



## Audit and Assurance Committee

Date of Meeting	14 May 2024
Subject	Recoveries and Recharge Annual Report: 2023-24
Agenda No.	
Paper No.	
Prepared By	REDACTED
Purpose	Monitor

## Background

- 1.1 The attached report details debt recovery and recharge activities undertaken by Social Security Scotland in 2023-24.

## Key Points

- 2.1 Key highlights are provided in Part 1 of the report, with additional detail provided in Annex A.

## Conclusion/ Recommendation

- 3.1 The Committee is asked to review and comment on progress made during 2023-24.

## Part 1: Recoveries and Recharge Performance

During 2023-24 we saw a significant increase in referral volumes due to increased claim maintenance activity in maturing benefit caseloads, some housekeeping activity in Low Income Benefits and increased clearance in Error Interventions Teams. Some key points that we would like to highlight to Committee are shown below, with further detail provided within Annex A.

- Actioned overpayment referrals for benefits **increased by 32% in volume** to 4,453 and **increased in value by 106%** to £1,245,731.
- **Recoverable overpayment referrals** for benefits accounted for 2,264 cases at £925,821 which is **70% of value and 51% in volume of total referrals**.
- **Referral volumes for potential recharge of Funeral Support Payment decreased by 45%**, with the closing balance of potential recharge being £84,889, a 32% decrease on 2022-23.
- **Successful recharges to Estates for Funeral Support Payments equated to 1.42% of total corresponding benefit expenditure**, a decrease of £53,858 (22%) by value in comparison with 2022-23.
- **Inbound payment receipts of £476,450 were received by the team**. Of this, £290,364 was recovered for benefit overpayments and £189,086 for recharge from estates.
- **There were 4,567 referrals actioned for Best Start Foods overpayments, with a total value of £278,809** This represents a decrease of 26% in volume and **28% in value**. These amounts were written off due to the lack of legislative basis for recovery.

## **Part 2: Building Capability and Capacity**

### **Technology and Systems**

There has been extensive development work undertaken throughout the reporting year on both the SPM case management system and the Debt Management System, to provide a suite of system generated management information reports, to better support us in managing our increasing caseload. The majority of these reports are now ready for deployment or are being tested with the remainder scheduled to be developed in the first half of 2023-24. This will improve our performance management and also reduce resource required to manually gather and analyse data.

A critical activity undertaken this year has been the development of Automated Bank Reconciliation which will remove the clerical reconciliation of inbound payments received into the team bank account from the telephony payment system. These are currently individually identified and manually recorded onto the SPM benefit system. The automation will reduce the risks associated with manual processing, make significant resource savings and provide scalability as caseload grows. This functionality was included in the April 2024 release but a bug fix is required before it can be used.

REDACTED

### **Recruitment and Training**

We have lost a lot of our colleagues due to promotion – experiencing an attrition rate of 45%. We recruited 10 additional Recoveries Officers and a further 9 are being recruited in order to bring our headcount up to target. Following successful progression of 75% of our Assistant Team Managers, recruitment is ongoing to secure replacements. The development of documented processes for Managers in the Recoveries Team has been highlighted to Programme as a priority to help support new colleagues and ensure workload and performance is managed effectively.

OFFICIAL SENSITIVE

A Recoveries Officer learning routeway was developed in 2023-24 by a dedicated Learning and Leadership Officer. Further modules will be developed as new processes and functionality are implemented. Discussions have now commenced with Learning colleagues around converting facilitator-lead modules to e-learning, given the attrition rate we experience within the team and challenge of securing facilitator resource for small class sizes. This would also reduce the demand for operational Recoveries resources to be diverted to provide desk training for new colleagues.

The team collaborated with Programme and Content design to undertake a full review and update of all guidance and processes, identifying and filling any gaps. This has progressed well with a large number of formal guidance products now available providing increased consistency and accuracy within the team, while facilitating the design and deployment of the new learning routeway offering for Recoveries Officers.

## **Client Feedback**

Another significant activity undertaken throughout the year saw us collaborate with Analysis and Insights colleagues to design our Client Survey, deployed from March 2024. This will let us gather feedback on our client's experience of the recovery process from those who have fully repaid their overpayments. A small number of responses have been received and so far have been positive - when a sufficient volume has been received, full analysis will be undertaken to identify areas of good practice and opportunities for improvement.

## Annex A

### Recovery and Recharge Performance – Further Detail

#### Inbound Referrals

**4,453 referrals with a total monetary value of £1,245,731 were actioned for benefit overpayments, 32% increase in volume and 106% increase in value in comparison with 2022-23.**

This increase can be attributed to the delivery of more recurring benefits, Low Income Benefits clearing a backlog of outstanding overpayment payment correction cases, and an increase in the value of Scottish Child Payment awards.

By value, 75% was recoverable in comparison to 2022-23, when 50% was recoverable. 16% was written off due to Official Error in comparison to 33% in 2022-23. We write off overpayment caused by a delay in processing a routine change in circumstances which the client has reported. These write-offs had a total value of £84,054 (7%) in comparison to 32% in 2022-23.

The volume of recoverable overpayments written off due to being low value (below our small overpayment threshold of £65) has increased in comparison with 2022-23, when 7% total volume and 0.9% value (83/£2,750) were written off for this reason. In 2023-24, this was 31% by volume and 2.84% by value (706/£26,257) of all recoverable overpayments. This was expected, due to the increasing proportion of overpayments associated with Disability Benefits, and the increase in Scottish Child Payment award rates, meaning overpayment values very quickly breach the small overpayment limit.

We believe that changes in trends for treatment of overpayments in comparison to 2022-23 is largely due to better task management that has resulted in a lower percentage of overpayments being caused by administrative delays. This combined

with a greater percentage of recoverable overpayments arising due to client-induced error.

## Inbound Receipts

**£479,450 was received of which, 5,093 inbound payments valued at £290,364 were receipted against benefit overpayment debts. £189,086 was successfully recharged from Estates.**

We successfully engaged 1,114 clients, of which, 369 repaid their overpayment in full, while a further 745 agreed repayment plans. This represents an engagement rate of 49% by volume, in comparison with a rate of just 20% in 2022-23.

REDACTED

All clients are offered the opportunity to undertake an affordability assessment to determine their personal capacity to make payments toward their debts, or time to seek independent financial advice.

Voluntary deductions from ongoing benefit commenced as an available repayment method from August 2023. 59 clients agreed to repay via this method (this is 14% of new payment arrangements agreed during August 2023 and March 2024). £11,130 has been recovered via 307 instalments, representing 4% of receipts by value (10% by average monthly volume). This covers a pilot period for this method of recovery. Upskilling has now been undertaken across the Recoveries Team and the team will proactively seek to increase this percentage during 2024-25, both for new and existing agreements, given that user research reflects deduction from benefit as a preferred method of payment for clients, and the considerable efficiency savings available through increased use of this recovery method,

REDACTED

### **Recharge of Funeral Support Payment Awards to Estate of Deceased**

The team received 538 recharge referrals, a 45% decrease when compared to 2022-23. This is due to a change in the Funeral Support Payment processes where monies in the estate that are inaccessible at time of application are now taken into

account when making the initial award. This has reduced the number of referrals made to the team.

A total of 213 referrals were closed with no recharge viable due to insufficient liquidity in the estate, while 57 Funeral Support Payment recharges to estates were requested, representing a 73% decrease in the volume of recharges sought in comparison with 2022-23.

The receipts from recharge to estate during 2023-24 was £189,086 - this is a 78% decrease when compared with 2022-23, with the average payment decreasing from £1,151 in 2022-23 to £333 and the volume of payments decreasing by 169%.

The indicative total benefit expenditure for Funeral Support Payment was £13,283,000 - therefore 1.4% was recharged to estates. This compares with 2.75% in 2022-23.

### **Best Start Foods**

REDACTED

The introduction of the unapplied deduction functionality in November 23 is expected to reduce volumes of Best Start Foods overpayments being created in Client Service Delivery and Error Interventions Teams. However, given the head of work outstanding for Low Income Benefits Error Interventions, some impact of this improvement will not be realised until the second half of 2024-25.

### **Analysis of Small Overpayment (SMOP) levels**

A review was conducted of the current Social Security Scotland Small Overpayment (SMOP) threshold, at which an overpayment is considered economically viable to attempt recovery. The analysis considered whether the current threshold was appropriate, in light of what we know about unit cost and time-in-motion findings.



The current value of £65 was set when the Recoveries Team was established and aligned with the Department for Work and Pensions level, due to Social Security Scotland not having an active caseload that could be analysed to inform decisions.

The analysis recommended that based on current caseloads, the SMOP level was appropriate but that a further review should be undertaken once all case transfer has been completed, when caseloads will be more mature and debt team operational costs have stabilised after implementation of provisions such as civil enforcement and enforced deductions.

**REDACTED**