



Business Overview and Scrutiny Committee

Date: Tuesday, 29 November 2016

Time: 6.00 pm

Venue: Committee Room 1 - Wallasey Town Hall

Contact Officer: Andrew Mossop

Tel: 0151 691 8501

e-mail: andrewmossop@wirral.gov.uk

Website: www.wirral.gov.uk

AGENDA SUPPLEMENT

12a ANY OTHER URGENT BUSINESS - PROPOSAL TO IMPLEMENT RISK BASED VERIFICATION (Pages 1 – 13)

The Chair has agreed to this item as a matter of urgent business to enable its consideration prior to the next scheduled meeting.

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BUSINESS OVERVIEW & SCRUTINY COMMITTEE

29 NOVEMBER 2016

REPORT TITLE	PROPOSAL TO IMPLEMENT RISK BASED VERIFICATION (RBV)
REPORT OF	JOE BLOTT – MANAGING DIRECTOR FOR DELIVERY

REPORT SUMMARY

This report sets out the preliminary details of a proposal to approve the adoption of Risk Based Verification in determining evidence requirements for the assessment of all new claims and reported change in circumstances in respect of Housing Benefit and Council Tax Support Scheme claims.

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

The higher the deemed risk, the more the resource requirement will be in order to establish that the claim is genuine. In essence this results in optimum use of resource, applying it where most needed and removing any unnecessary effort where the risks are low.

RECOMMENDATION/S

Members of the Business Overview & Scrutiny Committee are requested to give consideration to and support further progression of the proposal to adopt Risk Based Verification within the Benefits service by approving the introduction of Wirral's Risk Based Verification Policy (a copy of which is attached) and associated Operational Framework.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1. Wirral's Benefit Service, along with a number of others continues to operate within the requirements of the Department for Work and Pensions (DWP's) former 'verification framework' therefore claims are subject to full evidencing /verification. Whilst this is a well-established and acceptable way of working, it does increase the LA's administrative burden and is increasingly inconvenient to service users, particularly in today's environment where it is reasonably expected that service providers are able to optimise use of data sharing legislation /IT functionality. This being their experience of engaging with other public services as well as businesses in the commercial world; such as credit reference agencies and other financial institutions, the Police and Immigration Authorities.
- 1.2. In November 2011 the DWP relaxed their position on verification for Benefit assessment purposes and confirmed that Councils may adopt a risk based verification approach in undertaking their administration of Housing and Council Tax Benefit. The corresponding guidance being issued in Housing/Council Tax Benefit Subsidy Circular HB/CTB S11/2011. It is apparent that the majority of LA's were cautious in considering this alternative and noticeable that few moved to working on a risk test basis until relatively recently.
- 1.3. By adopting RBV, the following benefits could be achieved:
 - Reduction in the necessity for benefit claimants to contact the council through more expensive methods such as face to face
 - Improved customer satisfaction as a result of decreased need to produce original documents required to support a claim
 - Lower volumes of scanning and indexing within the Scanning and Indexing Team
 - Fewer requests for information made by the Housing Benefit Service to customers.
 - A more succinct and potentially speedier process

2.0 OTHER OPTIONS CONSIDERED

- 2.1. We could choose not to implement RBV and continue to apply the standards of the Verification Framework-but given the financial challenges faced through budgetary constraints and the likelihood of a continual eroding of the core Housing Benefit Administration Grant, this could lead to a deterioration in service standards.

- 2.2. Furthermore to continue present practice, requiring full evidencing in respect of all claims, services and service users would not benefit from the wider efficiencies outlined above.

3.0 BACKGROUND INFORMATION

- 3.1. Wirral's Housing Benefits service has, as is the case with Benefit services nationally, been operating against a backdrop of challenge , whilst operating within an environment of constant change. The ongoing programme of Welfare Reform continues to impact on service users who increasingly require a service response.
- 3.2. The service's response to these pressures has been to look incrementally at all existing practice and procedures with a view to eliminating any identified waste and inefficiency. This work initially being undertaken in partnership with the DWP's 'Performance Development Team' with whom the Benefits service engaged on a voluntary basis early this year.
- 3.3. Furthermore, existing IT platforms are under review to ensure they are fit for purpose and able to effectively support the achievement of wider transformation goals.
- 3.4. It is therefore concluded that by exploiting advances in technology and implementing a Risk Based Verification tool the authority is better placed to realise these goals and improve the service to customers. Working smarter in this way will help to avoid the risk of falling into backlog by managing increased workloads within existing resources and give scope to improve overall performance. The ongoing need to identify and eradicate error within the Benefits caseload will be supported through the application of RBV.

4.0 FINANCIAL IMPLICATIONS

- 4.1. In order to deliver the efficiencies outlined in this report, investment is required. Revenue costs, which will be financed through Transformation Funding, are anticipated to be in the region of £33K per annum for the duration of the contract. This will ensure the provision of specialist risk based verification software for use by the Benefits Service.
- 4.2. Whilst the policy of Risk Based Verification and electronic claiming will reduce service costs and support ongoing efficiency drives, fundamentally it has capacity to support the validation of council income through the Housing Benefit Subsidy audit. Thereby reducing the risk of benefit claw back by the DWP, which could result in financial loss, should auditors not find processes compliant and robust.

5.0 LEGAL IMPLICATIONS

- 5.1. Risk Based Verification (RBV) is a voluntary decision for councils to take but, if adopted, an RBV Policy must be in place that sets out the risk profiles, verification standards that will apply and the minimum number of claims to be checked.

- 5.2. The policy, which now has the agreement of the authority's section 151 Officer and Chief Internal Auditor, must be approved by Members.
- 5.3. 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 its effectiveness and that the results are subsequently reported.
- 5.4. The use of Risk Based Verification and e-claims are supported by legislation, DWP circulars and guidance together with local policy.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1. There are no direct staffing implications associated with this proposal, but by adopting RBV the authority will be better able to maintain service delivery standards and meet its legislative obligations within the confines of ongoing budgetary constraints. The proposal should see reduced pressure on its front of house services through a reduced level of customer contact.

7.0 RELEVANT RISKS

- 7.1. DWP has laid out the procedure for local authorities to meet in their Risk Based Verification policy in circular HB/CTB S11/2011 to mitigate risk to the subsidy claim. This includes the requirement that the Risk Based Verification Policy should not be amended in-year.
- 7.2. Risk Based Verification has been piloted in other local authorities, and was rolled out nationally from November 2011. The verification levels proposed in Wirral's Risk Based Verification policy are common practice and are now in current use in a number of other local authorities who have not had their subsidy claims challenged during their annual audit.
- 7.3. Risk Based Verification works on the premise that the same level of fraud and error will be found using the existing standards of verification as will be identified under the Risk Based Verification system. It should be recognised that by reducing the level of evidence required against medium risk cases the level of fraud within the system is likely to increase. This risk is largely carried by the Department of Work and Pensions (DWP) who pay 100% subsidy to the local authority for Housing Benefit paid. There is a risk to the local authority if fraud is identified at a later point and overpayments raised as this could lead to a reduced subsidy rate.
- 7.4. This risk will be monitored by reviewing overpayments raised through various channels including fraud referrals and DWP/HMRC change notifications. Furthermore the Housing Benefit service matches its data with multiple databases including council tax, HMRC (earnings and private pensions), student finance, DWP benefits and capital which assist in the identification of undeclared income, capital and residency. The outcomes of these data matches will be reviewed to identify the extent of any new fraud entering the system as a result of the reduced verification standard within Risk Based Verification.

8.0 ENGAGEMENT/CONSULTATION

Consultation is not appropriate for the purposes of this proposal.

9.0 EQUALITY IMPLICATIONS

No because there is no relevance to equality.

REPORT AUTHOR: *(Nicky Dixon)*
(Senior Benefit Manager)
Telephone: (0151 666 3372)
email: nickydixon@wirral.gov.uk

APPENDICES **Appendix 1 – Housing Benefit and Council Tax Support
– Draft Risk Based Verification Policy**

REFERENCE MATERIAL Housing Benefit Administration Circular HB/CTB
S11/2011

<https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars#subsidy-circulars-2011>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
N/A	

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Wirral Council

Housing Benefit and Council Tax Support

DRAFT

Risk Based Verification Policy

1. Introduction

The Verification Framework Policy was initially introduced by the Department of Work and Pensions (DWP) as guidance in line with the Social Security Administration Act 1992 for administering Housing and Council Tax Benefit (now Council Tax Support) claims. The DWP abolished the Verification Framework Policy in 2006 although Wirral Council has continued to apply the identity and document requirements set out in the framework.

In 2012 the DWP introduced Risk Based Verification; a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The DWP allowed Councils to introduce Risk Based Verification on a voluntary basis subject to certain conditions being met.

Wirral Council has now adopted Risk Based Verification for benefit claim verification.

The emphasis of this policy is to operate a strict regime of preventing fraud and error entering the system whilst continuing with targeted claim reviews in high risk cases.

Wirral's Risk Based Verification Policy will take effect from October 2016 subject to software and systems being tested and available.

2. Background

Wirral Council must adhere to Housing Benefit legislation. This legislation is also used as the basis for Council Tax Support. Accordingly this policy will also apply to Council Tax Support.

The regulations within the legislation do not specify what information and evidence is required to support a benefit claim. However, the regulations do 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 relevant legal framework for verification of HB and CTS is provided in **Appendix 1**

Given those requirements are at the core of the process of administering claims these shall be adhered to at all times and will be considered within the quality assurance checks completed on assessed benefit claims.

3. Risk Based Verification

Wirral Council has determined to implement a software solution for Risk Based Verification following a review which highlighted a significantly high proportion of time was spent verifying and requesting documentation.

Risk Based Verification is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. This in effect means being able to target activity toward checking those cases deemed to be at highest risk of involving fraud and/or error. The baseline of fraud in Wirral Council based on benefit data extracts will be determined prior to the implementation of this policy (using the Risk Based Verification Software).

The purpose of Risk Based Verification is to increase the detection of fraud and error whilst reducing requirements for evidence in low risk cases and thus focusing resource appropriately.

Risk Based Verification is applied to the process of assessing Housing Benefit and/or Council Tax Support claims only.

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 2** shows the evidence requirements dependent on the risk grouping. A national insurance number and identity confirmation must be made in all cases irrelevant of the risk grouping; this is to comply with aforementioned legislation.

➤ 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 student status.

➤ **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 will be required. The documentation can be photocopies in this instance.

➤ **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 specially trained officers who are adept at analysing the information from these areas.

4. Recording and Monitoring

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

Wirral Council will also ensure a minimum of 2% 'control' sampling. This means cases from lower categories are upgraded to higher categories to test the software assumptions. Results of this sampling will be fed back into the propensity models supporting the parameters of the Risk Based Verification. Cases cannot be downgraded at any time by an assessment officer. However, they can be increased 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.

Wirral Council will monitor the risks on a monthly basis by using software tools available. The reports will show the level of risk by percentage and the level of fraud across the authority in comparison to its baseline. Information will be derived from data provided as part of the Single Housing Benefit Extract (SHBE) file to support any statistical analysis. Wirral Council will undertake to review a percentage of cases per year via visits to customer's 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. The Policy will be reviewed annually and a report provided for members.

5. Training

Training will be provided for all officers using Risk Based Verification. Communications will be issued to all internal and external stakeholders including housing association staff, private landlords and the voluntary sector to ensure they are fully aware of the change.

6. Audit Requirements

Both internal and external auditors have been notified that the council is planning to implement RBV within the benefits service. An earlier draft of this policy has been shared with Internal Audit.

The DWP have advised that the auditors will carry out their audit against the terms of the RBV policy. They will not audit or in any way assess the veracity of the policy, that is the job of the local authority itself and in particular the Section 151 officer and the members who sign off the policy. If individual cases have been actioned correctly against the requirements of the policy then the auditors will make no comment. The auditors will be asked to ensure there is a RBV policy in place that satisfies the DWP Circular S11/2012 and that the council is complying with that policy. This means that the high/medium/low risk cases are noted and verified as such.

This policy has been produced in line with the Department of Work and Pensions guidance on the use of Risk based verification in Housing benefit Subsidy circular S11/2011

Appendix 1

Housing Benefit Regulation 86 states;

“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.

APPENDIX 2

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 (National Insurance Number)	Originals or Photocopies	Originals or Photocopies	Originals required
Residency/Rent	Private Tenants	Not Required	Originals or Photocopies	Originals required
	Social Landlords	Not Required	Originals or Photocopies	Originals required
	Registered	Not Required	Originals or Photocopies	Originals required
Household Composition	Partner ID/S19/Income/Capital	Originals or Photocopies	Originals or Photocopies	Originals required
	Dependants under 18	Not Required	Originals or Photocopies	Originals required
	Non-dependants - remunerative work	Not Required	Originals or Photocopies	Originals required
	Non-dependants – pass-ported benefit	Not Required	Not Required	Originals required
	Non-dependant - student	Not Required	Originals or Photocopies	Originals required
	Non-dependant - not in remunerative work/other	Not Required	Originals or Photocopies	Originals required
Income	State Benefits	Not Required	Not Required	Originals required
	Earnings/SMP/SSP	Not Required	Originals or Photocopies	Originals required
	Self-employed earnings	Not Required	Originals or Photocopies	Originals required
Child Care Costs		Not Required	Originals or Photocopies	Originals required
Student Status	Income also required	Originals or Photocopies	Originals or Photocopies	Originals required
Capital	Below lower capital limit	Not required	Originals or Photocopies accepted if over £5500 for Working Age or over £9500 for Elderly - not required if under these amounts	Originals if over £5500 for Working Age or over £9500 for Elderly - not required if under these amounts
	Above lower capital limit	Not required	Originals or Photocopies	Originals required
	Property	Not required	Originals or Photocopies	Originals required

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