Central Bedfordshire Council

Audit Committee   30 March 2015

Implementation of a Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments

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Purpose of this report

To advise Members of the new approach to verifying claims for Housing Benefit and Local Council Tax Support and to seek approval of the Risk Based Verification Policy.

RECOMMENDATION

The Committee is asked to:

1. Consider for approval the Risk Based Verification Policy attached at Appendix A to this report.

Overview and Scrutiny Comments/Recommendations

1. This report has not been discussed by the Overview and Scrutiny Committee. The Department for Works and Pensions guidance states that it is good practice for Risk Based Verification Policies to be examined and approved by the authority's Audit Committee.

Background

2. Approximately 4,500 new Housing Benefit / Local Council Tax Support claims are processed in Central Bedfordshire each year. Legislation requires the local authority to be satisfied that it has sufficient information to be able to accurately assess entitlement. This is currently done, in most instances; by the provision of original documentation to support all aspects of a detailed means test e.g. pay slips.

3.   Risk Based Verification is new technology that uses a complex mathematical model to calculate a risk profile for each customer. These risk profiles are determined by a propensity model that uses historical outcome data to establish the likelihood of fraud and error appearing in a given claim. The outcome of the process is the likelihood of risk expressed which can be high, medium or low risk.

4.   The risk model is based on many years of experience and statistical information about what type of claim represents what type of risk. The higher the deemed risk, the higher amount of resources will be used to establish that the claim is genuine.

5.   Each benefit claim is analysed by the software to identify if any of the characteristics associated with the occurrence of fraud and error are present. Each claim will be assessed at the point of claiming/notifying a change and will be categorised as low, medium or high risk according to the Risk Based Verification Policy at Appendix A.

6.   Following successful pilots for Risk Based Verification (RBV) by the Department for Works and Pensions (DWP) and Local Authority partners in 2011, the process was opened up to all organisations responsible for administering Housing Benefit.

7.   Housing Benefit and Local Council Tax Support has traditionally been claimed through hard copy claim forms which are then scanned and automatically loaded into the benefit assessment software. The implementation of electronic claims in April 2015 will allow new claims to be made online via an eform and this will be integrated with the RBV technology.

Issues for consideration

8.   The DWP have now developed and approved a new RBV policy which sets out the information and evidence required before assessing claims for Housing Benefit. This process can also be adopted for assessing claims for Local Council Tax Support. Risk Based Verification is a method of applying different levels of checks according to the risk of fraud associated with those categories of claims.

9.   The Risk Based Verification policy (**Appendix A attached)** defines the risk categories and the checks required for each category. This information is system based so that claims are automatically allocated a risk category prior to assessment and payment. Claims are put into 1 of 3 categories of evidence required – **Low, Medium or High.**

   Low Risk

   - Photocopies or original documentation to prove identity, National Insurance number and Student status.

Medium Risk

- Must have the same checks as low risk plus
- Photocopies or original documentation to prove every type of declared income and capital.

High Risk

- All high risk categorised cases must have original documentation to prove Identity, National Insurance number and Student status.
- Original documentation only for proof of every type of declared income and capital.
- "Verification plus" which may include some cases having a credit reference check completed to determine if there are any discrepancies between the information provided by the customer and the information available via the credit reference check.

10. Once the category is identified, individual claims can not be downgraded by the benefit processor to a lower risk group. They can however, exceptionally, be upgraded, with approval from a Senior Benefits Officer, if the processor has reasons to think this is appropriate. All cases which are upgraded will be recorded along with the reasons for doing so.

11. In adopting RBV there is still the obligation to get all the facts and make an accurate assessment but there is not the need to gather documentary evidence in all cases.

12. This in effect means being able to focus resources appropriately on those claims that pose the greatest risk and simplify and reduce the processing time for those that pose the least risk.

13. In line with the Department of Work and Pensions guidance around 55% of cases will be Low Risk, 25% Medium and 20% High.

14. The RBV Policy will be reviewed annually in accordance with the DWP instructions but must not be changed in-year as this would complicate the audit process.

15. The introduction of RBV will bring about the following benefits:

- Identify up to 25% more fraud and error, thus moving the emphasis from fraud detection to fraud prevention.
- Reduce outgoing post and post received, thereby reducing postal costs, demands on the post and scanning team within Revenues and Benefits and decreasing administration duties within the benefits team.
- Improve the time taken to process new claims for Housing benefit and Council Tax Support by up to 50% (currently 26

days), reducing customer contact and improving customer satisfaction.

- A reduction of 2 benefits processing staff during 2015/16, thus delivering one of the efficiency savings built into the Medium Term Financial Plan.
- Reduce the number of contacts made by claimants to the Council.

Reason: (For recommendation)

16. Adopting a RBV Policy has the potential to identify more fraud and error before it enters the benefits system. It will reduce the necessity for benefit claimants to contact the Council through more expensive methods such as face to face contact, decrease the need to produce original documents to support claims, resulting in a reduction in the number of customer contacts, improve processing times for new benefit claims, reduce volumes of scanning and indexing within the Revenues and Benefits Administration Team; and result in fewer requests being made to claimants by the Housing Benefit service.

Council Priorities

17. The implementation of the RBV Policy will reduce the risk of fraud entering the Housing Benefit and Local Council Tax Support system. Furthermore it will deliver value for money due to a better use of resources (delivering efficiency savings) and reduced benefit processing times for new claims.

Corporate Implications

Legal Implications

18. Risk Based Verification (RBV) is voluntary but if an authority chooses to adopt it, it must have in place a RBV Policy setting out the risk profiles, and verification standards that will apply and the minimum number of claims to be checked. Such a policy must be approved by members and have the agreement of the authority's Section 151 Officer. Due to the nature of the content of the policy, it is not made publicly available. It is also expected that there is monthly monitoring of RBV to ensure it is effective and that there is reporting of this.

19. The use of RBV is supported by legislation, DWP circulars, guidance and local policy.

Financial Implications

20. Implementation and on-going costs of the RBV technology are contained within existing budgets; however this new approach to claim verification will improve the processing times for benefit claims, which

should reduce the likelihood of overpayments being made to claimants that then have to be recovered.

21.   RBV will also enable the delivery of efficiency savings, as fewer benefit assessors will be required to deliver higher service levels that will result from its adoption.

Equalities Implications

22.   Pursuant to the Equality Act 2010 ("the Act"), the Council, in the exercise of its functions, has to have due regard to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

23.   RBV will apply to all New Claims for Housing Benefit and Localised council Tax Support. A mathematical model is used to determine the Risk score for any claim. This model does not take into account any of the protected characteristics dealt with by the Equalities Act.

24.   The Risk score profiles are determined by a propensity model; a mathematical formula which uses historical outcome data to establish the likelihood of fraud and error appearing in any given claim. Each benefit claim is analysed by the risk score software to identify if any of the characteristics associated with the occurrence of fraud and error are present. Likelihood is expressed by a risk category of High, medium or low risk'.

25.   The course of action to be taken in respect of the risk score is governed by this policy. As such there should not be any equalities impact.

26.   It is possible that certain protected characteristics, may be over represented or under represented in any off the risk groups. As such monitoring will be carried out to ascertain whether this is the case. As this is a new approach to verifying benefit claims, there is no baseline monitoring we can use as a comparison.

Risk Management Implications

27.   The Risk Based Verification software package is delivered with reports that enable the scheme to be monitored. Blind-sampling is automated within the system to validate the process. This will move a sample of those cases identified as low and medium risk to high risk status and

therefore mitigate the risk of error in the allocation of the risk category. Furthermore benefit assessment officers are able to increase the risk category at any time should they have concerns about an individual case. However they must never reduce a risk rating. The Risk Based Verification procedure will detail when and how this will be carried out and monitored.

28. Monthly management reports will be produced to identify how much fraud and error has been established in each risk group.

29. Following implementation monitoring will be carried out on a regular basis to ensure that the Council are satisfied cases are being allocated to the correct risk group. We would expect no more than around 55% of claims to be assessed as low risk, with around 25% medium risk and 20% high risk. If this proves not to be the case we will revisit the risk profiles assigned to each claim.

30. Risk Based Verification reduces the risk of payment of Housing Benefit and Local Council Tax Support to fraudulent applicants as it allows targeting of resources toward high risk cases.

31. In circular HB/CTB S11/2011, the DWP has laid out the procedure required to implement Risk Based Verification to ensure local authorities meet auditing requirements. Central Bedfordshire Council is following these requirements and therefore reducing any risk to the Housing Benefit subsidy claim. The scheme has been piloted in other local authorities, and rolled out nationally from November 2011, allowing Central Bedfordshire Council to benefit from experiences of others.

32. The risk category assigned to each claim will automatically be flagged on the Civica software for the claim to enable our external auditors to identify and check the verification requirements of the claim have been correctly categorised and documentary evidence has been obtained in support of the claim as per our policy.

Conclusion and next Steps

33. Following approval, the RBV technology will be implemented from 1 April 2015.

Appendices

Appendix A - Risk Based Verification Policy (Exempt under paragraph 7 Part 1 of Schedule 12A to the Local Government Act 1972 as it contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)

Appendix B – DWP Circular S11/2011

Background Papers

None