting in duplication and low recovery rates.

11.5 By changing the Council's approach to debt recovery and having a more holistic and collaborative approach which is data driven can lead to more positive outcomes for both the resident and the Council.

11.6 By employing a dedicated resource who can work with residents on an individual basis, ensuring they have claimed all the financial support they are entitled to help increase their disposable income and will enable the resident to break the cycle of debt. By consolidating the monies owed and creating achievable payment plans will ensure all service areas receive something every month without putting undue pressure and hardship on the individual.

11.7 By using financial data to assess an individual's propensity pay will inform the Council on the right approach to debt recovery. It is anticipated that residents will fall into three categories:

- Green: Can pay but have been evasive
- Amber: Have some financial difficulties and need support or signposting
- Red: Those who are in severe financial difficulties and may also be vulnerable

## **12. Background papers**

- There are none

## **13. Appendices**

- Appendix 1 – EIAQ
- Appendix 2 – Business case for Welfare Support and Corporate Debt
- Appendix 3 – Business case for HBO Debt Recovery resource