



Executive Advisory Body

Date of Meeting	18 April 2023
Subject	Debt Report – Quarter 3 2022-23
Agenda No.	36
Paper No.	36.4(a) – Below the Line
Prepared By	REDACTED
Purpose	Monitor

1. Background

- 1.1. The attached report details Debt activities undertaken by Social Security Scotland's Fraud and Error Resolution Unit throughout Quarter 3 of the 2022-23 operational year.

2. Key Points

- 2.1. In Quarter 3, the value of overpayment referrals rose by 30% in comparison to Quarter 2, while the volume of overpayments increased slightly. This is due to higher weekly award rates increasing overpayment values
- 2.2. The percentage of overpayments with client liability to repay in Quarter 3 was 88%. For comparison, in Quarter 2, client liability was in place for 43% of overpayments.
- 2.3. Internal Audit finalised their report on Debt Management Arrangements in Quarter 3 and awarded a Reasonable Assurance.

3. Conclusions / Recommendation

- 3.1. The Committee is asked to review and comment on progress made during Quarter 3 of 2022-23.
- 3.2. The Committee is also asked to comment on the changes made to the report, and on proposal to reduce the frequency of the Debt Report to twice yearly (end of year report and an interim report to report on Quarters 1 and 2).



Part 1: Recovery and Recharge Performance

Key points that we would like to highlight to Committee are shown below, with further detail provided within Annex B.

- There has been a **30% increase in value of overpayment referrals** received. We believe this is due to the increased weekly rate of Scottish Child Payment increasing error value. A small number of Disability Benefit referrals are beginning to filter through, adding new referrals, although overall **referral volumes have remained stable**.
- There has been a **130% increase in overpayments for which we can seek recovery** – This has resulted in percentage of recoverable and non-recoverable overpayments by value being 88% and 12% respectively, a 45% change from Quarter 2. This is due to the increased weekly rate of Scottish Child Payment means related overpayment cases quickly exceed the REDACTED
- There has been a **considerable increase in repayment plans being agreed** in Quarter 3 – REDACTED We believe this may be linked to Scottish Child Payment clients who previously dropped out of entitlement due to age criteria, who have re-engaged with Social Security Scotland once criteria expanded for children aged 6-16 in November.
- Of clients who agreed to make a payment, 67% paid debt in full, while 33% agreed regular payment plans averaging £28.89 per 4 week period.

Client engagement rate is 33%, which is a 7% increase from Quarter 2. Programme team are undertaking user research on letters to ensure Debt Notifications are clear on actions required of our clients. REDACTED

- **Funeral Support Payment recharge referrals reduced by 50%** in Quarter 3 in line with historical seasonal trends. Referrals in the same quarter last year



(2021-22) were higher; we believe this may have been linked to the pandemic along with a Scottish Administrative Exercise being undertaken which identified awards which had not previously been referred.

Part 2: Building Capability and Capacity

Technology and Systems

In Quarter 3, Internal Audit finalised a report on Debt Management Arrangements and noted that current arrangements might not be sufficient to efficiently process the expected increased debt recovery volume associated with Social Security Scotland's growing benefit caseload. They gave one high and one medium priority recommendation, which the Social Security Programme team are prioritising. For example, work to develop automated reconciliation of payments via banks/ telephony service against our system records is underway.

Similarly, we worked with the Social Security Programme to review management information requirements, to remove our overreliance on manual data capture and collation. Discussions have commenced with the contractor who provides our Debt Case Management System, with the aim of securing delivery of additional automated reports by the end of Quarter 4.

Recruitment and Training

The Debt Team was at target headcount level at the start of the financial year, but due to staff being promoted we have had recruitment requirements for Quarters 1 and 2. An additional 4 Debt Officers have been recruited and have completed training on benefit overpayments and are now consolidating.

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In Quarter 3, the Debt Team received training on *Understanding Trauma and Being Poverty Sensitive* delivered by Social Security Scotland Learning and Leadership team. Further training is scheduled for early January 2023 from Money Advice Trust on *Vulnerable Clients* for recent recruits.

Following a medium priority Internal Audit recommendation, work has been ongoing in Quarter 3 to review and update internal team guidance before engaging content writers to formalise. Once guidance updated, a review of the Recoveries Officer Learning Routeway will be undertaken, to effect improvements and reduce impact on team resources from on-boarding, training and consolidating the learning of new recruits.



Annex A

Recovery and Recharge Performance – Further Detail

Inbound Referrals

During Quarter 3, a total of 643 referrals valuing £135,535 were received for benefit overpayments, an increase in monetary value of 30% despite volumes of referrals being relatively stable with a total of 681 referrals received in Quarter 2 For Funeral Support Payment recharges, referrals reduced by more than 50% to 83 with a total value of £163,041, consistent with seasonal trends seen in 2021-22.

In addition to the increase in total overpayment referral value, there has also be an increase in value of recoverable overpayments by 130%. This is linked to the increase in the weekly value of weekly Scottish Child Payment, which in turn has increased the likelihood of overpayments associated with routine claim maintenance being higher than the REDACTED

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Inbound Payments

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During Quarter 3 REDACTED. An increase in engagement was noted from early November when Scottish Child Payment Phase 2 was implemented, suggested that clients additional funds available to clients have provided capacity to make payments towards their debts. This will be monitored to confirm whether trend is maintained as Scottish Child Payment caseload grows.



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User research is being undertaken in Quarter 4 to look at Debt Notifications to confirm clients understanding. REDACTED

Our Debt recovery processes are designed to take into account individual financial circumstances and provide different repayment plans to meet individual needs. Analysis of payments made in Quarter 3 show that although total payments rose by 25% and the average value rose slight from £60 in Quarter 2 to £63 in Quarter 3. However, more detailed analysis identified that the 35% of clients making regular monthly payments that average £28.89. The remaining 65% of clients opted to make one off payments and repaying debt in full. The average value of these payments was £116.98.

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Recovery of Funeral Support Payment Awards from Estate of Deceased

The team received 83 recharge referrals during Quarter 3, a 56% reduction from quarter 2. Although referrals for Funeral Support Payment Recharge follow seasonal patterns and tend to dip over Quarter 2 and 3, the volume of referrals received in Quarter 3 is less than 30% of referrals received in same quarter of 2021-22. It is believed that higher referral rates in Quarter 3 2021-22 were due partly to higher death rates during the pandemic but also due to a Scottish Administrative Exercise that was conducted in the summer of 2022 to review Funeral Support Payment cases.

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