Central Bedfordshire Council

Audit Committee 4 April 2016

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

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Purpose of this report

1. The purpose of the report is to update Members on the operation of the current RBV policy and seek approval of the Risk Based Verification policy for the coming year.

RECOMMENDATION

The Committee is asked to:

  1. Consider and comment on the current operational impact of the Risk Based Verification Policy and

  2. Approve the Risk Based Verification Policy for 2016/17 at Appendix A

Comments from Overview and Scrutiny

2. 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

3. The Housing Benefit Regulations require local authorities to obtain information which allows an accurate assessment of a claimant's entitlement to benefit to be made. However with the exception of a national insurance number and proof of identity, they do not specify what evidence is required.

4. In 2011 the Department for Work and Pensions (DWP) changed the requirement and now allows Local Authorities to carry out this verification using a risk based approach for new benefit claims.

5. Risk Based Verification (RBV) is a method of applying different levels of checks to new Housing Benefit and Local Council Tax Support claims according to the risk associated with those claims.

6. Claims are assessed prior to payment and put into 1 of 3 categories – **Low, Medium or High** and this determines the requirement to gather proof.

7. The risk category is determined by proprietary software using statistical information and risk propensity data gathered over many years about what type of claim represents what type of risk.

8. The RBV software is integrated with the benefit processing software and on-line electronic forms. When a customer submits an on-line claim / application form, it is immediately risk scored with the relevant evidence requirement being displayed to the customer before the claim is finally submitted.

9. The RBV solution provided by the DWP has now been developed in respect of change of circumstances. The process again uses a method of applying different levels of checks to benefit claims according to the risk associated with those claims. This happens through a specially developed change of circumstances risk algorithm. The risk algorithm has been developed to identify the likelihood that fraud and error exists in a change of circumstances claim. The algorithm has been built using historical local authority data and its performance has been validated across a number of local authorities.

10. Central Bedfordshire Council adopted this new approach for new claims with effect from 1 April 2015 following approval of the Policy by the Audit committee on 30 March 2015, and will consider extending the use of RBV to reported changes in circumstance from 1 April 2017 following a review of the success of the RBV solution.

Monitoring of Risk Scores

11. We have monitored the effectiveness of RBV since its introduction in April 2015 and can report as follows:

Total risk scores generated for the period selected: 4,389 (as at 1.3.16)

Low Risk   2,146   48.89%

Medium Risk   811   18.47%

High Risk   1,432   32.64%

Distribution of risk scores from 01/04/2015
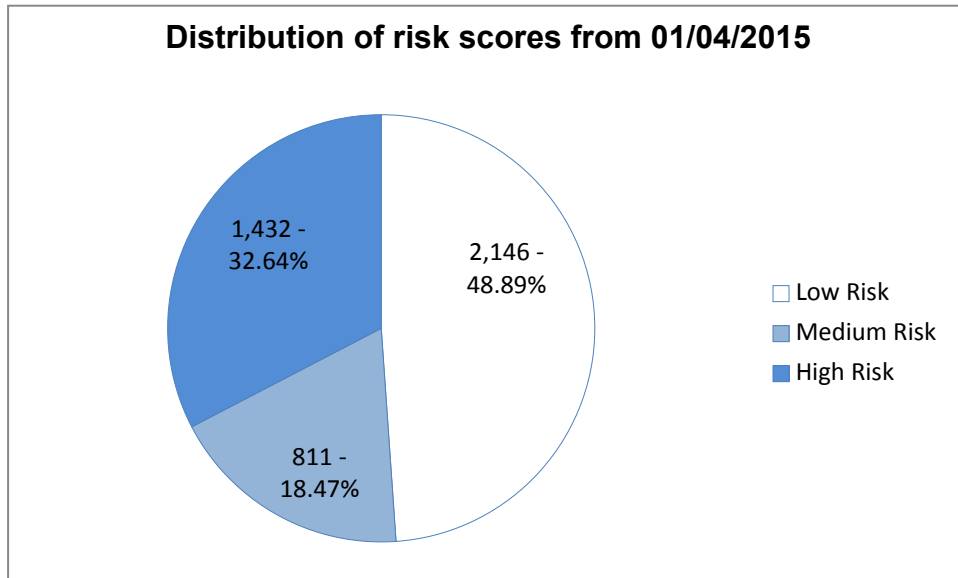
These scores fall outside of our expected risk scores which were forecast to be 55% low, 25% medium and 20% high.

We have been advised by our RBV software suppliers that the variation in risk scores is quite normal as the original distribution percentage was calculated in 2011 when RBV was introduced nationally and due to changes in caseload demographics that have taken place over the last four years, specifically the increase in the number of in-work claims, there has been an increase in the number of high risk cases.

Our RBV software supplier has analysed the outturn from our new claims and whilst our number of high risk cases are higher than the expected average, the results show we receive a proportionally higher number of claims from claimants who do not receive social security benefits. There is a greater propensity for such claims to be deemed as "higher risk". A very small number of claims from pension age applicants were found to be high risk.

Error Detection

12. Of the 1,432 high risk cases processed between April 2015 and the end of February 2016, only 663 are still in receipt of Housing Benefit/ Local Council Tax Support which demonstrates the high level of churn in our caseload.

13. Analysis of these 663 high risk cases by claim type is shown below. Some cases fall into more than one category and this combination maybe the reason for the high risk score as opposed to the claim type itself, so for example we could not say all student claims are high risk:

Number of Claims	Type of Claim / Income
58	In receipt of DWP out of work benefit e.g. JSA, IS
36	Has a non-dependant(s)
7	Student claim
7	Receiving a Discretionary Housing Payment
403	Claimants earnings
65	Self employed earnings
98	Earnings of the claimant's partner
32	Self employed earnings of the claimants partner
3	Child care costs
13	Tariff income from capital
36	Claimant has a social housing reduction for under occupancy

14. A random 10% sample of the highest risk cases (high risk definitions are split across 3 levels) that are still in receipt of Housing Benefit / Local Council Tax Support has been undertaken to provide a test group for further analysis. This group has been subject to a full review of the income details used in the assessment of the claim in order to detect any instances of undeclared changes of circumstance e.g. an increase in wages.

15. 28 review letters were issued in February which were followed up by telephone calls and visits to the claimants in order to verify their income details. To date 22 review forms have been returned and are currently being processed.

16. This trial has so far revealed that none of the high risk cases that have been reviewed had an undisclosed change in circumstance. A verbal update will be provided to the Committee on the latest position.

17. We are now proposing to extend this trial so that a full review of all category 1 high risk cases is undertaken in 2016/17. Additional resource will be employed on a temporary 6 month basis to carry out the review and this will be funded by a DWP grant that we successfully applied for in March.

Performance

18. Over the period that RBV has been in place, there has not been an improvement in process times for new claims due in the main to staff taking longer than anticipated to familiarise themselves with the new on-line forms and RBV software and a relatively low number of new claims being made on-line, approximately 30% at present. This position is expected to improve in 2016/17 as the new processes have bedded

in and the on-line form is publicised further following the implementation of our on-line change in circumstance form in May.

19. We have also seen a reduction in the number of documents scanned and indexed in support of new claims, particularly since July when the on-line benefits claim form was launched.

20. Over 49% of new claims are returned as low risk which means more resources are targeted at the medium and high risk cases. This enables a more efficient targeting of potential fraud and error.

DWP Requirements

21. The DWP require any local authority adopting RBV to have in place a RBV policy and for this to be reviewed on an annual basis. The DWP circular S11/2011 issues guidance on what should be contained in the policy and who should approve it. The Central Bedfordshire Council policy was drawn up in accordance with these guidelines and this was approved by the Audit Committee last year.

22. The current policy has been reviewed and no changes are proposed for 2016/17.

Options for consideration

23. None. Whilst the Council could abandon the use of RBV technology this is seen as a backward step given the progress made to date.

Reasons for decision

24. To enable the continued use of RBV technology in 2016/17.

Council Priorities

25. By protecting vulnerable and elderly people as well as providing incentives to work, the proposed Local Council Tax Support (LCTS) scheme is designed to support the Council's Medium Term Plan priorities of:
    - Promoting health and wellbeing and protecting the vulnerable.
    - Improved educational attainment.

Corporate Implications

Risk Management

26. 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 high risk to medium 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.

27. 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.

28. 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.

29. The risk category assigned to each claim will automatically be flagged on the Civica software 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.

Legal Implications

30. Adoption of Risk Based Verification (RBV) is voluntary for an authority 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.

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

Financial Implications

32. 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.

33.   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

34.   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.

35.   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.

36.   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'.

37.   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.

Conclusion and next Steps

38.   Approval is being sought to extend the use of RBV technology for New Claims of Housing Benefit / Local Council Tax Support claimants for 2016/17.

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)

Background Papers None.