

## Central Bedfordshire Council

AUDIT COMMITTEE

3 April 2017

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### 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 2017/18 at exempt Appendix A

#### Comments from Overview and Scrutiny

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. 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.

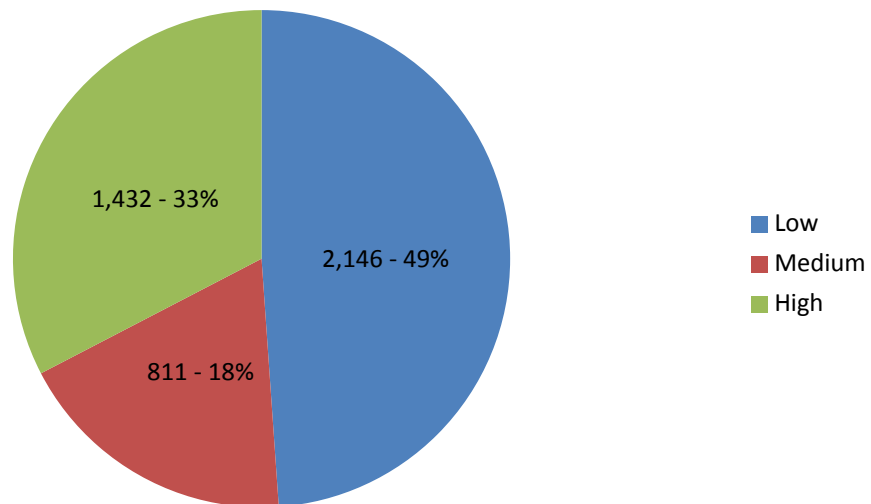
3. In 2011 the Department for Work and Pensions (DWP) changed the requirement and now allows Local Authorities to carry out this verification using a risk based approach for new benefit claims.
4. Risk Based Verification (RBV) is a method of applying different levels of checks to new Housing Benefit and Local Council Tax Support claims according to the risk associated with those claims.
5. 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.
6. 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.
7. The RBV software is integrated with the benefit processing software and on-line electronic form. 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.
8. 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.

### **Monitoring of Risk Scores**

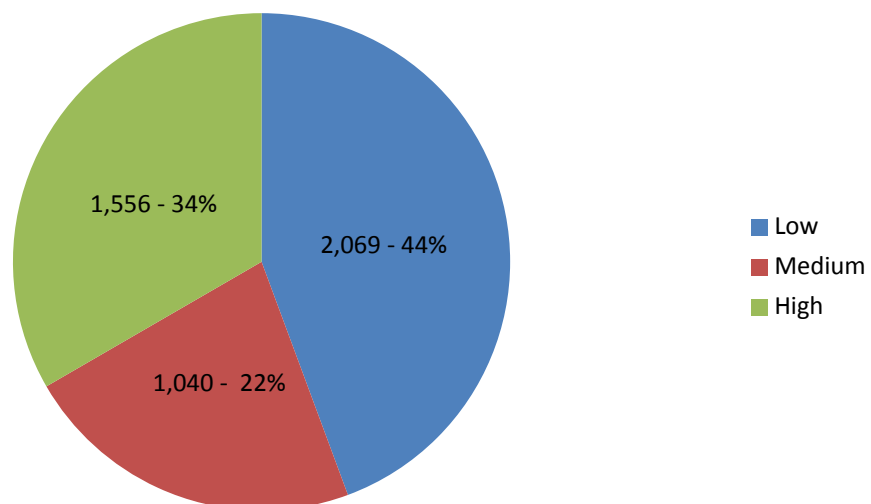
9. We have monitored the effectiveness of RBV since its introduction in April 2015 and can report as follows:

<b>Risk Score</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Variance</b>
Low	2,146 (48.89%)	2,069 (44.35%)	-77 (-4.54%)
Medium	811 (18.47%)	1,040 (22.30%)	+229 (+3.83%)
High	1,432 (32.64%)	1,556 (33.35%)	+124 (+0.71%)

### Distribution of risk scores for 2015/16



### Distribution of risk scores for 2016/17



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 supplier 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**

10. There were 1,432 high risk cases submitted in the 2015/16 year, only 663 of which were still in receipt of Housing Benefit/ Local Council Tax Support at the end of that year. For 2016/17 (April 2016 to end of February 2017) the number of high risk cases submitted increased to 1,556 with 691 claims still being in receipt of Housing Benefit/Local Council Tax Support.
11. Analysis of these 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:

<b>Type of claim / income</b>	<b>No. of claims 2015/16</b>	<b>No. of claims 2016/17</b>
In receipt of DWP out of work benefit	58	88
Has a non-dependant(s)	36	56
Student	7	12
Receiving a discretionary housing payment	7	5
Claimant earnings	403	399
Claimant self employed	65	75
Partner earnings	98	84
Partner self employed	32	21
Child care costs	3	3
Tariff income from capital	13	15
Social housing reduction applied	36	32

12. 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 was undertaken in February 2016 to provide a test group for further analysis. This group was 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.

13. 28 review letters were issued in February 2016 which were followed up by telephone calls and visits to the claimants in order to verify their income details. All 28 review forms were returned and have all been processed.
14. 6 of the 28 cases reviewed were found to have had an undisclosed change in circumstances. 4 of these undisclosed changes led to an increase in Housing Benefit/Council Tax Support entitlement, with the other 2 unreported changes resulting in a reduction in entitlement.
15. The trial was extended in March 2017 with a sample review of category 1 high risk cases where no changes to the claim have been reported in the last 12 months. The review will continue on a rolling basis for 3 months when the results will be evaluated in order to shape the future selection and category of cases to assess.
16. The categories of claims likely to be selected for review will be for claimants who are working, either employed or self employed, and initially the claimants will be written to in order to arrange a telephone interview at an agreed time when the details of their claim will be checked to ensure nothing has changed e.g. their wages.
17. Over the period that RBV has been in place, the speed of processing time has been comparable from 2015/16 to 2016/17 although the second half of 2016/17 has seen an improvement of about 4 days over the same period in 2015/16.
18. Measuring the impact of RBV on the speed of processing time has proved difficult due to a number of unforeseen problems with Citrix which affected the availability of our back office system, Civica, and a high turnover of experienced staff leaving the service who we have been unable to replace due to recruitment issues. The recruitment of 7 trainees to fill some of the vacancies will lead to an improvement in the speed of processing, as will the move away from Citrix to a more stable network environment.
19. Initial take up of new claims being made on-line was very rapid when the facility was introduced, but since then the proportion has remained fairly stable, at approximately 35% at present, compared to 30% in 2015/16. This position is expected to improve in 2017/18 as the on-line form is publicised further following the implementation of our customer portal and e-billing / e-benefit notifications in the first Quarter of the 2017/18 year.
20. We have seen a reduction in the number of documents scanned and indexed in support of new claims, since July 2015 when the on-line benefits claim form was launched.

21. Just over 44% 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**

22. 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.
23. The current policy has been reviewed and no changes are proposed for 2017/18.

### **Options for consideration**

24. 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**

25. To enable the continued use of RBV technology in 2017/18.

### **Council Priorities**

26. 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**

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 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.

28. 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.
29. 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.
30. 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**

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

### **Financial Implications**

33. Implementation and on-going costs of the RBV technology are contained within existing budgets; however this new approach to claim verification will in time improve the processing times for benefit claims, which should reduce the likelihood of overpayments being made to claimants that then have to be recovered.
34. RBV will also enable the delivery of efficiency savings, as fewer benefit assessors will eventually be required to deliver higher service levels that will result from its adoption.

### **Equalities Implications**

35. 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.

36. 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.
37. 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'.
38. 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**

39. Approval is being sought to extend the use of RBV technology for New Claims of Housing Benefit / Local Council Tax Support claimants for 2017/18.

### **Appendices**

Appendix A - Risk Based Verification Policy

(Note: Appendix A is 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.