

# A review of Housing Benefit overpayments 2018/19 to 2021/22

A thematic study



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
February 2025

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# Key messages

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- 1 Between 2018/19 and 2021/22, over 260,000 households in Scotland received Housing Benefit each year and Scottish councils paid out more than £5.4 billion, supporting some of the most vulnerable people in our communities. Therefore, it is important that councils process Housing Benefit claims accurately and timeously to ensure that customers receive the right amount of benefit at the right time, as this helps minimise overpayments and the costs associated with recovering them.
- 2 In 2021/22, the amount of Housing Benefit overpayments outstanding in Scotland was £137 million, a decrease of ten per cent from £153 million in 2018/19. This was achieved despite significant service pressures during the Covid-19 pandemic. However, since 2008/09, the initial period of our last review, the overall level of outstanding Housing Benefit debt has increased by eight per cent.
- 3 Councils have failed to discharge their statutory duty to ensure that Housing Benefit overpayments are recovered efficiently and effectively by not having sufficient data to give a robust assessment of overpayment recovery performance, or by using all available recovery options. Utilising all available options is increasingly important as financial pressures on councils tighten.
- 4 During the four-year period of our review, Scottish councils underperformed in the recovery of Housing Benefit overpayments when compared to councils in England and Wales.

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# Recommendations

**It is important that councils process Housing Benefit claims accurately and timeously to ensure that customers receive the right amount of benefit at the right time, as this helps minimise overpayments and the costs associated with recovering them.**

**To drive improvement, councils should share good practice on the recovery of Housing Benefit overpayments and consider the following recommendations:**

## 1. Resources

Integrating Housing Benefit overpayment recovery staff within the council's benefit service has been correlated with higher overpayment recovery rates:

- Councils with Housing Benefit overpayment recovery staff located outside the benefit service should consider integrating recovery staff within the benefit service ([paragraph 21](#)).

## 2. Accuracy

Conducting accuracy checks after a payment has been made increases the risk of fraud and error and incurs costs associated with recovering avoidable Housing Benefit overpayments:

- Where possible, accuracy checks should be conducted before payment to minimise the risk of fraud and error, reducing the costs of recovering avoidable Housing Benefit overpayments, and enhancing the customer experience ([paragraph 31](#)).

## 3. Methods of recovery

Councils are not fully utilising all available recovery options to recover Housing Benefit overpayments:

- Councils should employ all available options to recover Housing Benefit overpayments. This will ensure customers are treated fairly and equitably, reduce financial losses and help deter future non-compliance ([paragraph 35](#)).

## 4. Housing Benefit Debt Service

The Department for Work and Pensions' Housing Benefit Debt Service is underutilised leading to missed opportunities for councils to recover dormant Housing Benefit debt:

- Councils should consider integrating the use of the service into their Housing Benefit debt recovery strategy and maintain detailed records

of outcomes to enable reporting to senior management and elected members on the effectiveness and impact of its use [\(paragraph 42\)](#).

## 5. Repayment arrangements

Councils are not regularly reviewing Housing Benefit overpayment repayment arrangements to ensure that the amount being recovered is set at an optimal rate:

- Councils should review Housing Benefit overpayment repayment arrangements set at a reduced rate at least every six months to ensure the recovery rate remains optimal [\(paragraph 49\)](#).

## 6. Monitoring and performance reporting

There is a lack of Housing Benefit overpayment recovery targets and performance reporting to elected members:

- Councils should establish targets for the recovery of Housing Benefit overpayments and maintain detailed records to monitor the effectiveness and impact of recovery efforts, enabling performance to be reported to senior managers and elected members [\(paragraph 57\)](#).

# Introduction

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## About our report

1. In 2013, Audit Scotland published a thematic study entitled [Review of housing benefit overpayments 2008/09 to 2011/12](#). The purpose of the report was to benchmark Scottish council's performance in recovering Housing Benefit (HB) overpayments and identify areas for improvement and good practice that could help enhance HB recovery processes, procedures and performance.
2. Since the publication of this report, the HB landscape has undergone significant changes, presenting substantial challenges for councils. In particular, the phased rollout of Universal Credit (UC) since 2013, combined with the widespread impact of the Covid-19 pandemic from 2020 onwards, has fundamentally altered HB administration and delivery.
3. Where possible, our report aims to directly compare HB overpayment recovery performance over the same four-year period of our previous review. It also considers other aspects of benefit service delivery that might impact recovery performance, makes recommendations for improvement, and identifies areas of good practice that can be shared across the local authority community.
4. All 32 Scottish councils were invited to participate in the review, with 26 councils (81 per cent) responding by completing an online questionnaire. East Renfrewshire Council and Na h-Eileanan Siar were unable to participate due to operational reasons. However, it is disappointing that Clackmannanshire Council, Midlothian Council, Stirling Council and The Highland Council did not respond.
5. The data and analysis in our report are based on the online questionnaire responses and have not been independently validated. To ensure completeness, for the six councils that did not participate in the review, or where we identified data anomalies in the other councils' responses, where possible, the information was sourced from Department for Work and Pensions' (DWP) published data.
6. However, it was not possible to source data regarding the six councils' participation in the DWPs' Housing Benefit Debt Service (HBDS), as this information is not published.
7. We would like to thank all councils that participated in the review, in particular officers from Argyll and Bute Council, City of Edinburgh Council,

Falkirk Council and South Lanarkshire Council for their assistance in developing and reviewing the online questionnaire.

# Housing Benefit Debt Recoveries

**There has been significant improvement in Housing Benefit Debt Recoveries data completion rates since our previous review, reflecting enhanced data accuracy and reporting practices**

- 8.** In 2008, the DWP introduced the Housing Benefit Recoveries and Fraud (HBRF) scheme, which collected data from councils on the amount of HB overpayments that were outstanding, identified, recovered, and written off, and information on fraud investigations carried out.
- 9.** In 2016, following the transfer of most local authority fraud investigations to DWP's Fraud and Error Service, the fraud element was removed from the data collection and the scheme was renamed Housing Benefit Debt Recoveries (HBDR).
- 10.** HBDR data is provided by councils to DWP quarterly and is published by DWP twice a year, six months in arrears, as detailed in [Exhibit 1](#).

## Exhibit 1

### HBDR data collection and publishing schedule (example)

Date collected from councils	Date published	Period
30 Jun 2021		
30 Sep 2021	Mar 2022	Apr 2021 to Sep 2021
31 Dec 2021		
31 Mar 2022	Sep 2022	Apr 2021 to Mar 2022

Source: DWP

## Data return rates

- 11.** It is important that councils provide a complete overpayment dataset to DWP to ensure accurate national statistics and enable effective performance comparison across Scotland and the United Kingdom.

**12.** In our previous study '[Review of housing benefit overpayments 2008/09 to 2011/12](#)' we reported that many council's data returns to DWP were incomplete. However, since then, there have been significant improvements in data completion rates, as detailed in [Exhibit 2](#).

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## Exhibit 2

### HBDR data completion rates

All data	Complete
2008/09 to 2011/12	48%
2018/19 to 2021/22	88%

Source: DWP

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**13.** The improvement over our previous review period is very positive and could be attributed to several factors, including more accurate and complete data entry into benefit IT systems and enhancements in software provided by benefit IT system suppliers.

**14.** Although the overall level of data completion has significantly improved, [Exhibit 3](#) breaks down the HBDR data into its four component parts to identify specific areas where councils may have been less able to provide the requisite data.

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## Exhibit 3

### HBDR data completion rates (four components)

Data component	Completion rate 2008/09 to 2011/12	Completion rate 2018/19 to 2021/22
Total amount of outstanding debt	79%	88%
Total amount of overpayments identified	80%	90%
Total amount of overpayments recovered	77%	88%
Total amount of overpayments written off	49%	88%

Source: DWP

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**15.** A more complete dataset allows DWP and other agencies to better monitor councils' HB debt recovery performance and engage with councils that need support.

# Delivering the service

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**Processes and procedures are not optimised, and not all available options are being utilised to maximise HB overpayment recovery.**

**HB overpayment recovery performance is not routinely reported to elected members, compromising transparency and accountability in the management and protection of public funds.**

## Resources

**Utilising staff within the benefit service to manage the recovery of HB overpayments correlates with higher recovery levels**

**16.** Recovering HB overpayments effectively requires significant resources, especially when the debt cannot be collected through deductions from ongoing benefits, the most efficient method. In such instances, an invoice (sundry debt) is issued, and councils will initially pursue debt recovery through the following methods:

- **Within the benefit service:** Using multi-skilled officers responsible for all aspects of claims administration, or dedicated officers who specialise solely in managing and recovering HB overpayments.
- **Outwith the benefit service:** Using officers from another council department (eg, corporate debt team).

**17.** Understanding these differences is crucial for evaluating recovery performance and identifying best practice. For example, using staff within the benefit service can be advantageous, as it provides the service with full control over the debt recovery process and utilises the expertise of benefit service staff, who can maintain existing relationships with customers.

**18.** [Exhibit 4 \(page 11\)](#) outlines the approach and number of councils with full-time equivalent (FTE) staff involved in the HB recovery process for 24 councils that provided data.

**19.** Full details for all councils are available in the [Technical Supplement, Exhibit 1 \(page 8\)](#).

## Exhibit 4

### HB overpayment recovery resources (24 councils)

	2018/19	2019/20	2020/21	2021/22
<b>Number of councils with FTE HB recovery staff within the benefit service</b>	15	15	14	14
<b>Number of councils with FTE HB recovery staff outwith the benefit service (eg, corporate debt team)</b>	9	9	10	10

Note: Argyll and Bute Council had FTE HB recovery staff within the benefit service in 2018/19 and 2019/20 and outwith the benefit service in 2020/21 and 2021/22.

Source: Scottish councils

**20.** [Exhibit 4](#) above shows that more than half of councils' benefit services utilise staff within the service to recover HB overpayments. To assess the effectiveness of this approach, we examined overpayment recovery performance from 2018/19 to 2021/22 across all 32 Scottish councils. The findings are as follows:

- **2018/19:** 11 of the 12 top performers (92 per cent) had HB overpayment recovery staff within the benefit service.
- **2019/20:** nine of the 10 top performers (90 per cent) had HB overpayment recovery staff within the benefit service.
- **2020/21:** nine of the 11 top performers (82 per cent) had HB overpayment recovery staff within the benefit service.
- **2021/22:** 10 of the 13 top performers (77 per cent) had HB overpayment recovery staff within the benefit service.

**21.** This analysis suggests a strong correlation between having HB overpayment recovery staff within the benefit service and achieving better levels of overpayment recovery performance.

## Recommendation 1

Integrating HB overpayment recovery staff within the council's benefit service has been correlated with higher overpayment recovery rates. Councils with HB overpayment recovery staff located outwith the benefit service should consider integrating recovery staff within the benefit service.

## Accuracy

**Conducting accuracy checks before a payment is made contributes towards improved accuracy levels, helping to ensure that the right benefit is paid to the right person at the right time**

**22.** Checking the accuracy of HB claims is crucial to ensure that the right benefit is paid to the right person at the right time. This process helps to:

- minimise the potential for underpayments, and the costs associated with pursuing avoidable HB overpayments
- reduce the risk of fraud and error
- provide an audit trail to ensure that errors are corrected
- provide information on accuracy performance that can be reported within the service, and to senior management and elected members.

**23.** [Exhibit 5](#) details the average reported financial accuracy performance for the 26 councils in our study for each year, and for the four-year period of our review.

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### Exhibit 5

#### HB financial accuracy performance 2018/19 to 2021/22 (26 councils)

Council	2018/19	2019/20	2020/21	2021/22	18/19 to 21/22 (average)
Scotland (average)	95%	96% 	95% 	94% 	95%

Source: Scottish councils

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**24.** As detailed in the [Technical Supplement, Exhibit 2 \(page 10\)](#), there was a wide variation in average performance levels, ranging from 84 per cent (Scottish Borders) to 99 per cent (East Ayrshire, East Dunbartonshire, Inverclyde, Moray, South Ayrshire). It is concerning that five councils (Falkirk, Fife, North Ayrshire, Orkney Islands, and Shetland Islands) were unable to provide complete data for each year of the review period.

**25.** To highlight the importance of financial accuracy, the potential impact of inaccuracies in council caseloads (overpayments, underpayments, fraud) each year can be estimated using average accuracy performance across Scotland for the four-year review period, (95 per cent), the annual amount of HB expenditure, as detailed in the [Technical Supplement](#),

[Exhibit 11 \(page 27\)](#), and the total amount of overpayments identified ([Exhibit 15, page 24](#)), as shown in [Exhibit 6](#).

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## Exhibit 6

### Potential amount of fraud/error within HB caseloads (Scotland)

	2018/19	2019/20	2020/21	2021/22
<b>Total HB expenditure</b>	£1.5 billion	£1.4 billion	£1.3 billion	£1.2 billion
<b>Potential amount of fraud/error (5 per cent)</b>	£75 million	£70 million	£65 million	£60 million
<b>Total amount of overpayments identified</b>	£42 million	£35 million	£22 million	£23 million
<b>Potential amount of undetected fraud/error</b>	£34 million	£35 million	£43 million	£37 million

Source: DWP and Scottish councils

**26.** [Exhibit 6](#) shows that, between 2018/19 and 2021/22, £149 million of fraud and error could potentially remain undetected within Scottish councils' caseloads. To reduce this, it is essential for councils to have a robust quality checking framework against which performance can be assessed and reported, with the aim of achieving continuous improvement in the accuracy of claims.

**27.** In our review, we asked councils whether accuracy checks were conducted pre-payment, post-payment, or a combination of both. [Exhibit 7](#) details the responses for 26 councils.

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## Exhibit 7

### Timing of HB accuracy checks (26 councils)

	2018/19	2019/20	2020/21	2021/22
<b>Pre-payment</b>	3	4	4	4
<b>Post payment</b>	2	2	2	2
<b>Mix of pre-payment and post payment</b>	21	20	20	20

Source: Scottish councils

**28.** Since 2018/19, of the 21 councils that provided complete accuracy performance data, only four (19 per cent) reported conducting accuracy checks pre-payment (East Lothian, Moray, South Ayrshire, and West Lothian).

**29.** However, these councils all reported an average accuracy level above the Scottish average of 95 per cent, with two (Moray and South Ayrshire) achieving an average accuracy level of 99 per cent.

**30.** In contrast, among the 17 other councils (81 per cent) that provided complete accuracy performance data and conducted accuracy checks post-payment or a mix of pre-payment and post-payment, only ten (59 per cent) reported performance at, or above, the Scottish average.

**31.** This analysis reinforces the benefits of conducting accuracy checks pre-payment as it helps improve accuracy performance by allowing councils to correct errors before a payment is made. Although it is not always possible to perform pre-payment checks due to the timing of payment runs, it has a number of operational benefits, including:

- Preventing fraud and error from entering the benefit system, therefore reducing the number of avoidable overpayments and the associated recovery costs.
- Minimising the number of requests for reconsideration and appeals.
- Maximising DWP subsidy payments.
- Providing a better customer experience, by helping to ensure the right benefit is paid to the right person at the right time.

## Recommendation 2

Conducting accuracy checks after a payment has been made increases the risk of fraud and error and incurs costs associated with recovering avoidable HB overpayments. Where possible, accuracy checks should be conducted before payment to minimise the risk of fraud and error, reducing the costs of recovering avoidable HB overpayments, and enhancing the customer experience.

## Methods of recovery

### Councils are not fully utilising all available options to maximise the recovery of HB overpayments

**32.** When a HB overpayment occurs, councils should use all available options to recover the debt. Proper management of the recovery process is essential to maintain the integrity of the benefit system.

**33.** There are many options available to councils which can be utilised depending on the customer's circumstances and the potential for recovery. Only as a last resort should a council consider writing off a HB overpayment. Recovery options include:

- **Direct Earnings Attachment (DEA):** Permits the deduction of a specified amount from a customer's salary without requiring a court order.
- **DWP's Payment Deduction Programme:** Enables councils to recover HB overpayments directly from a customer's ongoing DWP benefits.
- **External debt recovery agent:** Usually engaged to recover difficult HB debts when all other recovery options have been exhausted.
- **Recovery from ongoing deductions:** If a customer continues to receive HB based on their updated circumstances, an overpayment can be recovered through ongoing payments.

**34.** [Exhibit 8](#) provides a breakdown showing the number of councils that have utilised each of the available recovery options to manage and recover HB overpayments. A summary of the number of options used by each council during our review period is provided in the [Technical Supplement, Exhibit 3 \(page 13\)](#).

## Exhibit 8

### Number of councils using each available HB recovery option (26 councils)

	2018/19	2019/20	2020/21	2021/22
Blameless tenant	17	17	17	17
Direct Earnings Attachment	11	15	18	17
DWP Payment Deduction Programme	23	24	25	24
External debt recovery agent	20	20	20	20
From a council in another area	4	4	4	4
Offsetting underlying entitlement	26	26	26	26
Recovery from ongoing deductions	26	26	26	26
Rent account credit (21 councils <sup>1</sup> )	21	21	21	21
Using arrears of HB	23	23	23	23
Councils using all available options	3	3	3	3

Note 1: Five councils had no council housing stock.

Source: Scottish councils

**35.** It is concerning that only three councils (Aberdeenshire, Angus, and Dundee City) utilised all available recovery options to pursue HB debt. Not using all available options restricts councils' ability to maximise debt recovery, can lead to delays in engaging with customers, and may incur additional costs, particularly if external debt recovery agents are involved.

### Recommendation 3

Councils should employ all available options to recover HB overpayments. This will ensure customers are treated fairly and equitably, reduce financial losses and help deter future non-compliance.

## Housing Benefit Debt Service

### Councils are not fully utilising the Department for Work and Pensions' Housing Benefit Debt Service to facilitate the recovery of dormant debt

**36.** Launched in April 2018, the Housing Benefit Debt Service (HBDS) is a DWP initiative designed to assist councils in recovering overpaid HB by providing real-time accurate information about debtors' employment and income details.

**37.** This free service offers councils an electronic facility to upload up to 1,200 dormant HB overpayments per month to DWP. The details are then matched against DWP and HMRC systems, streamlining the debt recovery process, helping to safeguard public funds, and providing councils with an additional option for recovering HB overpayments.

**38.** When a customer's information is matched, DWP provides councils with updated address, employment, or pension details.

**39.** Although provided at no cost to councils, eight of the 26 councils (31 per cent) reported that they did not use the HBDS during the four-year period of our review. Among the 18 councils (69 per cent) that did utilise the service, insufficient record-keeping led to incomplete data, preventing a detailed analysis of the outcomes.

**40.** We asked councils that had not used the service to advise the reasons, and these are provided in the [Technical Supplement, Exhibit 4 \(page 15\)](#).

**41.** While there might be valid reasons for not fully utilising the service, it has proven highly effective in helping some councils re-engage with customers when debts have been difficult to recover. For example,

[Exhibit 9](#) highlights the outcomes achieved by City of Edinburgh, Falkirk, and Inverclyde councils use of the service between 2018/19 and 2021/22.

## Exhibit 9

### HBDS outcomes 2018/19 to 2021/22

Council	Number referred	Number matched	Percentage matched	Amount of debt recovered
City of Edinburgh	2,807	1,878	67 per cent	£146,999
Falkirk	424	311	73 per cent	£20,812
Inverclyde	706	671	95 per cent	£84,780

Source: Scottish councils

**42.** Recovering dormant debt is often challenging and may result in the debt being written off if a council cannot engage with the customer after all available options have been exhausted.

#### Recommendation 4

The DWPs' HBDS is underutilised leading to missed opportunities for councils to recover dormant HB debt. Councils should consider integrating the use of the service into their HB debt recovery strategy and maintain detailed records of outcomes to enable reporting to senior management and elected members on the effectiveness and impact of its use.

## Repayment arrangements

**Councils are not consistently reviewing HB overpayment repayment arrangements to ensure that the amount being recovered is set at an optimal rate**

**43.** When a customer has been overpaid HB, councils have several options for recovering the debt. If the customer continues to receive HB, the debt is recovered through deductions from ongoing payments. However, if the customer is no longer receiving HB, a sundry debt invoice is issued, requesting full repayment.

**44.** Councils aim to ensure that customers who have been overpaid can repay the debt within their means, and most have dedicated specialist staff to offer debt advice and guidance on income maximisation. For example, City of Edinburgh Council's [Advice Shop](#) offers a free debt and money advice service to help people manage debts more easily and prevent

further debts arising. Additionally, third sector agencies such as [Citizens Advice](#) and [Shelter](#) also provide customers with independent advice and support.

**45.** If a customer claims hardship, and the overpayment is not due to fraud, councils will conduct an income and expenditure assessment. This could lead to a reduction in the amount being recovered through ongoing deductions, or the establishment of an affordable repayment plan if the customer is no longer receiving HB.

**46.** It is considered good practice to regularly review reduced repayment arrangements to assess whether the customer's circumstances have changed and if the recovery rate remains appropriate.

**47.** We asked councils how frequently they reviewed repayment arrangements at a reduced level to ensure the recovery rate remained optimal. [Exhibit 10](#) details the responses.

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## Exhibit 10

### Repayment arrangement review period (26 councils)

Frequency	Councils
Every month	Argyll and Bute, East Dunbartonshire, North Lanarkshire, Renfrewshire, Shetland Islands (5)
Every three months	Inverclyde, Orkney Islands (2)
Every six months	Scottish Borders, South Lanarkshire (2)
Annually	Aberdeen City, Dundee City, Fife, Glasgow City, Moray, Perth and Kinross (6)
Other	City of Edinburgh <sup>1</sup> , Falkirk <sup>2</sup> , North Ayrshire <sup>3</sup> (3)
Never	Aberdeenshire, Angus, Dumfries and Galloway, East Ayrshire, East Lothian, South Ayrshire, West Dunbartonshire, West Lothian (8)

Notes:

1. Annually from 2018/19 to 2019/20, 18–24 months from 2020/21 to 2021/22.
2. Annually from 2018/19 to 2019/20, never from 2020/21 to 2021/22.
3. Every 3–6 months.

Source: Scottish councils

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**48.** As a customer's circumstances can change frequently without the council's knowledge, regular reviews of repayment arrangements help ensure that overpayments recovered at a reduced rate are maintained at an optimal level.

**49.** However, many councils do not conduct these reviews regularly, missing opportunities to increase revenue or offer support to customers facing hardship.

### Recommendation 5

Councils should review HB overpayment repayment arrangements set at a reduced rate at least every six months to ensure the recovery rate remains optimal.

## Monitoring and performance reporting

**Only 13 councils in our review (50 per cent) had a HB overpayment recovery target during the period 2018/19 to 2021/22**

**50.** Regularly reporting HB overpayment recovery performance against targets to senior management and elected members is important for several reasons:

- **Transparency and accountability:** Ensures transparency in the management and protection of public funds and holds the benefit service and elected members accountable for the council's performance in recovering HB debt.
- **Informed decision-making:** Senior management and elected members can make informed decisions regarding resource allocation, policy adjustments, and strategic planning based on up-to-date performance data.
- **Performance monitoring:** Enables continuous monitoring of recovery efforts, highlighting areas of success, and identifying opportunities for improvement. This helps maintain efficiency and effectiveness in recovery operations.

**51.** When reporting performance, councils should document HB overpayment recovery targets to help senior management and elected members assess performance in context.

**52.** We asked the 26 councils in our review whether they had a HB overpayment recovery target. [Exhibit 11 \(page 20\)](#) details the responses.

## Exhibit 11

### HB overpayment recovery target (26 councils)

	2018/19	2019/20	2020/21	2021/22
<b>HB overpayment recovery target</b>	13	13	13	13
<b>No HB overpayment recovery target</b>	13	13	13	13
<b>Total</b>	26	26	26	26

Source: Scottish councils

**53.** As councils are responsible for making best use of public funds and for recovering over £153 million in outstanding HB overpayments since 2018/19, it is disappointing that 50 per cent of councils did not set a HB overpayment recovery target during the four-year period of our review.

**54.** We also asked councils how frequently they reported HB overpayment recovery performance to elected members when a recovery target was in place. [Exhibit 12](#) details the responses.

## Exhibit 12

### Reporting frequency of HB overpayment recovery performance to elected members between 2018/19 and 2021/22 (13 councils)

Frequency	Councils
<b>Quarterly</b>	East Lothian, West Dunbartonshire (2)
<b>Annually</b>	Moray, North Ayrshire, South Ayrshire (3)
<b>Never</b>	Angus, City of Edinburgh, Dundee City, East Dunbartonshire, Fife, Glasgow City, Inverclyde, South Lanarkshire (8)

Source: Scottish councils

**55.** Elected members play a vital role in the governance and performance of councils, and are responsible for ensuring that councils operate efficiently, effectively, transparently, and in the best interests of residents.

**56.** It is therefore concerning that 13 out of the 26 councils (50 per cent) in our review had no overpayment recovery target. Furthermore, of the 13 councils that had a target, eight (62 per cent) did not report performance to elected members.

**57.** Full details for each council are provided in the [Technical Supplement, Exhibit 5 \(page 16\)](#).

## Recommendation 6

Councils should establish targets for the recovery of HB overpayments and maintain detailed records to monitor the effectiveness and impact of recovery efforts and enable performance to be reported to senior managers and elected members.

## Local authority error and administrative delay overpayments

### Councils are effective in minimising local authority error and administrative delay overpayments

**58.** Local authority error and administrative delay overpayments typically result from mistakes by a council during the claims administration process. For example:

- Errors in calculating HB due to incorrect data entry, misapplication of regulations, or misunderstanding the customer's circumstances.
- Delays in processing reported changes in circumstances, resulting in incorrect benefit payments continuing longer than necessary.

**59.** As detailed in the [Technical Supplement, paragraph 17 \(page 6\)](#), councils with local authority error and administrative delay overpayments that reach or exceed 0.48 per cent (lower threshold) of the total amount of correct payments made risk losing between 60 per cent and 100 per cent of their subsidy from DWP for those claims. It is therefore crucial that councils remain below the lower threshold.

**60.** During the four-year period of our review, only two councils (East Dunbartonshire and East Lothian) exceeded the lower threshold, both in 2021/22. However, these councils also exceeded the upper threshold of 0.54 per cent, resulting in a significant financial impact, as no subsidy was payable for their local authority error and administrative delay overpayments for that financial year.

**61.** Although uncommon for councils to exceed the upper threshold, the example of East Dunbartonshire Council highlights the importance of minimising local authority error and administrative delay overpayments. By exceeding the upper threshold in 2021/22, the council was unable to claim over £87,000 in subsidy from the DWP.

**62.** Full details for all councils are provided in the [Technical Supplement, Exhibit 6 \(page 18\)](#).

# Overpayment recovery performance (Scotland)

**63.** The recovery of overpaid HB is a key responsibility for councils and plays a crucial role in managing public funds effectively and upholding the integrity of the benefit system. Proper recovery practices help to prevent financial losses and ensure that resources are used appropriately.

## Total amount of outstanding overpayments

**64.** [Exhibit 13](#) shows the total amount of outstanding HB overpayments at the start of each financial year, which accounts for the debt identified, recovered, and written off the previous year. The figure for 2021/22 reflects the amount of HB debt outstanding at the end of that financial year, completing the four-year review period.

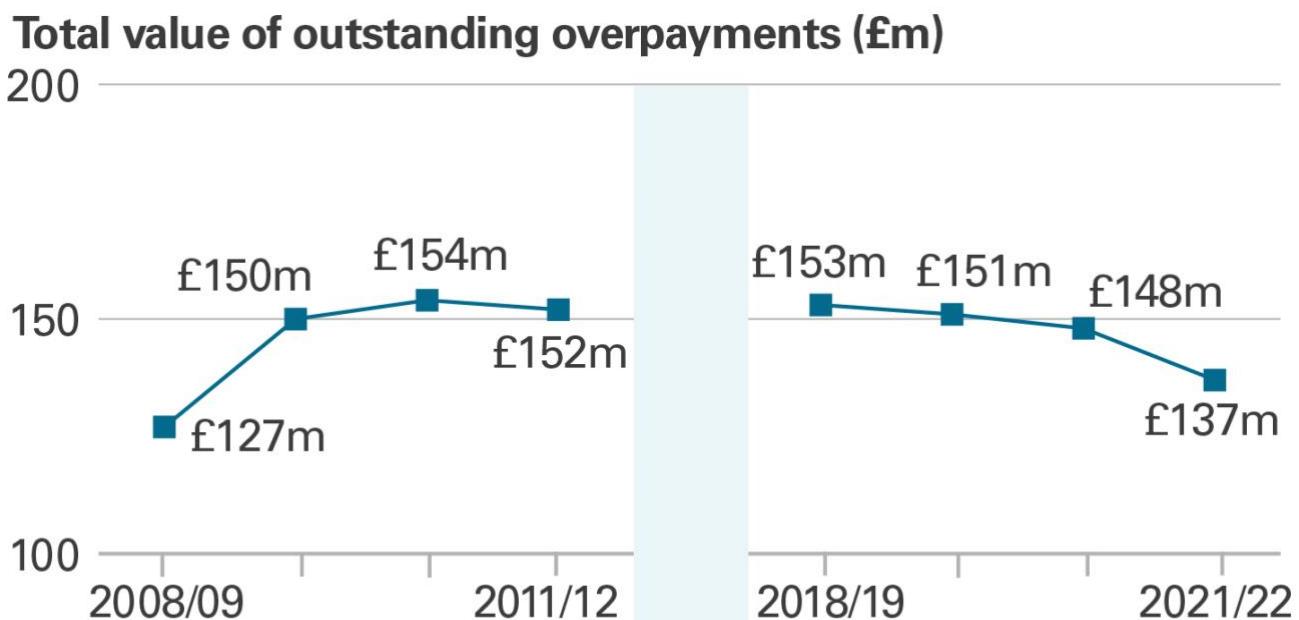
### Exhibit 13

#### Amount of outstanding HB overpayments from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
Scotland	£153m	£151m 	£148m 	£137m 	-10%

Source: DWP and Scottish councils

**65.** During the review period, Scottish councils recovered approximately 10 per cent of outstanding HB debt, representing a significant improvement compared to the 2008/09 to 2011/12 period, when the amount of outstanding HB debt increased by 20 per cent, from £127 million to £152 million, as detailed in [Exhibit 14 \(page 23\)](#).

**Exhibit 14****Comparison of outstanding HB debt (2008/09 to 2011/12 and 2018/19 to 2021/22)**

Source: DWP and Scottish councils

**66.** Although a significant improvement compared to the previous review period, the overall amount of outstanding HB debt had increased by around £10 million (eight per cent) from 2008/09 to 2021/22, despite a reduction in the HB caseload of approximately 179,000, largely due to the migration of benefit claims to Universal Credit (UC). This rise therefore indicates that Scottish councils had not effectively minimised overpayments or reduced the overall amount of outstanding HB debt.

#### Total amount of overpayments identified

**67.** Identifying HB overpayments is a crucial aspect of benefit administration, as it reveals the extent of fraud and error in the caseload. This can be achieved in several ways, for example:

- **Proactive:** Carrying out data matching, management checks, and claim reviews to detect unreported changes in circumstances.
- **Reactive:** When a customer or third party (eg, landlord, agent) informs the local authority of a change in circumstances that results in an overpayment.

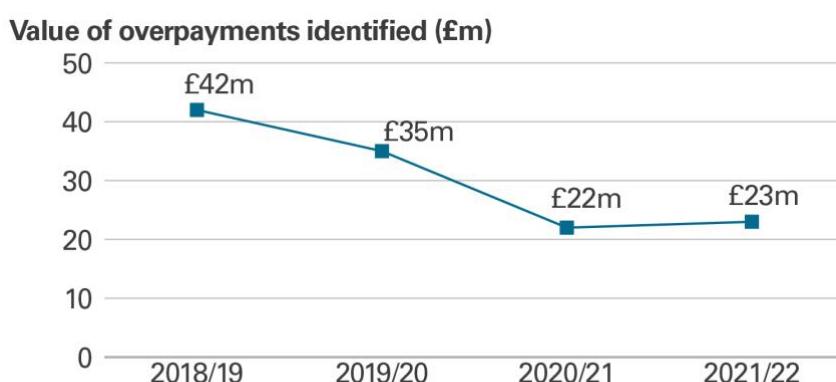
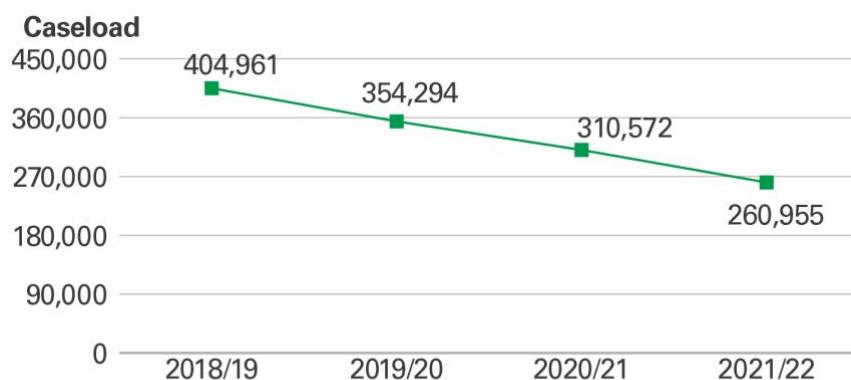
**68.** As detailed in [Exhibit 15 \(page 24\)](#), there has been a significant reduction in the amount of overpayments identified in Scottish councils during our review period.

**Exhibit 15****Total amount of HB overpayments identified from 2018/19 to 2021/22**

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
<b>Scotland</b>	£42m	£35m <span style="color: red;">↓</span>	£22m <span style="color: red;">↓</span>	£23m <span style="color: green;">↑</span>	-45%

Source: DWP and Scottish councils

**69.** Although the exact reasons for this reduction cannot be fully explained without further detailed information, two key factors are likely contributors. As detailed in [Exhibit 16](#), the 36 per cent reduction in the HB caseload between 2018/19 and 2021/22 closely correlates with the 45 per cent reduction in the amount of overpayments identified. This reduction is likely due to DWP being responsible for recovering new housing cost overpayments in respect of HB claims that migrated to UC.

**Exhibit 16****Amount of HB overpayments identified compared to reduction in HB caseloads from 2018/19 to 2021/22**

Source: DWP and Scottish councils

**70.** The second likely contributory factor is the Covid-19 pandemic, especially during 2020/21 and 2021/22. During this period, councils primarily operated remote HB services and redeployed available benefit service staff to administer the Scottish Government support schemes.

**71.** In 2020/21, the first year of the pandemic, the reported decrease in accuracy checking and overpayment recovery activity aligns with a 37 per cent reduction in the amount of overpayments identified. This contrasts with a 12 per cent reduction in HB caseloads during the same period.

**72.** Additionally, in the early stages of the pandemic, to safeguard customers and staff and minimise disruption to benefit processing, DWP recommended that councils adopt its 'Trust and Protect' principles outlined below:

- **Trust:** When verifying evidence by phone, councils should trust the information being provided by the customer. This allows councils to support customers who are unable to obtain or supply evidence.
- **Protect:** Verifying a customer's evidence by telephone helps protect frontline colleagues and customers by ensuring they do not have to leave their homes to supply documents or obtain evidence so they can receive financial support.

**73.** Although this easement increased the risk of fraud and error, it was deemed necessary to avoid delays in processing claims for customers that could not provide documentary evidence. However, when the easement was phased out in early 2021, the extent of fraud and error introduced into the benefit system during this period was unknown.

### Total amount of overpayments recovered

**74.** [Exhibit 17](#) details the total amount of HB overpayments recovered by Scottish councils each year.

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### Exhibit 17

#### Total amount of HB overpayments recovered from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
<b>Scotland</b>	£36m	£31m 	£22m 	£22m 	-39%

Source: DWP and Scottish councils

**75.** [Exhibit 17](#) shows a significant drop in HB debt recovered during the review period, which in 2020/21 and 2021/22 can, in part, be attributed to the impact of the pandemic as detailed above.

**76.** Additionally, between March 2020 and June 2020, the DWP advised councils to temporarily suspend the recovery of HB overpayments to ease the financial burden on individuals affected by the pandemic and to help customers maintain financial stability during the crisis.

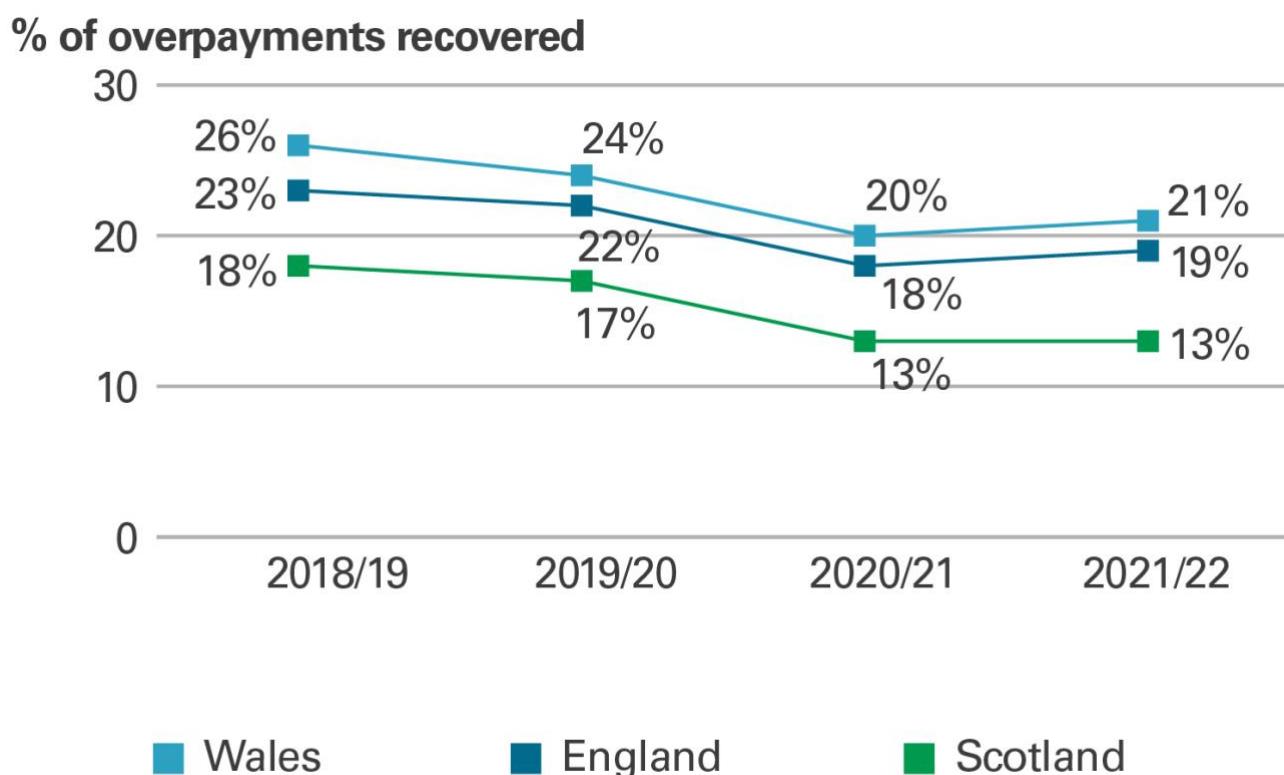
**77.** After this period, councils were advised to resume the recovery of HB overpayments but were encouraged to do so with sensitivity to individuals' circumstances, especially where customers were still experiencing financial hardship due to the pandemic.

**78.** Although the suspension period was short, the impact of reduced income for councils and the challenges of re-engaging with customers should not be underestimated.

**79.** To put Scottish council's performance into context, [Exhibit 18](#) shows the total amount of overpayments recovered as a percentage of the total amount of outstanding debt, compared to councils in England and Wales.

### Exhibit 18

#### Percentage of outstanding HB overpayments recovered from 2018/19 to 2021/22



Source: DWP

**80.** Although this graph shows a similar downward trend from 2018/19 to 2021/22 across Scotland, England, and Wales, the percentage of

overpayments recovered in England and Wales is significantly higher than in Scotland. This indicates that there is considerable scope for improvement and opportunities for Scottish councils to learn from practices in other parts of the United Kingdom.

### Total amount of overpayments written off

**81.** Local authorities have specific policies and procedures for writing off HB debt to ensure decisions are made consistently and fairly, balancing the need to protect public funds with the practicalities of debt recovery. Writing off HB debt should be considered a last resort, after all available recovery options have been exhausted.

**82.** [Exhibit 19](#) shows the total amount of HB overpayments written off by Scottish councils each year, along with the percentage of the total amount of outstanding debt.

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### Exhibit 19

#### Total amount of HB overpayments written off from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
Scotland	£6.6m (4.3%)	£6.5m (4.3%) 	£5.1m (3.4%) 	£4.4m (3.2%) 

Source: DWP and Scottish councils

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**83.** The downward trend in the amount of HB overpayments written off between 2018/19 and 2021/22 (a decrease of 33 per cent) is a positive development, suggesting that councils are becoming more focused on recovering overpayments. However, there is significant variation in councils' use of write-offs, as detailed in the [Technical Supplement, Exhibit 9 \(page 23\)](#).

### Percentage of overpayments recovered

**84.** There are several key performance indicators that councils could use to assess the effectiveness of overpayment recovery activities.

**85.** For this review, we asked councils to report on two key performance indicators:

- **Amount of overpayments raised and recovered in-year:** This metric indicates a council's effectiveness in recovering recently identified debt.
- **Amount of overpayments recovered in-year:** This encompasses both current and previous years' overpayments, reflecting how well councils recover both new and aged debt.

**86.** Only six (23 per cent) of the 26 councils in our review were able to provide data on overpayments raised and recovered in-year. Consequently, we were unable to assess performance for this indicator due to insufficient data. However, all councils submitted data on the total amount of overpayments recovered in-year and [Exhibit 20](#) shows national recovery performance as a percentage of total outstanding debt.

## Exhibit 20

### Percentage of HB overpayments recovered as a proportion of total outstanding HB overpayments from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
<b>Scotland</b>	18%	17% 	13% 	13% 

Source: DWP and Scottish councils

**87.** Exhibit 20 above reflects an overall downward trend from 2018/19 to 2021/22. However, as discussed earlier, this trend can be partly attributed to several key external factors beyond councils' control, including:

- **Migration to UC:** As HB claims move to UC, ongoing automatic deductions used to recover HB overpayments cease, and the overpayment is converted to a sundry debt, making it more difficult to recover.
- **Pandemic impact:** In 2020/21, benefit service staff were actively involved in administering Scottish Government Covid-19 support schemes.
- **Suspension of HB overpayment recovery:** Following DWP advice, HB overpayment recovery activity was suspended for a period of three months (March to June 2020).
- **Cost-of-living crisis:** The cost-of-living crisis has exacerbated financial pressures on individuals, making it even more challenging for councils to recover HB debts.

# Overpayment recovery performance (councils)

**The amount of outstanding HB overpayments decreased by 10 per cent from £153 million in 2018/19 to £137 million in 2021/22. However, the overall trend since 2008/09 shows an overall increase in the amount of outstanding HB debt of eight per cent**

**88.** This section provides a detailed analysis of HB overpayment recovery performance across individual Scottish councils and includes comparisons with the previous review period, 2008/09 to 2011/12, where possible. However, these comparisons should be viewed as illustrative only, due to various influencing factors, such as:

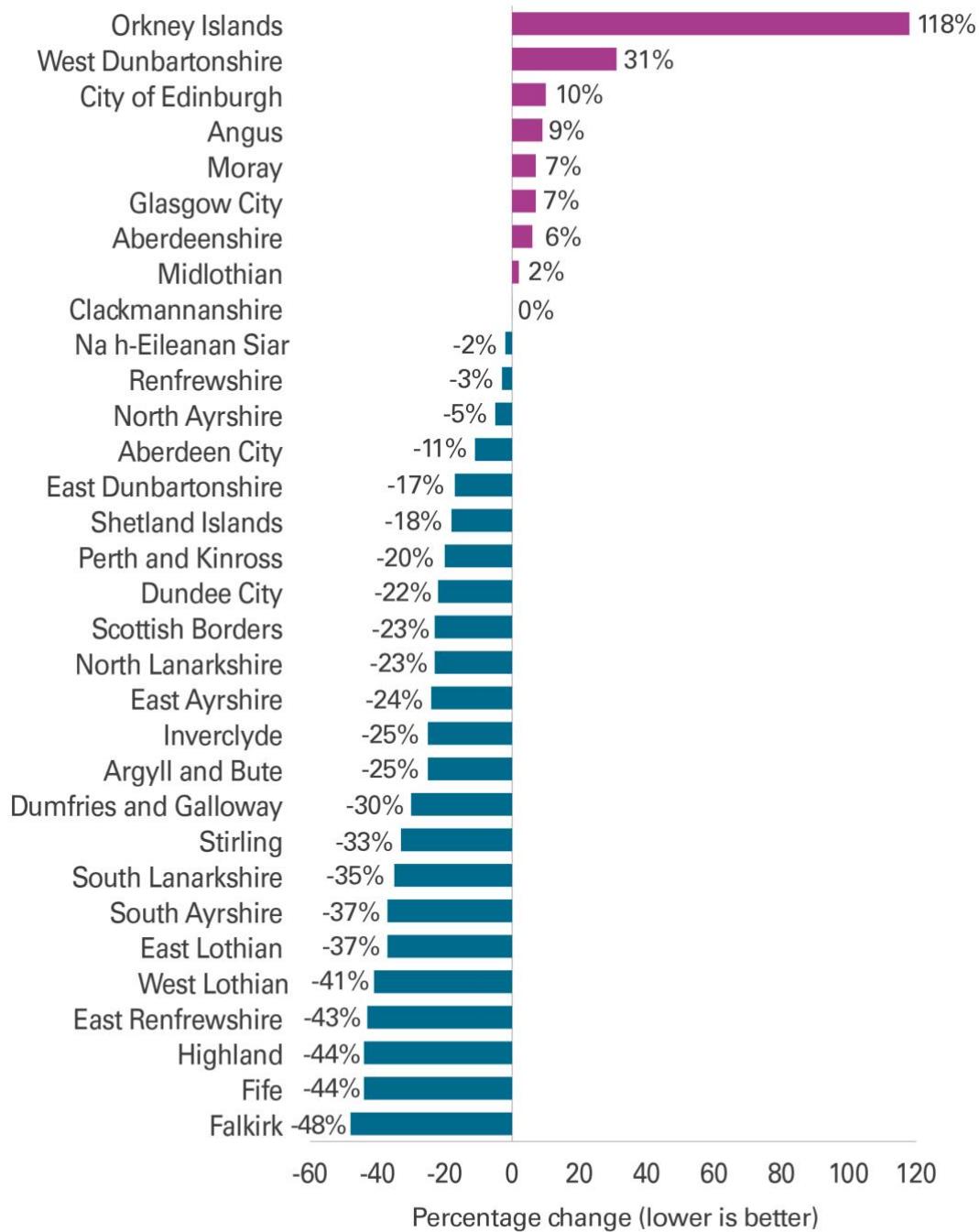
- **Declining HB caseloads:** In 2018/19, the HB caseload in Scottish councils was approximately 70,000 lower than in 2008/09, primarily due to the migration of claims to UC from 2013/14.
- **Resources:** Changes in resources or to the structure of the benefit service.
- **Covid-19:** The pandemic led to significant changes in how councils delivered benefit services.
- **Direct Earnings Attachment:** This recovery method has only been available to Scottish councils since April 2013.

**89.** We have discussed the impact of the pandemic in the previous section and recovery activity in more detail under [Methods of recovery](#)

## Total amount of outstanding overpayments

**90.** The amount of outstanding debt carried forward each year is a key indicator of a council's management of the debt recovery process. Councils should aim to reduce this amount annually, as a decrease would suggest improvements in claims processing accuracy and recovery performance, effectively lowering the overall amount of outstanding debt.

**91.** [Exhibit 21 \(page 30\)](#) shows the percentage change in the amount of outstanding HB debt for all 32 Scottish councils.

**Exhibit 21****Percentage change in the amount of outstanding HB overpayments from 2018/19 to 2021/22 (32 councils)**

Source: Scottish councils

**92.** [Exhibit 21](#) shows that 23 of the 32 councils (72 per cent) experienced a reduction in the amount of outstanding HB overpayments, in the range of minus 48 per cent (Falkirk) to minus two per cent (Na h-Eileanan Siar). Clackmannanshire Council reported no change.

**93.** Overall, when compared to our previous review covering the period 2008/09 to 2011/12, there has been a significant improvement. In that review, 24 of the 26 councils (92 per cent) experienced an increase in the amount of outstanding HB overpayments during the period, with rises ranging from 3 per cent (Highland) to 111 per cent (Perth and Kinross).

**94.** Full details for all 32 councils are provided in the [Technical Supplement, Exhibit 7 \(page 20\)](#).

### **Total amount of overpayments identified**

**95.** The true extent of incorrectness in a council's HB caseload is unknown, as the number of identified overpayments only reflects claims where a known change in circumstances has been actioned after receiving information that led to a reassessment of the customer's entitlement.

**96.** A high percentage of identified overpayments does not necessarily indicate poor accuracy levels, as the more claims a council reviews, the greater the likelihood of uncovering fraud and error within the caseload.

**97.** Most councils experienced a reduction in the total amount of overpayments identified from 2018/19 to 2021/22. This can likely be attributed to a reduction in caseloads due to claims migrating to UC and, notably in 2020/21, the impact of the pandemic, which led to reduced accuracy checks and overpayment recovery activity.

**98.** Full details are provided in the [Technical Supplement, Exhibit 8 \(page 22\)](#).

### **Percentage of overpayments recovered**

**99.** The percentage of overpayments recovered is a key indicator for comparing HB recovery performance and is reported to DWP as part of the quarterly HBDR return. It provides insight into how effectively councils manage debt recovery. Monitoring this indicator helps councils and other key agencies assess performance and identify areas for improvement.

**100.** [Exhibit 22 \(page 32\)](#) shows the recovery performance of councils over the four-year period of our review, using the total amount of HB overpayments recovered as a percentage of the total amount of outstanding HB overpayments.

**Exhibit 22****Percentage of HB overpayments recovered from 2018/19 to 2021/22 (32 councils)**

Council	2018/19	2019/20	2020/21	2021/22
Aberdeen City	16%	15% 	13% 	11% 
Aberdeenshire	17%	15% 	11% 	13% 
Angus	25%	21% 	16% 	11% 
Argyll and Bute	19%	18% 	14% 	20% 
City of Edinburgh	15%	13% 	11% 	9% 
Clackmannanshire	14%	9% 	10% 	6% 
Dumfries and Galloway	28%	25% 	23% 	28% 
Dundee City	18%	16% 	13% 	14% 
East Ayrshire	17%	19% 	14% 	13% 
East Dunbartonshire	15%	14% 	13% 	14% 
East Lothian	11%	11% 	10% 	12% 
East Renfrewshire	15%	13% 	6% 	19% 
Falkirk	16%	16% 	13% 	16% 
Fife	21%	22% 	20% 	25% 
Glasgow	22%	19% 	13% 	12% 
Highland	17%	16% 	12% 	18% 
Inverclyde	20%	21% 	22% 	21% 
Midlothian	21%	17% 	12% 	14% 
Moray	19%	20% 	13% 	13% 
Na h-Eileanan Siar	24%	23% 	22% 	23% 
North Ayrshire	20%	19% 	14% 	16% 
North Lanarkshire	21%	23% 	15% 	18% 
Orkney Islands	41%	50% 	20% 	22% 

Council	2018/19	2019/20	2020/21	2021/22
Perth and Kinross	24%	25% 	16% 	18% 
Renfrewshire	13%	11% 	10% 	11% 
Scottish Borders	23%	22% 	17% 	17% 
Shetland Islands	26%	38% 	30% 	24% 
South Ayrshire	17%	12% 	11% 	11% 
South Lanarkshire	20%	19% 	15% 	18% 
Stirling	21%	20% 	18% 	17% 
West Dunbartonshire	12%	11% 	7% 	7% 
West Lothian	20%	20% 	16% 	18% 
<b>Scotland (average)</b>	<b>18%</b>	<b>17% </b>	<b>13% </b>	<b>13% </b>

Source: DWP

**101.** [Exhibit 22](#) shows a wide variation in recovery performance among Scottish councils with recovery rates ranging from seven per cent at West Dunbartonshire Council in 2020/21, to 50 per cent at Orkney Islands Council in 2019/20.

**102.** Despite an improvement in 2021/22, when 23 councils (72 per cent) were above the Scottish average, performance for many councils remained below the Scottish average across several years.

**103.** Specifically, 13 councils (41 per cent) in 2018/19, 13 councils (41 per cent) in 2019/20, 10 councils (31 per cent) in 2020/21, and nine councils (28 per cent) in 2021/22, were below the average for each year. Consequently, performance levels in Scotland during the period lagged those in England and Wales, as detailed in [Exhibit 18](#).

**104.** [Exhibit 22](#) also highlights the impact of the pandemic on recovery performance in 2020/21, as 30 out of 32 councils (94 per cent) reported a decline in performance when compared to 2019/20. Only Inverclyde Council and Clackmannanshire Council delivered an improved recovery performance during this period.

**105.** However, it is encouraging to note that, following the initial impact of the pandemic, 18 of the 30 councils (60 per cent) that reported a decline in performance in 2020/21 had improved recovery levels in 2021/22.

**106.** To provide context to Scottish councils' recovery performance, [Technical Supplement, Exhibit 10 \(page 25\)](#) shows each council ranked from 1 (best performer) to 32 (worst performer) for each year of our four-year review period.

### **Total amount of overpayments written off**

**107.** The total amount of overpayments written off could indicate that a council has inadequate processes and procedures for recovering HB debt, especially if the percentage of debt written off compared to the total amount of outstanding debt is significantly higher than that of councils with similar debt levels.

**108.** We found a significant variation in the percentage of HB debt written off across Scottish councils, ranging from zero per cent in 2021/22 (Argyll and Bute and North Ayrshire) to 34.2 per cent in 2020/21 (Highland).

**109.** Full details are provided in the [Technical Supplement, Exhibit 9 \(page 23\)](#).

**110.** However, without a detailed analysis of write-off decisions, it is challenging to assess whether councils have taken appropriate action, especially if the percentage of HB debt written off is notably higher than the Scottish average.

**111.** Additionally, since eight of the 26 councils in our review did not utilise the DWP's HBDS during the review period, it is possible that not all decisions were optimal. The HBDS, a free DWP service, has proven effective in providing councils with updated information on dormant debt, thereby supporting recovery efforts, as detailed at [Exhibit 9](#).

# A review of Housing Benefit overpayments 2018/19 to 2021/22

A thematic study



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