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**OXFORD
CITY
COUNCIL**

To: City Executive Board

Date: 4 April 2012

Report of: Head of Customer Services

Title of Report: HOUSING BENEFIT RISK BASED VERIFICATION POLICY

Summary and Recommendations

Purpose of report: To approve the adoption of the Risk Based Verification Policy in determining evidence requirements for the assessment of new Housing Benefit and Council Tax Benefit claims

Key decision? No

Executive lead member: Cllr Val Smith

Policy Framework: N/A

Recommendation(s):
1. To adopt the process of Risk Based Verification for verifying Housing Benefit and Council Tax Benefit claims as outlined in Sections 1-3 below
2. To implement Risk Based Verification in accordance with the policy described in Sections 4-5 below.

Appendices to report –

Appendix A – Evidence Requirement for each risk category
Appendix B – Risk Register
Appendix C - Department of Work & Pensions Circular
Appendix D – Legal Framework
Address in the body of the report the following: -

INTRODUCTION

1.1 The Housing Benefit and Council Tax Benefit schemes ("Housing Benefit") are cornerstones of the Welfare State. Nationally, nearly £25 billion is paid out in total per annum. At November 2011, the total number of people claiming Housing Benefit was 4.94 million, with 5.87 million claiming Council Tax Benefit.

1.2 In the early 1990's the Department for Work and Pensions (DWP) introduced a

"verification framework policy" for administering Housing and Council Tax Benefit claims. This was a voluntary policy that strongly recommended that local Councils should obtain a substantial amount of documentary evidence, carry out numerous pre-payment checks and visits before making any payment.

1.3 The verification framework proved to be both costly and caused significant delays in processing. It had to be applied to all claims and there was little scope for local discretion. Although it was abandoned in 2006 by DWP, most Council's including Oxford have continued to use at least some of the guidelines set out in the framework.

1.4 In 2011, the DWP allowed a limited number of Councils to pilot a different type of scheme to try to reduce fraud and error; based on Risk Based Verification (RBV) principles. This concentrates on the risk profile of each claimant; resources can then be targeted at the higher risk groups where most of the fraud and error will be. It is an approach used by many public services as well as businesses in the commercial world; from finance to the chemical industry, the police and immigration authorities. The pilots have been a success and the DWP has recently confirmed that all Councils can now adopt this approach (Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011 attached at Appendix C).

1.5 It is intended that RBV will apply only to new Housing Benefit claims at the moment. However, discussions are taking place nationally with DWP about widening the approach to include changes in circumstances. The process can also be applied to reviews, overpayments and similar processes within Housing Benefit. DWP have recently stated "we are trying to release the shackles and allow benefits services to do what they've sought to do for many years". It is expected that RBV will be used when Council Tax Benefit is replaced in April 2013 by a new discount scheme (to be known as Council Tax Support).

1.6 The Benefits Service has conducted a Fundamental Service Review over the last year. The implementation of Risk Based Verification is a recommendation from that process. This is to reduce the burden on customers to provide excessive evidence, and reduce the cost of administering claims by reducing the correspondence with customers in chasing evidence, and the scanning of that evidence. It is intended that RBV is implemented for new claims by the Council from 5 April 2012. It is believed that this step will provide an improved service for customers and contribute to a significant reduction in costs.

BACKGROUND

2.1 Oxford City Council must adhere to Housing and Council Tax Benefit legislation. The regulations within the legislation do not specify what information and evidence they should obtain from a benefit customer. However, it does require an authority to have information which allows an accurate assessment of a claimant's entitlement, both when a claim is first made and when the claim is reviewed. The legislation is supplemented by detailed guidance from Government which must be applied. Failure to do so would lead to an adverse inspection report, possible audit sanctions and loss of subsidy.

2.2 Given those requirements quality assurance and detection of fraud are key aspects of the assessment process. This has led over a period of time to a complex and demanding process of verification.

RISK BASED VERIFICATION

3.1 Risk Based Verification (RBV) is a method of applying different levels of checks to different circumstances depending on a complex mathematical risk profile given to each customer. The associated risk matrix 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.

3.2 The pilots have demonstrated that this type of approach is very effective in both identifying higher levels of fraud and error and reducing the overall cost of verifying claims. It has had an immediate impact on work processes; resources are able to be better targeted. Overall timescales for processing new claims have improved dramatically in the pilots including for those deemed to be higher risk. DWP intend to use a similar RBV process when Universal Credit is introduced in 2013.

3.3 RBV also allows the Council more flexibility to take into account local issues and build in checks and balances. Improving the time taken to process claims should help those moving from benefits to work whilst reducing the level of overpayments for example.

HOW OXFORD CITY COUNCIL WILL APPLY RISK BASED VERIFICATION

4.1 It is intended to implement an IT Solution for Risk Based Verification following a Fundamental Service Review process which clearly highlighted a significantly high percentage of time was used in verifying and requesting documentation. This approach will be adopted for new claims only. Any change of circumstance will follow separate standards..

4.2 For the purposes of applying verification on a risk basis, each claim is ranked into
one of three categories; these categories are Low, Medium and High Risk. The table at Appendix A shows the requirement to be upheld dependent on the risk grouping. A National Insurance number and identity confirmation must be made in all cases irrespective of the risk grouping; this is to comply with aforementioned legislation. Where photocopies have been supplied, originals may be requested if something on the photocopy does not look right, or conflicts with information already held.

> **Low Risk**
> The only checks to be made on cases classed as low risk are proof of identity, production of a National Insurance Number and if they are a student formal confirmation of status will be required.

Medium Risk

Cases in this category must have the same checks as low risk plus for every type of income or capital declared documentary proof is required. The documentation can be photocopies in this instance.

Until the adoption of a Risk Based Verification IT Solution, all claims will be determined to be Medium Risk.

High Risk

All high risk categorised cases must have the same checks as low risk and documentation provided for each declared type of income or capital; however the documents must be original. Furthermore all cases will have a Credit Reference Check (CRA) completed to determine if there are any discrepancies between the information provided by the customer on a claim form and the information available via CRA checks. The CRA checks will be carried out by Assessment Officers who will be trained to analyse the information from these checks.

RECORDING, MONITORING AND TRAINING

5.1 In line with Department of Work and Pensions guidance it is expected that around 55% of cases could be Low Risk, 25% Medium and 20% High.

5.2 Detailed records of all risk scores will be maintained and reviewed to ensure compliance with the Regulations and that the Council is maintaining proper quality control and fraud interventions.

5.3 Cases cannot be downgraded at anytime by an assessment officer, they can be increased though with approval from a Team Leader. All cases which are upgraded are recorded along with the reasons for this so that this information can be fed through to the parameters if errors are found. Reasons for upgrading a case may include previous fraud, previous late notification of changes in circumstances, or where there is good reason to doubt the veracity of information provided.

5.4 The Council will review 10% of cases via visits to customers' homes. This will help monitor the effect of Fraud and Error detection rates compared to the baseline rate. It is expected that the levels of Fraud and Error will be a small amount in Low Risk and increased for Medium and increased further still in High Risk. Furthermore Oxford City Council also undertakes a minimum of 4% checks across all assessments to make sure guidance is adhered to correctly.

Training

5.6 Training will be provided for all officers using Risk Based Verification to ensure the agreed processes, procedures and guidelines are adhered to. Discussions will take place with all internal and external stakeholders including Investigation staff, Housing staff, Social landlords and the Voluntary sector so that they are fully aware of the change.

Audit Requirements

5.7 The DWP has confirmed that RBV, properly applied will meet audit requirements. We shall maintain dialogue with the external auditors to ensure that we are not placing the Council at risk through the adoption of this policy. Internal Audit processes will have to be amended and the application of RBV would be a useful internal audit theme for the coming year.

BUSINESS CASE

6.1 The Business case for the Risk Based Verification IT solution has been made as part of the Benefits Fundamental Service Review. The cost of obtaining a Solution has been set against savings that the Review has identified. On 7 December 2011 CEB approved the approach of the Fundamental Service Review which referenced the use of Risk Based Verification.

6.2 The purpose of this report is to seek approval of the method of verification we will adopt as outlined in Sections three to four above, rather than the business case for adopting a particular IT Solution.

6.3 It is anticipated that the cost of the Risk Based Verification IT Solution will cost £14,000.00 per year, and contribute to overall savings of £70,000 per year.

RISK

7.1 An evaluation of the risks associated with the implementation of this policy has been carried out. A detailed risk register is at Appendix B.

CLIMATE CHANGE

8.1 This report has no overall impact on the Council's carbon footprint. There are measures which will reduce the carbon impact such as requiring less evidence to be provided. However there are additional checks which will increase the impact.

EQUALITIES IMPACT

9.1 Risk Based Verification will apply to all New Claims for Housing Benefit and Council Tax Benefit. 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.

9.2 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.

9.3 It is possible that people with certain protected characteristics, may be over represented or under represented in any of 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.

9.4 Where it is intended to carry out visits as outlined in Section 5.5, these will be undertaken by trained visiting officers. These officers are used to carrying out visits to the vulnerable, elderly and disabled, as these groups of claimants are often unable to access Council Services in any other way. They are also able to carry out visits to people whose first language is not English, by making use of Language Line and Google Translate services. Interpreters are also available to use in the case of deaf customers.

FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications to adopting this policy. As explained in Section 6, the costs of adopting the IT Solution to deliver this policy has been deducted from savings identified during the Benefits Fundamental Service Review.

10.2 The experience of other Local Authorities who have adopted Risk based Verification is that more Fraud and Error has been identified at the Benefits Gateway. This is Fraud and Error that would otherwise have entered the Benefits system. This could then become subject to Investigative work and result in the need to collect overpayments. Alternatively it could remain unidentified at an ongoing cost to the public purse. By identifying more Fraud and Error at the gateway, we reduce these costs, and risk based verification provides the means to achieving this result. The solution we adopt will allow us to quantify the result of this approach.

LEGAL IMPLICATIONS

11.1 The risk based verification policy we are proposing to adopt complies with the recommendations from the Department of Work & Pensions(DWP) outlined in Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011. This Circular can be found at Appendix C. It should be noted that this policy will be the basis on which we are audited in the future. Providing we comply with this policy, we will be deemed to be verifying claims in the correct way. For this reason, the policy must be approved by the Council's Section 151 Officer. In the Circular, the DWP also require this policy to be approved by Elected Members.

11.2 The relevant legal framework for verification of Housing Benefit and Council Tax Benefit claims is provided in Appendix D.

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Version number: 1.0

APPENDIX A – EVIDENCE REQUIREMENT

Type of Evidence	Sub-category of evidence	Low Risk	Medium Risk	High Risk
Identity and S19	Identity	Originals or Photocopies	Originals or Photocopies	Originals required
	S19	Originals or Photocopies accepted	Originals or Photocopies accepted	Originals required
Residency/Rent	Private Tenants		Originals or Photocopies accepted	Originals required
	Social Landlords		Originals or Photocopies accepted	Originals required
	Public Sector			
	Registered		Originals or Photocopies accepted	Originals required
Household Composition	Partner ID/S19/Income/Capital	Originals or Photocopies accepted	Originals or Photocopies accepted	Originals required
	Dependants under 18		Originals or Photocopies accepted	Originals required
	Non-dependants - remunerative work		Originals or Photocopies accepted	Originals required
	Non-dependants – passported benefit			
	Non-dependant - student		Originals or Photocopies accepted	Originals required
	Non-dependant - not in remunerative work/other		Originals or Photocopies accepted	Originals required
Income	State Benefits			
	Earnings/SMP/SSP		Originals or Photocopies accepted	Originals required
	Self employed earnings		Originals or Photocopies accepted	Originals required
Child Care Costs			Originals or Photocopies accepted	Originals required
Student Status	Income also required	Originals or Photocopies accepted	Originals or Photocopies	Originals required
Capital	Below lower capital limit		Originals or Photocopies accepted if over £5500 - not required if under this amount	Originals if over £5500- not required if under this amount
	Above lower capital limit		Originals or Photocopies	Originals required
	Property		Originals or Photocopies accepted	Originals required

APPENDIX B   RISK REGISTER

Nos.	Raised by	Date Raised	Probability	Impact	Gross Risk Score	Proximity	Description	Mitigation	Owner	Target Date	Revised Probability	Revised Impact	Residual Risk Score
RBVP001	PW	27/02/12	4	3	12	Long term	Fraud and error will exist in low risk claims, and this won't be detected	Ensure that IT Solution escalates a proportion of claims from low risk to medium risk. Include low risk claims in 10% of visits. Monitor levels of Fraud & Error	PW	5/4/12	3	3	9
RBV002	PW	27/02/12	4	3	12	Short term	Staff will find the cultural change difficult, and maintain the old way of working	Engage staff in change process. Use workshops and focus on those more resistant to change	PW	1/7/12	3	2	6
RBV003	PW	27/02/12	3	3	9	Medium term	Staff escalate too many cases to a higher risk score.	Ensure team leaders limit the number of escalated cases. Monitor the number of cases escalated in this way.	PW	1/7/12	2	2	4

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APPENDIX C –
Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011

Risk-Based Verification of HB/CTB Claims Guidance

This guidance outlines the Department's policy on Risk-Based Verification (RBV) of Housing Benefit and Council Tax Benefit (HB/CTB) claims.

Background
RBV allows more intense verification activity to be focussed on claims more prone to fraud and error. It is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCS). Local authorities (LAs) have long argued that they should operate a similar system. It is the intention that RBV will be applied to all Universal Credit claims.

Given that RBV is practised in JCP and PDCS, the majority (up to 80%) of HB/CTB claims received in an LA may have been subject to some form of RBV. Already 16 LAs operate RBV. Results from these LAs have been impressive. In each case the % of fraud and error identified has increased against local baselines taken from cells 222 and 231 of the Single Housing Benefit Extract (SHBE). In addition, in common with the experience of JCP and PDCS there have been efficiencies in areas such as postage and storage and processing times have improved.

We therefore wish to extend RBV on a **voluntary basis** to all LAs from April 2012.

This guidance explains the following;

What is RBV?

How does RBV work?

The requirements for LAs that adopt RBV

How RBV claims will be certified

What are the subsidy implications?

What is RBV?
RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. LAs will still be required to comply with relevant legislation (Social Security Administration Act 1992, section 1 relating to production of National Insurance numbers to provide evidence of identity) while making maximum use of intelligence to target more extensive verification activity on those claims shown to be at greater risk of fraud or error.

LAs have to take into account HB Regulation 86 and Council Tax Benefit Regulation 72 when verifying claims. The former states:
HB/CTB Circular S11/2011 Subsidy circular 9 November 2011

> *"a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, <u>as may reasonably be required by the relevant authority </u>in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable."*

> Council Tax Benefit Regulation 72 is similar.

These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant's entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied.

How does RBV work?
RBV assigns a risk rating to each HB/CTB claim. This determines the level of verification required. Greater activity is therefore targeted toward checking those cases deemed to be at highest risk of involving fraud and/or error.

The classification of risk groups will be a matter for LAs to decide. For example, claims might be divided into 3 categories:

Low Risk Claims: Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.

Medium Risk Claims: These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.

High Risk Claims: Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.

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. These figures could vary from LA to LA according to the LA's risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.

LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy, however, the use of clerical systems is acceptable.

Some IT tools use a propensity model1 which assesses against a number of components based on millions of claim assessments to classify the claim into one of the three categories above. Any IT system2 must also ensure that the risk profiles include 'blind cases' where a sample of low or medium risk cases are allocated to a higher risk group, thus requiring heightened verification. This is done in order to test and refine the software assumptions.

Once the category is identified, individual claims cannot be downgraded by the benefit processor to a lower risk group. They can however, exceptionally, be upgraded if the processor has reasons to think this is appropriate.

The requirements for LAs that adopt RBV
RBV will be voluntary. However, all LAs opting to apply RBV will be required to have in place a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's (section 85 for Scotland) agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.

The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.

Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.

Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a

minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

How RBV claims will be certified?

Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTB claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

Other considerations

The sample selection for HB/CTB cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

What are the subsidy implications?

Failure by a LA to apply verification standards to HB/CTB claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases can not be identified, extrapolations will have to be performed across the whole population in the particular cell in question.

We will now work with the respective audit bodies to incorporate this into the COUNT guidance. If you have any queries please contact Manny Ibiayo by e-mail HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK

APPENDIX D – Legal Framework

Housing Benefit Regulation 86 states (CTB equivalent is 72);

> *"a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable."*

Furthermore; Section 1 of the Social Security (Administration) Act 1992 dictates a National Insurance number must either be stated or enough information provided to trace or allocate one. This legislation applies to both customers and their partners.

> *(1A) No person whose entitlement to any benefit depends on his making a claim shall be entitled to the benefit unless subsection (1B) below is satisfied in relation both to the person making the claim and to any other person in respect of whom he is claiming benefit.*
>
> *(1B) this subsection is satisfied in relation to a person if–*
> *(a) The claim is accompanied by–*
> > *(i) a statement of the person's national insurance number and information or evidence establishing that that number has been allocated to the person; or*
> > *(ii) information or evidence enabling the national insurance number that has been allocated to the person to be ascertained; or*
> *(b) the person makes an application for a national insurance number to be allocated to him which is accompanied by information or evidence*

enabling such a number to be so allocated.

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