



East Anglia Branch

Maximising Income through challenging  
times

# IRRv Presentation 20 September 2019

**Alan Sullivan – [sullivanala@aol.com](mailto:sullivanala@aol.com) (07730 349130)**

# Macro Income & Expenditure for HB ( P & L)

## • Income

- Administration Grant (£196m for GB)
- New Burdens
- Adhoc FERIS, RTI, WuRTI , VEP
- Council Funding
- Benefit Subsidy (circa £24bn for correctly paid benefits)
- Recovered Overpayments

## • Costs & Expenditure

- Staff
- IT Hardware
- IT Software
- Accommodation
- Outsourcing
- HB Payments (Your share of circa £23bn)



## • Penalties

- Claimant Error or Fraud - Overpaid Benefit (60% Penalty)
- LA Error O/P between lower & higher thresholds (60% Penalty)
- LA Error above the higher threshold (100% Penalty)
- Material Mistakes identified and extrapolated in the annual audit of your HB Subsidy Claim

**PENALTY**

- Our main focus today will be on the areas where you have control or influence.
- Share with you the areas where managers seem to be heavily engaged in and what I tend to spend my time supporting
- Look at areas where I think we may have lost focus
- But first we will look at the Administration Grant, with a view to increasing our understanding of the distribution methodology and in turn improve your ability or capacity to negotiate for precious resources centrally within the council.

# The HB Administration Grant

# Administration Grant

- Historically the Administration Grant used to fund around 2 thirds of the over all cost of HB administration
- For example 10-years ago the Administration Grant was £577m
- For 2019/20 the Administration Grant is £196m
- We are not exactly comparing like for like, but it is nonetheless interesting
- Until 2015/16 the Administration Grant had an element of activity based funding. The component for New Claims was driven by the number of New Claims decided
- Also until 2015/16 the Administration Grant allowed, in part, for claim complexity. For example RA Claims and Standard Claims carried a premium
- However with the advent of UC and the impending cessation of New HB Claims for Working Age Claimants, the Grant was simplified from 2015/16.

# Changes to Administration Grant: 2015-18

## **Distribution methodology**

DWP allocated each LA a share of the total HB administration subsidy that reflected its share of the national HB work done, with adjustments that reflected some differences in regional costs along with netting and capping protection used to avoid large fluctuations in the allocations

## **Universal Credit roll out**

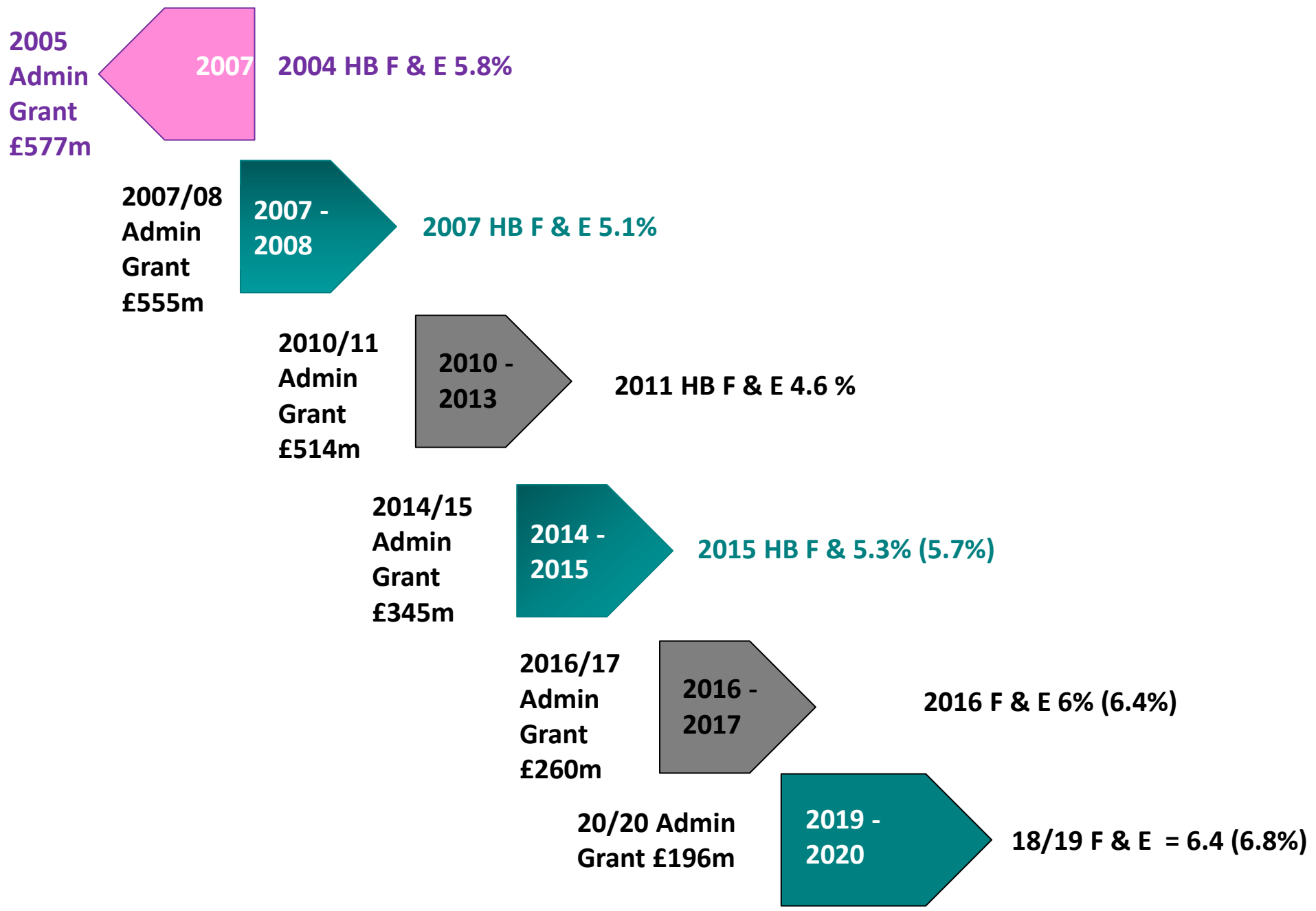
For the first time, the 2017/18 HB administration subsidy funding took into account the Universal Credit roll out schedule.

# Administration Grant: New Methodology

New methodology uses latest HB caseload and Universal Credit housing element caseload volumes. Combined total is used to determine the proportion of core HB administration subsidy allocated to each LA, irrespective of where the LA is on the Universal Credit rollout schedule

Universal Credit savings have been calculated using estimates for the impact Universal Credit roll will have on changes to HB working age caseload at a local level. A further £10 million reduction was made in 2019/20 on top of the reduction of £17 million already made. A flat rate percentage reduction has then been applied across all LA allocations, in line with the DWP efficiency reduction (circa 5%).

# Funding and Fraud & Error – Cause and Effect, Co-relationship, Co-incidence







East Anglia Branch

Meeting the financial challenges

# Getting the best out of your resources

- Are your managers 'managing'?
- Are your managers being supported effectively?
- Do you know the 'numbers' and the 'productivity' of each area?
- Do you measure the 'waste' and rework (Complaints/Appeals/Reconsiderations)?
- Do you have the right culture or do you see significant time wasted in dealing with staffing issues?
- Do you address inappropriate behaviours?
- Are staff supported by meaningful procedures to support decision making?
- Do you spend more time focused on the staff than the customers?

# Managing Value and Reducing Waste



# Understanding Value & Waste

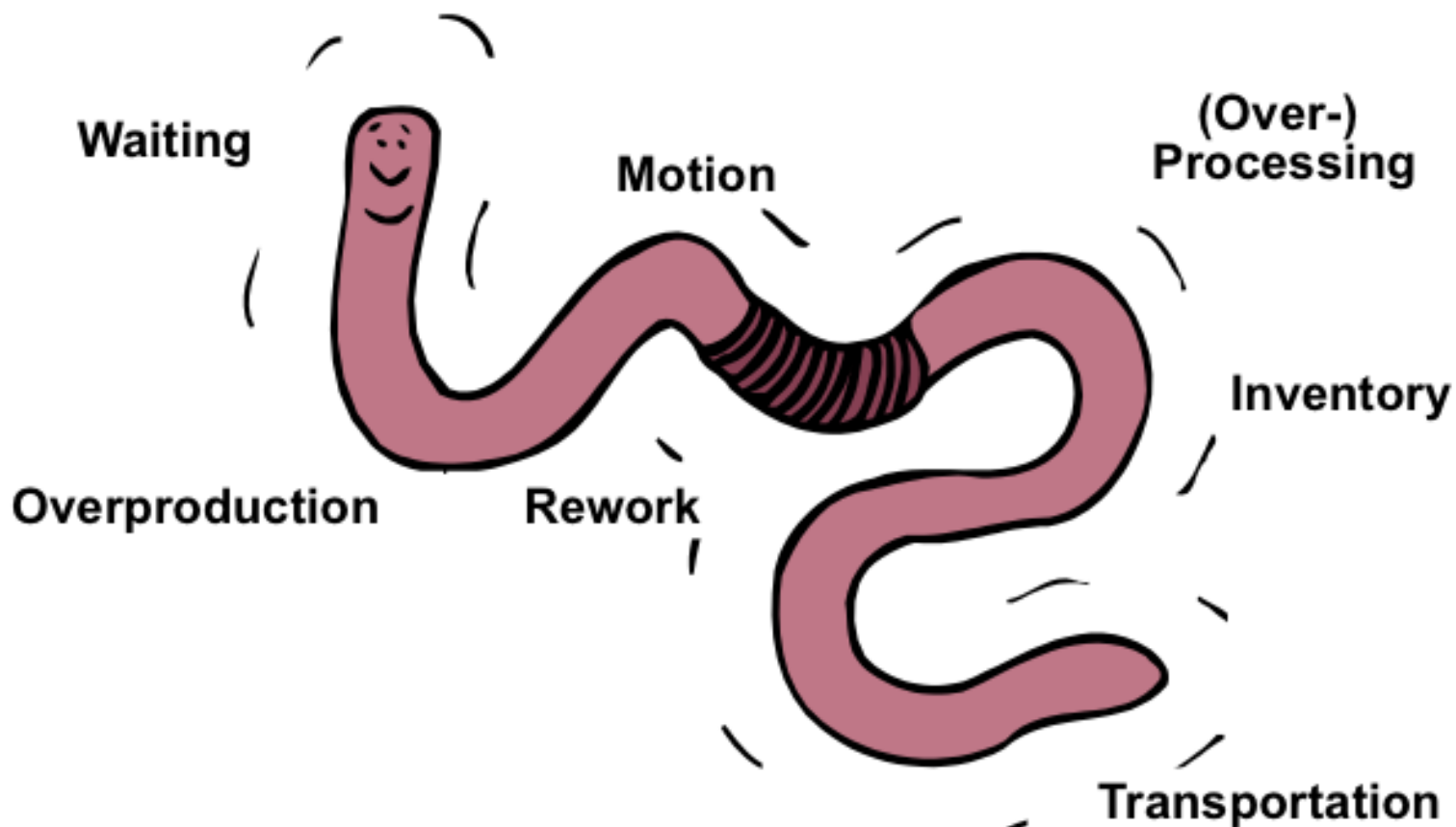
- Some things we do because the business demands it.
- Some things we do because the customer demands it.
- Legacy - Some things we do because..... Well just because.....Well we have always done it that way.
- There is value or waste in all that we do and we need to promote the former and eliminate the latter.
- We must organise around delivering value.

## Understanding Value & Waste – “Legacy Demands”

- That’s the way he / she / we:
  - has always done it
  - likes to do it
  - was trained to do it
  - prefers to do it.
  
- Well you see he / she / we:
  - always likes to get more of or an extra.....
  - never believes what is already available
  - always prefers to write
  - always likes to send extra reminders
  - doesn’t like phoning.

**Do not waste your time & money on these demands**

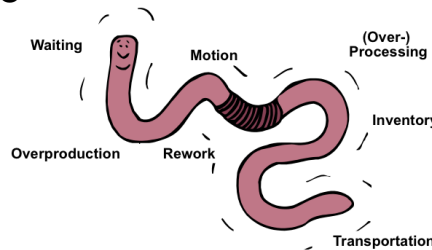
# 7 Types of Waste



# Focus on Waste in Our World

## • Waiting Times

- Customers waiting
- Ready claims waiting to be processed
- People waiting for work
- Waiting to use equipment
- Slow IT system response times.



## • Over-processing

- Doing more than is needed - 'Using a hammer to crack a nut' - Always getting more verification than necessary
- Producing something that the customer or business does not see or value
- Duplicating records or information.

## • Over-production

- Doing more of something than is needed - a product that isn't required immediately by the next process is a waste.
- Doing something faster than is needed - getting ahead of yourself, or your customer.'

## Rework

- Any activity that does not produce a perfect conclusion first time, in the time allocated, and with the usual resources, is waste.
- All the time dealing with the above is also waste.

# Management Checking – Optimising Value



Vs



[dreamstime.com](http://dreamstime.com)





East Anglia Branch

Managing HB Overpayments

# IRRv Presentation

**Alan Sullivan – [sullivanala@aol.com](mailto:sullivanala@aol.com) (07730 349130)**

# Content

In this short session we will look at:

- the context of the current challenges in overpayment recovery
- The impact that UC is already having on recovery, the impact of the HMRC CT trial and 'Breathing Space'
- How recovery rates have fluctuated over time and how this raises uncertainty about future performance
- How you might use a health-check to understand your current and future performance
- Keeping your debt under control, from recovery to write-off (if necessary)
- The increasing proportion of hard cases, in particular managing:
  - Non-compliant DEA Employers
  - Individual Voluntary Arrangement (IVAs)
  - Fast-track County Court Action
  - Hardship cases.
- 10 easy to remember top tips and questions arising from the session.

# HB OP Debt Recovery – A Perfect Storm Context



**Two converging forces at the same time and same place – In our case Rising Debt and UC Implementation**

## O/P Identified

Year	Amount of HB Overpayments identified
2009/10	£624m
2010/11	£672m
2011/12	£734m
2012/13	£766m
2013/14	£805m
2014/15	£977m
2015/16	£1,070m
2016/17	£901m
2017/18	£923m
2018/19	£740m

Source: DWP September 2019

- [illegible]

# Latest HB O/Ps HBDR to 2018/19

LA	2016/17	2017/18	2018/19
<b>ENGLAND</b>	75.69%	73.36%	88.04%
Babergh	88.89%	62.38%	83.27%
Breckland	93.83%	94.40%	101.76%
Broadland	89.83%	94.35%	96.32%
Cambridge	88.71%	67.30%	82.57%
East Cambridgeshire	75.29%	90.89%	83.95%
Fenland	63.10%	73.89%	103.30%
Forest Heath	74.20%	81.71%	90.34%
Great Yarmouth	75.69%	92.43%	161.17%
Huntingdonshire	90.42%	85.20%	85.73%
Ipswich	82.98%	69.05%	80.89%
King's Lynn and West Norfolk	71.88%	75.68%	87.95%
Mid Suffolk	75.73%	69.83%	87.37%
North Norfolk	83.74%	86.29%	98.03%
Norwich	68.03%	70.18%	103.60%
Oxford	81.98%	73.80%	74.67%
South Cambridgeshire	78.80%	81.17%	96.88%
South Kesteven	92.81%	72.32%	82.09%
South Norfolk	68.19%	85.14%	89.82%
St Edmundsbury	89.99%	80.81%	99.40%
Suffolk Coastal	91.08%	104.23%	85.55%
Waveney	74.89%	104.91%	123.11%

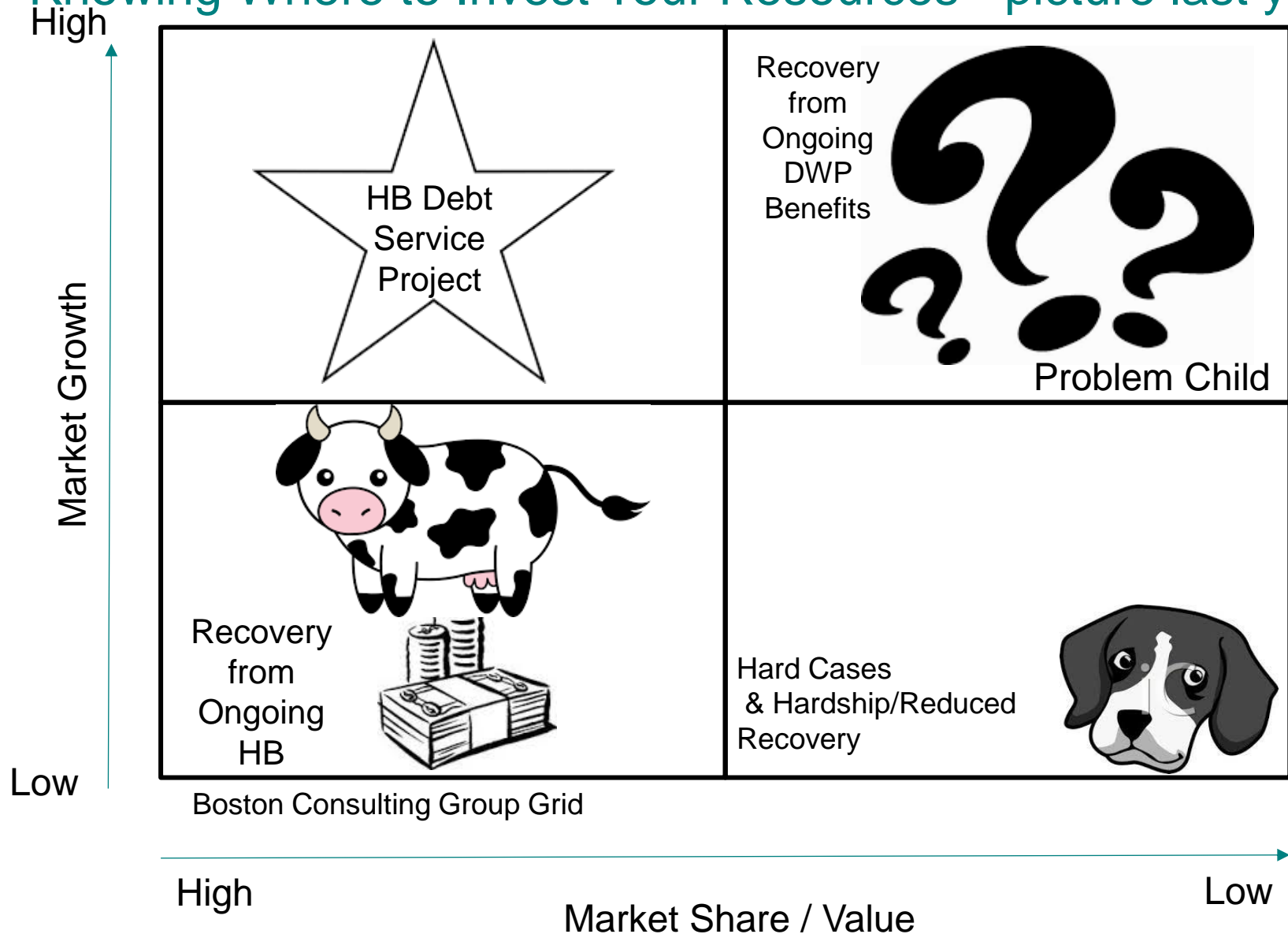
# HB O/Ps Beneath the Headlines



- Please do not forget the finer detail, because a lot of your problems will be hidden behind the headlines – Even though you might be recovering more than 60%.
- And as you plan to tackle these problems, think carefully about how and where you want to invest your resources.

# Lessons from Marketing:

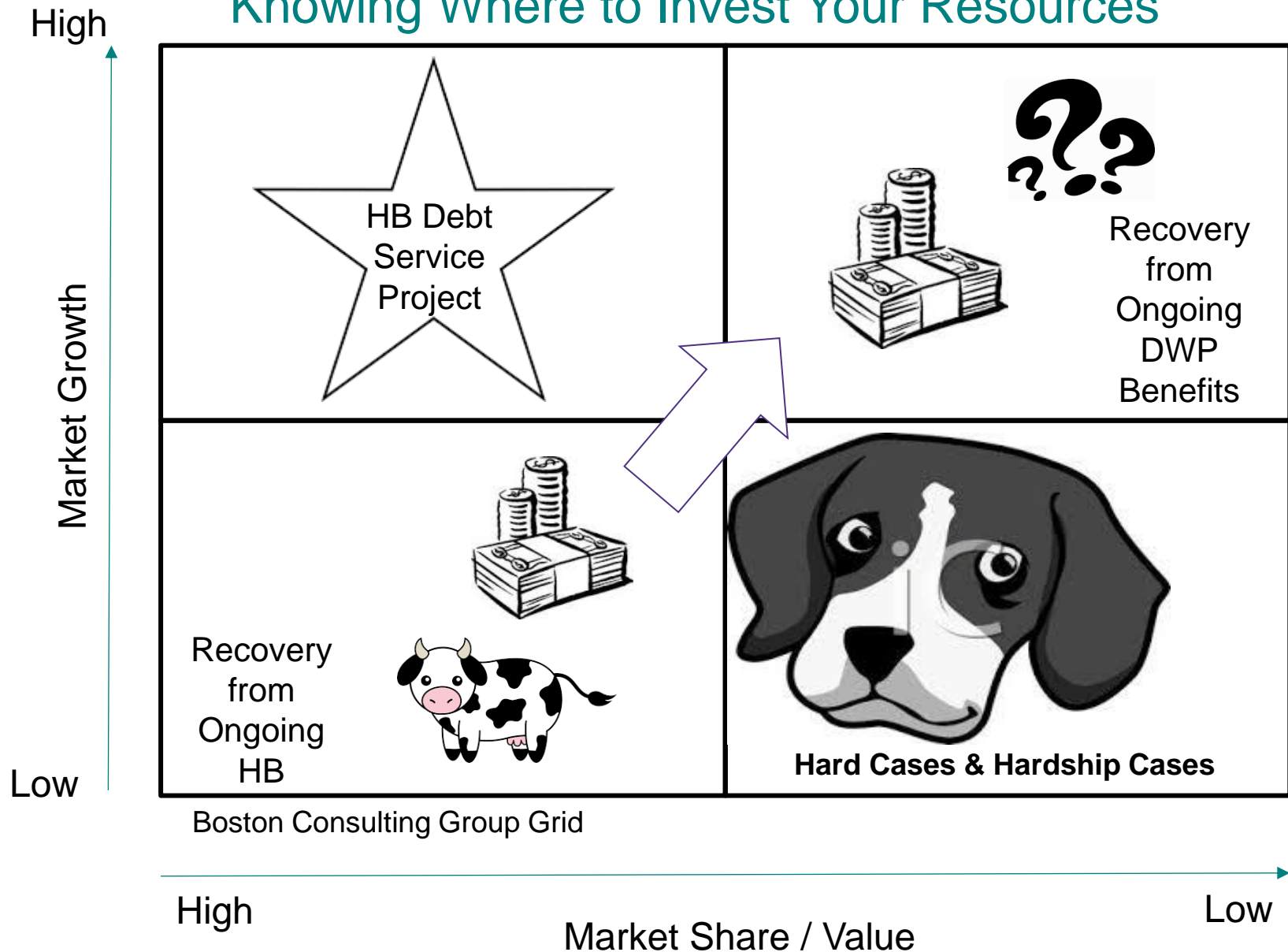
## Knowing Where to Invest Your Resources - picture last year





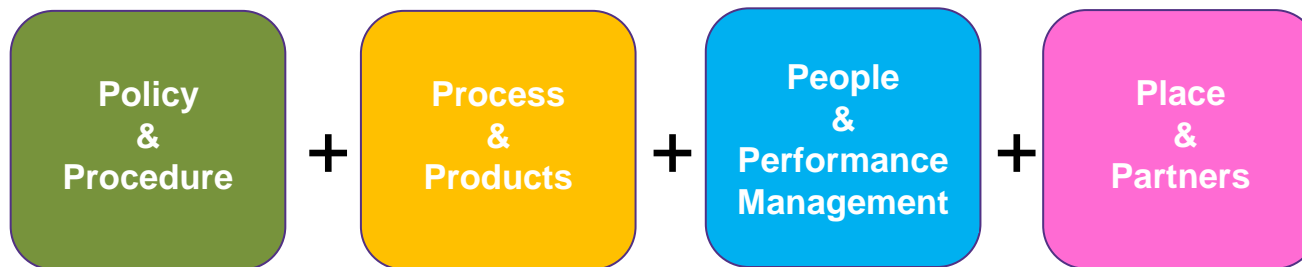
# The Developing Landscape Beyond 2019

## Knowing Where to Invest Your Resources



So, how do you know if you are performing as well as you can and what assurance do you have that you will continue to perform well?

## *The HB OP/Debt Health Check*



APPROACH

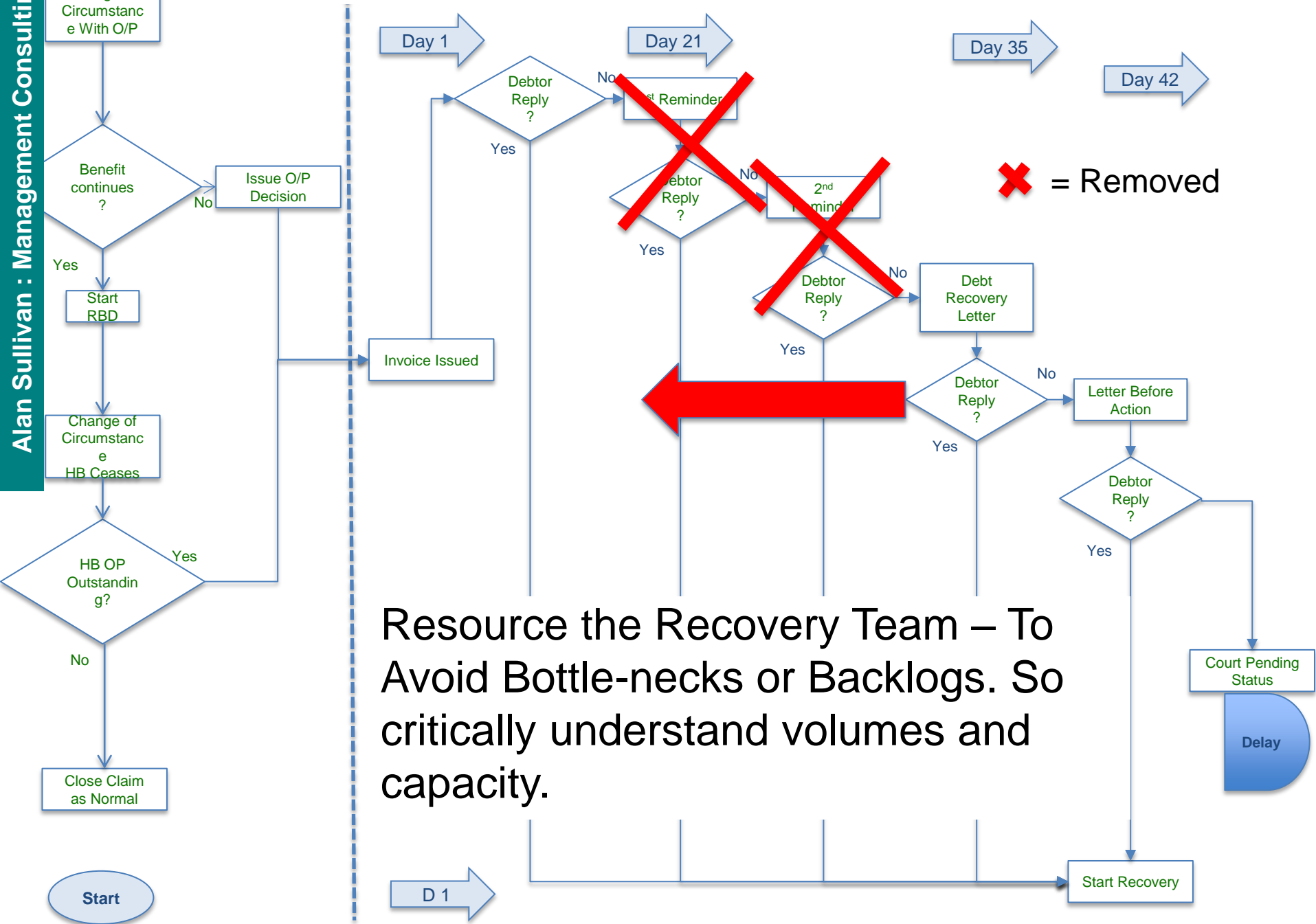


Performance  
Excellence

RESULTS



# Reduce Time-delays and Nugatory Effort



# A Model Recovery System - Keep it Simple

Pot 1



In Recovery  
&  
Under System Control

Pursuing Initial Recovery or  
Recovery Breakdown –  
Alternative Recovery Path  
Needed

Pot 2



Pot 3



**With the exception of Standard  
Repayment Plans in Pot 1**

**Every other debt should be under  
control. To review a non-standard debt;  
to find an alternative recovery path or to  
move along the road to write off.**

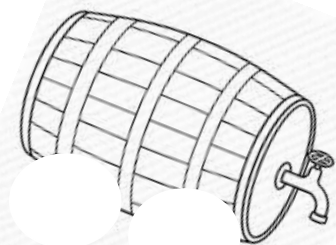
**On the Road to Write-off**

## Using HB Debt Project (HMRC Employer Trace) to Tackle Any Backlog of Dormant Debt

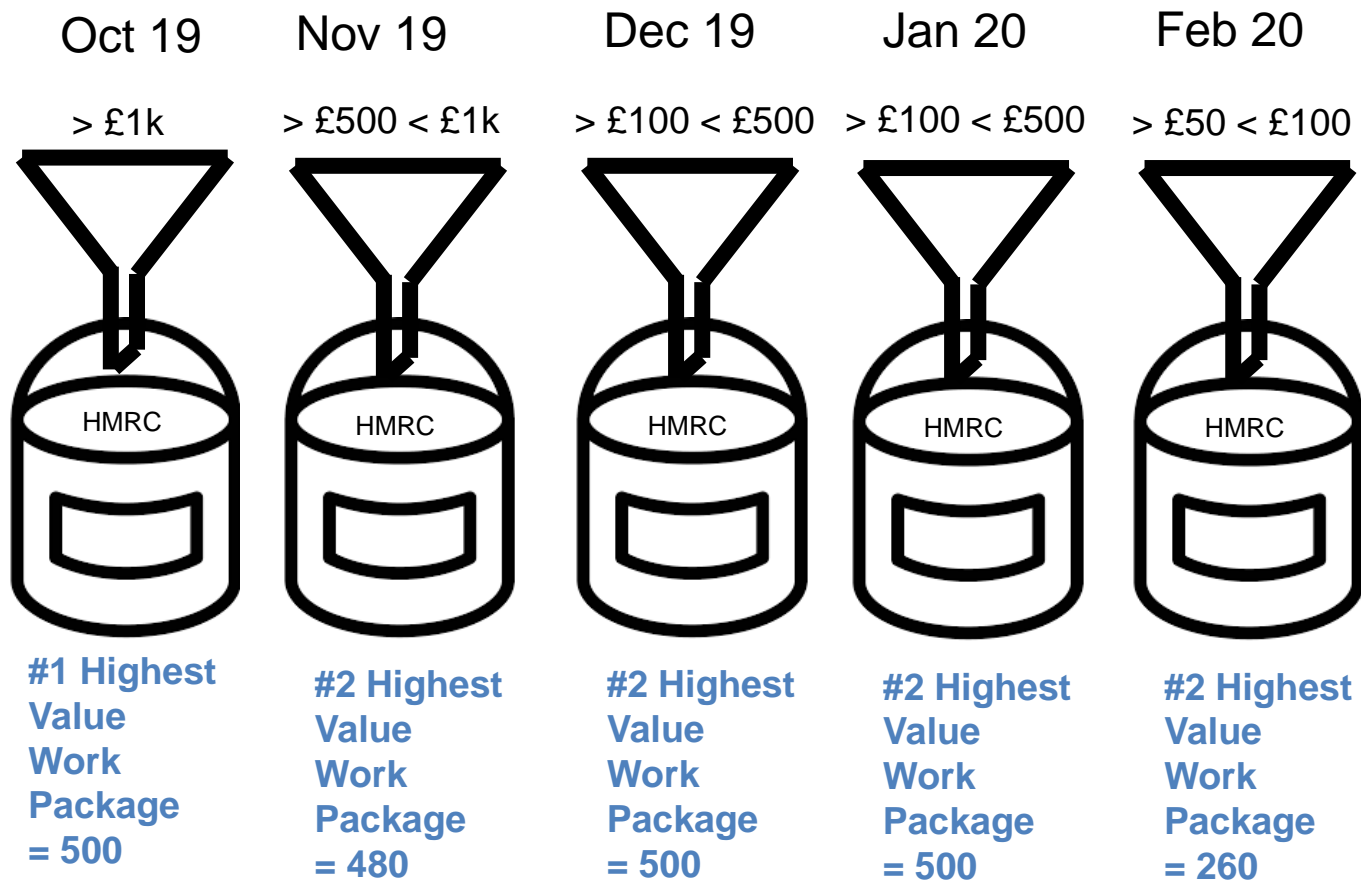
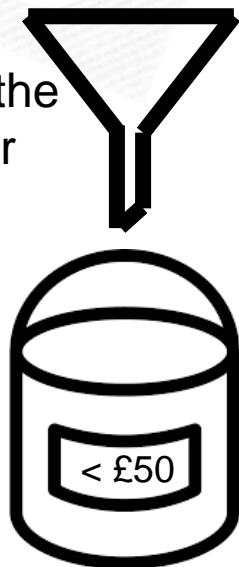
- Understand size and value of backlog
- Understand your Capacity (Gap)
- Invest to save bid to augment resource
- Decide on your approach
- Have a clear plan
- Manage your stakeholders
- Monitor performance
- Learn as you go



# Prioritise & Profile Your Dormant Debts Through Employer Trace



Distil the  
Higher  
Debts

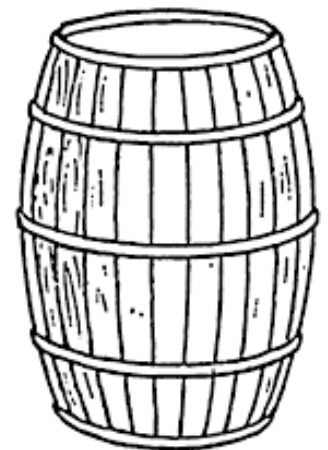


Critically understand your capacity and do not refer to HMRC any more cases than you can cope when they return.

## Bottom of the Barrel – Hard Cases

As you progress through your legacy or dormant debt you will come across a greater proportion of hard cases. For example:

- Court action required for the debtor
- Debtors in hardship requiring special recovery arrangements, including Individual Voluntary Arrangements (IVAs)
- Debts needing to be written-off.

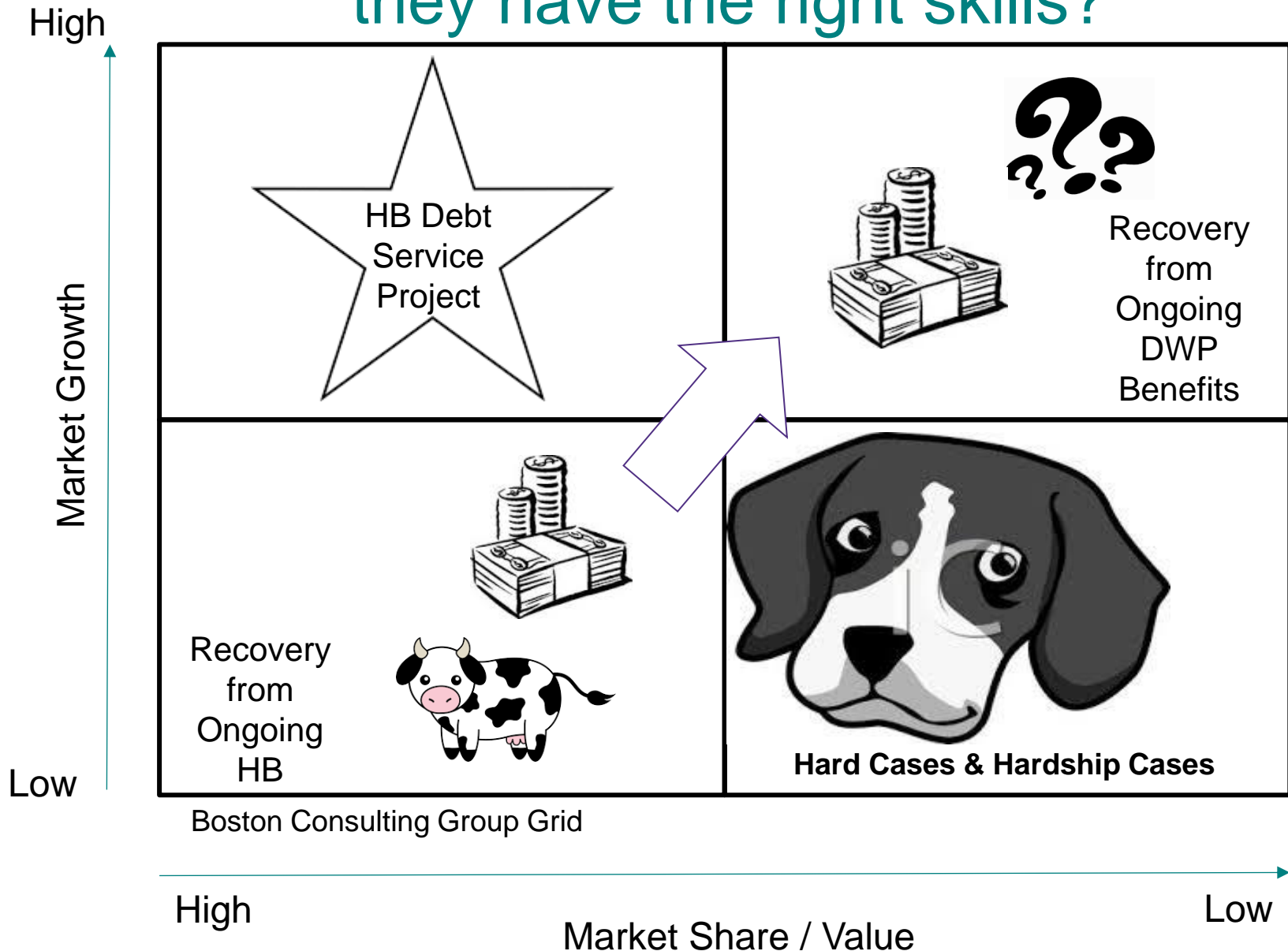




# Top Tip Summary – 10 Ps

- **Proportionate Control** – Can you say with confidence it's all under control?
- **Prevention** – Do you do enough to prevent or reduce overpayments?
- **Process** – Does your approach help or hinder, is it simply too long?
- **Products** – Are your standard letters sufficiently assertive?
- **Peripatetic** – Are your people desk-bound or happy to get out there?
- **Partners** – Are you getting the most from bailiffs, DWP (PDP), HMRC?
- **Planning** – If you have a backlog, have you prioritised & planned its elimination?
- **Place** – Are your HB recovery staff in the right place?
- **People** – Do you have the right staff and in the right quantity?
- **People Skills** – Have you invested in the skills of your recovery team?

# Are your resources in the right place and do they have the right skills?



If you get it right.....

Feedback from a London LA:

Hope you're keeping well.

Thought I'd let you know that our last qtr. HBDR figures show that we recovered more than we overpaid in the qtr. (86.45% for the year - £2.25 Million profit) -sounds pretty impressive!

But as if it wasn't hard enough.....

- Non compliant Employers on DEAs
- Cabinet office trials for providing HMRC data for CTB recovery (good for Revenues but competition on DEAs)
- Tax Credit debt coming into DWP (further competition on DWP recoveries and DEAs)
- UC likely to lead to greater issues around poverty
- Debt relief options (DRO, IVAs, Bankruptcy)

And if that wasn't bad enough.....

- 'Breathing Space' around the corner

# Cabinet office trials for providing HMRC data

- The Council Tax pilot has started and is now operational from July 2019
- Approximately 122,000 debt records were sent from 29 LAs, totally £110M debt.
- HMRC matched and returned PAYE and self-assessment data on those with an exact name and address match.
- Of those matched:-
  - 50% were in PAYE
  - 10% in Self Employment
  - 10% in both
  - 30% no PAYE or Self Employment
- Vast majority were in personal and basis tax rates (95% approx), though some were in higher tax brackets, (1.96% in Higher tax bracket up to £150,000 and 0.14 in additional tax bracket - above £150,000)
- Most councils have made a press release and have started operational activity, e.g. contacting customers and some debt recovery has started.

# Breathing Space

- The government published a consultation document setting out a policy proposal for the scheme on 29 October 2018. The consultation then closed on 29 January 2019. This consultation response sets out how the scheme will be designed and administered, alongside outlining the government's next steps on implementation
- The government received over 130 responses to the consultation from a wide range of stakeholders – including various creditors, debt advice agencies, and local authorities.

# Breathing Space

- will offer a person in problem debt the right to legal protections from creditor action while they receive debt advice in order to enter an appropriate debt solution
- proposed to be a period of 60 days
- the statutory debt repayment plan (the plan) will include a statutory agreement to repay debts to a manageable timetable
- legal protections from creditor action for the duration of the plan
- encourage people to access to debt advice
- allow debtors the time and space to fully engage with professional debt advisers to identify a positive and sustainable solution to their problem debt.

# Breathing Space

- alternative way of people repaying debts to debtors who are not suited to existing statutory debt solutions
- repay their debt in full over a sustainable period of time
- improve debtors' finances and improve returns to creditors
- regulations to be laid before the end of the year.
- Implemented early 2021
- a period of time during which an individual in problem debt is given respite from creditor action
- give individuals space to fully engage with debt advice and seek a sustainable solution to their debts.



# Breathing Space

- The government set out in the consultation that, to be eligible for breathing space, individuals would have to:
  - access debt advice
  - be assessed as being in problem debt by a debt adviser
  - not have entered in breathing space in the previous 12 months
- Those receiving NHS mental health crisis treatment would not have to meet these criteria and would be able to use an alternative access mechanism to enter the scheme
- individual will first have to access FCA- regulated debt advice, online, telephone or face- to-face
- debt advice agents will be able to charge the individual.



East Anglia Branch

Counter-Fraud activity

# IRRv Presentation

**Alan Sullivan – [sullivanala@aol.com](mailto:sullivanala@aol.com) (07730 349130)**

# Counter-Fraud Activity

- A disastrous state of affairs?
- How many of your HB cases have been investigated recently?
- What focus is there on internal fraud?
- Have you witnessed any targeted HB fraud drives by DWP?
- Do you investigate fraud on the Revenues side?
- Levels of prosecutions – where's the deterrent?

# Where's the learning?

## **Seven benefits assessors who pocketed more than £1million by submitting false housing claims and diverting the money to their own accounts are convicted of fraud**

Seven housing benefit assessors who stole more than £1million from three **London** councils are facing jail.

Lambeth, Kingston, and Barking and Dagenham Councils were cheated out of £1,025,912 in the decade-long fraud which ran between 2006 and 2016.

Menelik Cowan, 37, and six other council workers paid the cash into bank accounts opened with false passports.

Cowan, his then girlfriend Natasha Francis, 38, his brother Hugh Small, 39, Cassandra Johnson, 38, Jessica Bartley, 35, Rahel Asfaha, 36, and Alexander Williams, 39, were working for the local authorities at the time.





East Anglia Branch

In conclusion

# IRRv Presentation

**Alan Sullivan – [sullivanala@aol.com](mailto:sullivanala@aol.com) (07730 349130)**

# The next 5 years.....

- Keeping your head above the water
- Managing and motivating the staff
- Maintaining collection rates across Revs and Bens
- Coping with any changes to UC rollout plans
- Ensuring that we don't lose further focus on fraud risks, both internal and external.

# Questions

[john.giblin@blueyonder.couk](mailto:john.giblin@blueyonder.couk)

[sullivanala@aol.com](mailto:sullivanala@aol.com)

07730 349130