

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE - 31 MAY 2005

BENEFITS OVERPAYMENTS

Report by Executive Head of Finance

1 PURPOSE OF REPORT

- 1.1** To advise Members of work done on overpayments of Housing and Council Tax Benefits overpayments which arose prior to December 2002.

2 BACKGROUND

- 2.1** Overpayments of Housing and Council Tax Benefits arise when a claimant receives a credit or payment of benefit to which they were not entitled. In most cases this is due to the claimant failing to immediately advise the Council of a change in circumstances. Changes in circumstances which affect the level of benefit include births, deaths, marriages, redundancy, retirement, new employment, change in wages and so on. It is clear therefore that in very many cases there will be an inevitable time delay between the event and the claimant notifying the Benefits Section.
- 2.2** It is also the case that those who are entitled to receive Benefits are the poorest financially and their ability to repay an overpayment may therefore be limited. Figures for Scotland indicate that around 45% of overpayments are recovered each year. The Benefits regulations recognise the difficulty by allowing Councils discretion over whether or not to pursue recovery and also give councils grant funding of up to 40% on overpaid amounts.
- 2.3** As with any debt, recovery is most successful where early notification and follow-up are possible and arrangements have been in place within the Benefits Section for some time to ensure that this is the case.

3 OVERPAYMENTS PROJECT

- 3.1** Members will recall the extensive work done to resolve capacity and systems difficulties within the Benefits Section prior to 2000. A Member/Officer Working Group in March 2000 made a number of recommendations including the need for a new integrated modern computer system and a dedicated Fraud and Overpayments Team.
- 3.2** The computer system used to calculate Benefits prior to December 2002 was out of date and not efficient in terms of highlighting or tracking overpayments. On transferring records to the new system it became clear that a number of overpayments existed where no indication of whether notification or recovery action had been taken or where no payments appeared to have been credited to outstanding balances.

3.3 Assistance was sought by the Benefits Service Manager in 2003 from Internal Audit to extract data from both the old and new systems in order to obtain a definitive list of all overpayments which appeared to be outstanding. The list contained 9,824 cases, some of which happened as far back as 1996/97, with a total value of £2.042m. These then required to be checked with systems and paper files to determine whether recovery action was possible. This is a very time consuming process and to date 26% of the records have been checked representing 54% of the monetary value. The majority of the remaining cases relate to records prior to 2000. This project has required overpayments staff to divide their time between current work and this exercise.

3.4 The table below shows the results for the examined cases in monetary terms;

Category	£m
Recovered	0.180
Action Initiated	0.567
Irrecoverable	0.348
Total Value of Examined Cases	1.095
Unexamined Cases	0.947
Total	2.042

3.5 At this stage it seems likely that the effort that would be required to examine the older cases, some going back to 1996/97, is unlikely to represent value for money given that resources would continue to be diverted from following up current overpayments reducing the recoverability of these new debts. The recoverability of any amounts which could now be validated is also likely to be doubtful in many cases. In addition it is possible that some of the amounts may have been recovered but not flagged as such. It is proposed, therefore, that the unexamined cases be deemed Irrecoverable. Whilst these figures appear large, annual Benefits payments are currently £40m and given that these sums cover a seven year period the percentage involved could be calculated at 0.4%. It is also the case that a proportion will have been recovered through the DWP grant funding arrangements.

4 FINANCIAL IMPLICATIONS

4.1 Given the inherent difficulties in pursuing benefits overpayments a prudent view is always taken in the accounts with sums only being recognised once actually recovered and therefore full provision has previously been made. Writing off the irrecoverable amounts in the benefits system therefore represents good accounting practice but is

essentially a housekeeping entry which will have no effect on the financial position of the Council.

5 RECOMMENDATIONS

It is recommended that Members;

- (i) Agree that no further work should be undertaken with regard to Benefits overpayments which arose prior to December 2002 and which are deemed to be irrecoverable;
- (ii) Agree that appropriate book entries should be made in this regard; and
- (iii) Otherwise note the contents of this report.

LIST OF BACKGROUND PAPERS NIL

Members wishing further information should contact Alex McPhee, Executive Head of Finance, Telephone (01563) 576300.

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