Central Bedfordshire Council

Audit Committee   **11th March 2019**

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

Responsible Director(s):   Charles Warboys,
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Purpose of this report

1.   To update the Audit Committee on the operation of the current RBV Policy and to seek approval of the RBV Policy for the coming year.

> **RECOMMENDATIONS**
>
> 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 2019/20 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 to 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 claim 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.

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

Risk Score	2015/16	2016/17	2017/18	2018/19	Variance (2015/16 to 2018/19)
Low	2,146 (48.9%)	2,305 (44.6%)	2,316 (44.8%)	See appendix B	See appendix B
Medium	811 (18.5%)	1,154 (22.3%)	1,147 (22.2%)	As above	As above
High	1,432 (32.6%)	1,709 (33.1%)	1,706 (33.0%)	As above	As above

Distribution of risk scores for 2015/16
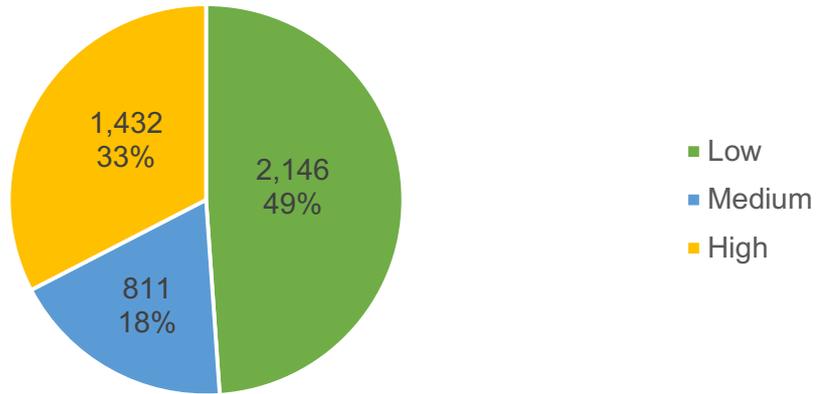
1,432 33%	2,146 49%
811 18%	

- Low
- Medium
- High

Distribution of risk scores for 2016/17

1,709 33%	2,305 45%
1,154 22%	

- Low
- Medium
- High

Distribution of risk scores for 2017/18

1,706 33%	2,316 44%
1,147 22%	

- Low
- Medium
- High
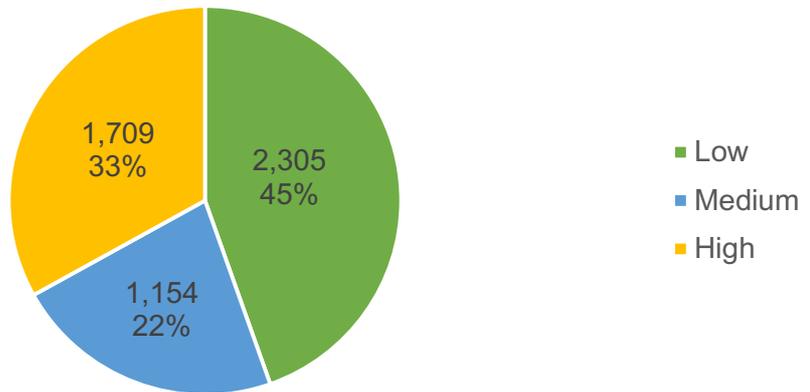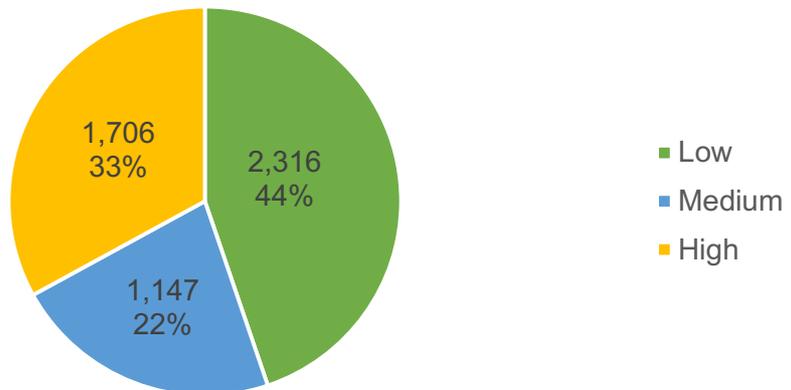
These scores fall outside of our expected risk scores which were forecast to be 55% low, 25% medium and 20% high.

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 year 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.

     For the 2018/19 year (April 2018 to end of February 2019) the number of high-risk cases submitted remained almost the same at x with x claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year. See appendix B for 2018/19 data.

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 as opposed to the claim type itself, so for example we could not say all student claims are high risk:

Type of claim / Income	No. of claims 2015/16	No. of claims 2016/17	No. of claims 2017/18	No. of claims 2018/19
In receipt of DWP out of work benefit	58	88	73	See appendix B
Has a non-dependant	36	56	41	As above
Student	7	12	8	As above
Receiving a discretionary housing payment	7	5	4	As above
Claimant earnings	403	399	432	As above
Claimant self employed	65	75	81	As above
Partner earning	98	84	73	As above
Partner self employed	32	21	15	As above

Child care costs	3	3	2	As above
Tariff income from capital	13	15	12	As above
Social housing reduction applied	36	32	29	As above

13. A random sample of the highest risk self-employed cases (high risk definitions are split across 3 levels) that are still in receipt of Housing Benefit / Local Council Tax Support was undertaken in 2018 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 profit.

15. 46 high risk claims were reviewed in detail. 37 out of 46 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 the claimant's earnings.

16. 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 saw an improvement of almost 8 days with an average of 29 days. In 2018/19 the average is currently 30 days although December 2018 to February 2019 has seen improved performance at about 27 days.

17. 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, processing time since the introduction of RBV has seen an improvement which will have been aided by RBV and the gradual increase in the number of e-claim forms being submitted.

18. 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 48% received in December 2018. This position is expected to show continued improvement in 2019/20 as the on-line form is publicised more widely following the upgrade to our customer portal in Q1 of 2019/20 and the facility for claimants to upload evidence in support of their claim which will also go live in Q1.

19. 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.

20. Just over 44% of new claims are returned as low risk which means more resources are targeted as 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 2019/20.

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.

Reason for decision

24. To enable the continued use of RBV technology in 2019/20.

Council Priorities

25. By protecting vulnerable and elderly people as well as providing incentives to work, the Central Bedfordshire Local Council Tax Support 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

26. Risk Management – The RBV 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 the 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 categorized and documentary evidence has been obtained in support of the claim as per the 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 RBV technology are contained within existing budgets; however, this approach to claim verification will in time improve processing times for benefit claims, which should reduce the likelihood of overpayments being made to claimants that then have to be recovered.

Equalities Implications

33.   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.

34.   RBV will apply to all new claims for Housing Benefit and Local 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.

35.   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'.

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

Conclusion and next Steps

37.   Approval is being sought to extend the use of RBV technology for new claims of Housing Benefit / Local Council Tax Support claimants for 2019/20.

Appendices

Appendix A: Exempt Appendix - 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: 2018/19 data to populate tables and charts at paragraphs 10, 11 & 12. Appendix to follow when data available.

Background Papers

None

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