

## Central Bedfordshire Council

AUDIT COMMITTEE

9 April 2018

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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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**This report relates to a non-Key Decision**

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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 2018/19 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 (DWP) 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.

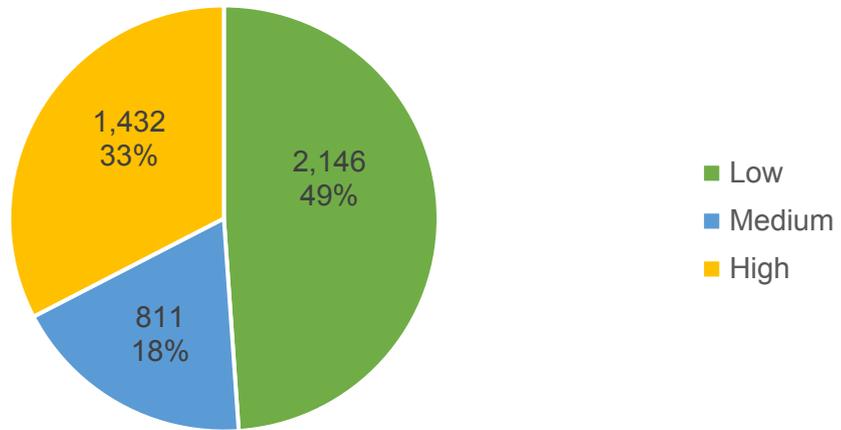
4. In 2011 the DWP changed the requirement and now allows Local Authorities to carry out this verification using a risk based approach for new benefit claims.
5. Risk Based Verification (RBV) is a method of applying different levels of checks to new Housing Benefit and Local Council Tax Support claims 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 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.
9. 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

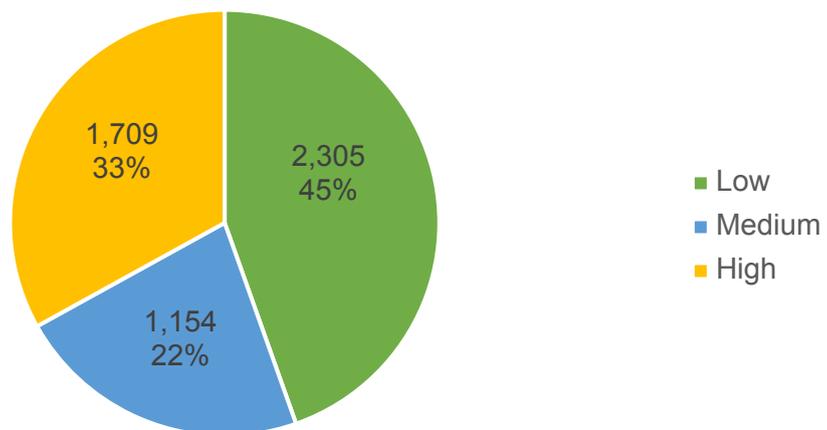
10. We have monitored the effectiveness of RBV since its introduction in April 2015 and can report as follows:

<b>Risk Score</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Variance (2015/16 to 2017/18)</b>
Low	2,146 (48.89%)	2,305 (44.60%)	2,316 (44.81%)	+170 (+7.92%)
Medium	811 (18.47%)	1,154 (22.33%)	1,147 (22.19%)	+336 (+41.43%)
High	1,432 (32.64%)	1,709 (33.07%)	1,706 (33.00%)	+274 (+19.13%)

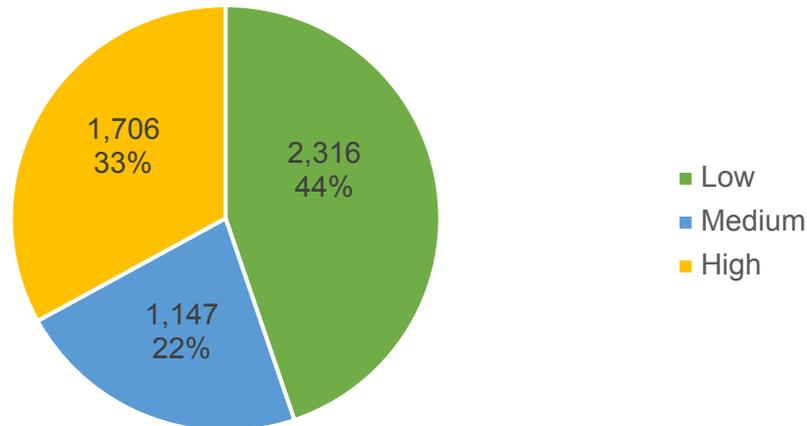
**Distribution of risk scores for 2015/16**



**Distribution of risk scores for 2016/17**



## Distribution of risk scores for 2017/18



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

11. 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 the 2016/17 the number of high risk cases submitted increased to 1,709 with 687 claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year.

For the 2017/18 year (April 2017 to end of February 2018) the number of high risk cases submitted remained almost the same at 1,706 with 522 claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year.

12. 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>	<b>No. of claims 2017/18</b>
In receipt of DWP out of work benefit	58	88	73
Has a non-dependant(s)	36	56	41
Student	7	12	8
Receiving a discretionary housing payment	7	5	4
Claimant earnings	403	399	432
Claimant self employed	65	75	81
Partner earnings	98	84	73
Partner self employed	32	21	15
Child care costs	3	3	2
Tariff income from capital	13	15	12
Social housing reduction applied	36	32	29

13. A random 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 May 2017 to provide a test group for further analysis.
14. 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.
15. 10 high risk claims were reviewed in detail. 8 out of 10 of the claims had some form of change in circumstance that had not previously been reported and most of the changes related to fluctuations in claimant's earnings.
16. It was anticipated that the claims selected for review would be for claimants who were working, either employed or self-employed. As it transpired all 10 claimants were females with or without children who were working.
17. Since this successful small-scale trial was undertaken the DWP have announced a new initiative known as Verify Earnings and Pension service (VEP). This service will enable all Councils to use the earnings and pension information supplied by HM Revenues & Customs

(HMRC) to verify new claim assessments, change of circumstances and reviews of claims.

18. An alert service will also be developed by the DWP that will use HMRC payment data to trigger an alert to Councils as and when there are certain changes to a claimant's earnings and pensions information during the life of a HB claim. There will be 2 categories of alert:
  - "Start" alerts, this will alert Councils that a claimant or their partner has new employment earnings or non-state pensions
  - "Fluctuating" alerts, this will alert Councils that a claimant or their partner's employment earnings or non-state pensions have changed.
19. The go-live date for introducing VEP for our claimants is expected to be in the first quarter of 2018/19.
20. The introduction of VEP will create additional work with potentially more claims needing to be amended but it will negate the need to review many of our high risk category claims.
21. Over the period that RBV has been in place, the average speed of processing time has been comparable from 2015/16 to 2017/18, at approximately 37 days, although 2017/18 has seen an improvement of almost 8 days with an average of 29 days.
22. Measuring the exact impact of RBV on the speed of processing time is difficult as there are always a number of unforeseen issues to factor into performance monitoring, such as staff changes and system availability. However, the processing time over the last 12 months has seen an improvement which will have been aided by RBV and the gradual increase in the number e-claim forms being submitted.
23. Initial take up of new claims being made on-line was very rapid when the facility was introduced, but since then the proportion has grown slowly to the 40% received in January 2018. This position is expected to improve in 2018/19 as the on-line form is publicised further following the implementation of our customer portal in July 2017 and the facility for claimants to upload evidence in support of their claims which will go live in March.
24. 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.
25. 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**

26. 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.
27. The current policy has been reviewed and no changes are proposed for 2018/19.

## **Options for consideration**

28. 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**

29. To enable the continued use of RBV technology in 2018/19.

## **Reason for urgency**

30. None.

## **Council Priorities**

31. 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**

32. 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.

33. 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.
34. 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.
35. 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**

36. 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.
37. The use of RBV is supported by legislation, DWP circulars, guidance and local policy.

### **Financial Implications**

38. 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.
39. RBV may 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**

40. 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.

41. 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.
42. 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'.
43. 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**

44. Approval is being sought to extend the use of RBV technology for New Claims of Housing Benefit / Local Council Tax Support claimants for 2018/19.

### **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.