

Aide-mémoire



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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For: Hon Carmel Sepuloni, Minister for Social Development and Employment

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Correction to the debt figures in *Addressing Debt to Government – Update*

Purpose This aide-memoire notes an error in Attachment C of the paper *Addressing Debt to Government – Update*, provided to you on 11 March 2021 (REP/21/3/232 refers). This paper was to joint Ministers, so was also provided to the Prime Minister/Minister for Child Poverty Reduction, as well as the Ministers of Finance, Revenue and Justice.

Background In Attachment C of the paper *Addressing Debt to Government – Update*, **incorrect** numbers of individual debtors to the Ministry of Social Development (MSD) were provided, as shown in the table below:

Area of debt	Previous numbers provided (as at 30/06/2018)	Most recent numbers (as at 30/06/2020)
	Number of individual debtors	Number of individual debtors
Overpayment debt	301,898	295,451
Recoverable assistance debt	335,971	217,407
Fraud debt	6,944	44,596
Total	514,062	557,454

The previous numbers of individual debtors as at 30/06/2018 (the middle column in the table above) were also in Attachment C of the 2019 paper *Debt to Government – Proposal for Cross-Agency Work* (REP/19/6/562 refers).

Correction The correct figures of individual debtors to MSD are provided in the table below.¹

Area of debt	Previous numbers provided (as at 30/06/2018)	Most recent numbers (as at 30/06/2020)
	Number of individual debtors	Number of individual debtors
Overpayment debt	328,908	349,767
Recoverable assistance debt	318,930	363,930
Fraud debt	5,571	5,376
Total	477,336	523,170

For complete clarity, the debt balances provided in the same table in Attachment C of *Addressing Debt to Government – Update* are correct.

The incorrect figures were provided due to a combination of human error and complexities with the different methodologies for obtaining the numbers of debtors, split by type of debt, to MSD. Many people owe more than one type of debt to MSD (eg both recoverable assistance debt and overpayment debt). Consequently, the process of obtaining unique numbers of debtors under each category is not as simple as calculating this number based on the ratio of debt within each category. Further, figures on individual debtors are not part of MSD's regular reporting on debt, so require bespoke data requests to obtain.

The significant drop in fraud debt balance, as seen in the corrected figures, is primarily due to a recategorisation of some debt from fraud debt to overpayment debt. This recategorisation was a result of changing debt management reporting systems. The old system was found to have been incorrectly categorising overpayment debt as fraud, so the new system reallocated this to the correct category.

Going forward, MSD will ensure that particular care is taken around providing data on individual debtors, especially given the fact that these numbers are not included in any of our standard debt reporting (like debt balances are). MSD officials will ensure that data on individual debtors is sought from the business units within MSD who have the specialised skills to extract the unique numbers of debtors, split by type of debt.

¹ Please note the following caveats for the data in this table:

- The total number of debtors will not equal to the sum of the number of debtors under different categories since there might be clients having debts established under multiple categories.
- To protect confidentiality the Ministry of Social Development uses processes to make it difficult to identify an individual person or entity from published data. These data tables have had random rounding to base three applied to all cell count in the tables.
- There can sometimes be slight discrepancies when extracting reporting numbers on different days, for the same point in time.

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