

North Tyneside Council Report to Audit Committee Date: 22 September 2015

ITEM 5

Title: Risk Based
Verification

Report from Service Area : Finance
Responsible Officer: Janice Gillespie, Head of Finance and Section 151 Officer
(Tel: 643 5701)

Wards affected: All

PART 1

1.1 Purpose:

1.1.1 The purpose of this report is to update Audit Committee as requested at their meeting on 25 March 2015, on the implementation of a Risk Based Verification (RBV) approach to the assessment of entitlement to Housing Benefit and Council Tax Support which was agreed by Cabinet on 9th March 2015.

1.2 Recommendation(s):

1.2.1 It is recommended that the Audit Committee notes the update and provides any comments as appropriate.

1.3 Council plan and policy framework

1.3.1 This report does not link directly to priorities identified in the 2014/18 Our North Tyneside Plan. However it links to the Authority's Creating a Brighter Future Programme as it supports the plans to self serve using on-line forms.

1.4 Information:

1.4.1 Housing Benefit and Council Tax Support (which replaced Council Tax Benefit from April 2013) provide support to those on a low income to help meet their housing costs.

1.4.2 Currently there are around 18,200 claimants of Housing Benefit (HB) and around 21,000 claimants to Council Tax Support (CTS) currently in receipt of support.

1.4.3 On 9 March 2015 Cabinet agreed to implement a Risk Based Verification approach to the verifying of evidence to support claims to Housing Benefit and Council Tax Support.

1.4.4 Evidence checking is a key aspect of the assessment process to ensure entitlement is paid accurately. Neither the HB legislation nor CTS scheme specify what evidence is required to award Housing Benefit or Council Tax Support other than to advise that

claimants must provide such evidence that the Authority requires in order to determine entitlement.

- 1.4.5 Before RBV, Authorities used a standard approach to gather evidence, all claims were treated the same regardless of circumstance and there was no profiling carried out with regard to potential risk of fraud and error.
- 1.4.6 The DWP provided guidance around Risk Based Verification (RBV) and highlighted that RBV was already practiced in some DWP departments, with the intention that RBV will be applied to all Universal Credit (UC) claims. DWP allowed a number of local authorities to pilot RBV to reduce fraud and error and cases were risk assessed to fall into three categories of low, medium and high risk which allowed differing levels of evidence checking depending on the risk category.
- 1.4.7 An RBV approach to verifying evidence allows for verification activity to be targeted towards checking claims that are of higher risk of fraud and error, so streamlining resource more appropriately and speeding up claims that pose less risk of fraud and error.
- 1.4.8 DWP advised that results of the local authority pilot were impressive and the identification of fraud and error had increased. Efficiencies were found and more effective processing times delivered. Guidance from DWP followed that allowed local authorities to adopt RBV from April 2011 on a voluntary basis. It advised that any RBV policy must be submitted for Members approval and sign off along with a covering report confirming the Section 151 Officer's agreement/recommendation. Many Authorities have since adopted a RBV approach to evidence checking.
- 1.4.9 RBV is just one of the tools the Authority has to deliver assurance of accurate entitlement and reduce error. The Authority already actively checks claims where life changes are likely to bring with it financial changes. DWP also provide information through Real Time Information (RTI) which provides each local authority with notifications of changes which have been identified through data matching from government databases. Regular ongoing data checks using the Housing Benefit Matching Service (HBMS) are also in place which checks data against other government services.
- 1.4.10 RBV is seen as an important part of the Benefits Service plan to improve claim processing times, deliver efficiencies and is an integral part of the electronic claiming process.

How RBV has been implemented in North Tyneside

- 1.4.11 Initially it was planned that the RBV solution would be implemented with effect from April 2015; however the data sharing agreement which allows the sharing of information with the software company chosen to provide the RBV solution was delayed, until legal teams for all parties were satisfied with the agreement. This in turn delayed the implementation date and RBV was implemented on 8 June 2015.
- 1.4.12 The solution places claims into three risk groups - Low, Medium and High and each new claim is assigned a risk group depending on its circumstances. There is an expectation from DWP that around 55% of claims will be of a low risk, 25% medium risk and 20% high risk, although there may be some variances depending on local profiling.

- 1.4.13 Those falling into the lower risk group have to provide less evidence than they did under the previous approach, those falling within the medium risk group will continue to provide similar levels of evidence as they did under the previous approach, and the high risk group will be subject to more robust evidence provision and more stringent additional checks than those in a lower risk group.
- 1.4.14 Performance is monitored to see the percentage of cases that are allocated within the three categories and the levels of error identified. However due to the delay in implementation there is limited data currently available.
- 1.4.15 The limited data shows that 60% of claims have been assigned to low risk, 27% to a medium risk and 13% to a high risk group. These do differ from the initial expectations by DWP in their guidance provided in 2011, however there was an acceptance in that guidance that there may be local variances, and this may influence the percentage of cases assigned to each group. This data will continue to be monitored and as more cases are assigned a risk group we may see the percentages change.
- 1.4.16 The results are indicating even at this early stage the percentage of errors identified through the new RBV process has increased against the percentage of errors identified through the previous process.
- 1.4.17 Through monitoring of the data we are aware that there are some cases that have not been assigned a risk group and these have been evidence checked as a medium risk group. This replicates the way claims were evidence checked before RBV was implemented. An urgent issue has been raised with the supplier to ensure that this is resolved in a timely manner.

1.5 Decision options:

- 1.5.1 It is recommended that the Audit Committee notes the update and provides any comments as appropriate.

There are no other options in relation to this report.

1.6 Reason for Recommended Option

- 1.6.1 This recommendation will allow the Council with its Strategic Partner to deliver efficiencies and improved claim processing times to its customers.

1.7 Appendices:

Appendix 1 – Report to Audit Committee 25.03.2015

1.8 Contact officers:

Janice Gillespie – Head of Finance and 151 Officer, Finance Tel. (0191) 6435701
Andrew Scott – Senior Client Manager Revenues, Benefits and Customer Services,
Tel. (0191) 643 7150
Tracy Hunter – Client Manager Revenues, Benefits and Customer Services,
Tel. (0191) 643 7228

1.9 Background information:

Risk Based Verification Policy
HB/CTB Circular S11/2011 Risk-Based Verification of HB/CTB claims Guidance

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

2.1.1 The product used to implement a RBV is funded by our Strategic Partner Cofely GDF Suez, so there are no financial costs to the Council. Human resource involved in development and implementing the product has also been provided again by our Strategic Partner.

2.2 Legal

2.2.1 The Council Tax Benefit Regulations 2006 and the Housing Benefit Regulations 2006 provide that claimants must furnish the Authority with documentation and/or information that may be reasonably required by the Authority in order to determine that person's entitlement to the benefit claimed. The Regulations do not impose a requirement on the Authority in relation to what specific information and evidence should be obtained from a claimant but do require it to obtain information which will enable an accurate assessment of entitlement to benefit to be made.

2.2.2 The Councils own Council Tax Support Scheme also includes a similar requirement to furnish the Local Authority with documentation and/or information that may be reasonably required by the Local Authority in order to determine that person's entitlement to the Council Tax Support claim.

2.2.3 The Department for Work and Pensions in the Housing Benefit and Council Tax Benefit Circular (Appendix 2 - HB/CTB S11/2011) has stated that Risk Based Verification is voluntary but it requires all Authorities which opt to apply RBV to have an RBV policy in place which details the risk profiles, verifying standards which will apply and the minimum number of claims to be checked.

2.2.4 The RBV policy was agreed by Cabinet on 9 March 2015, and the Data Sharing Agreement was agreed by all parties to allow the sharing of data. The RBV policy was implemented on 8 June 2015.

2.3 Consultation/community engagement

2.3.1 Discussions with Lead Members, the Senior Leadership Team and Internal Audit took place before the Policy was approved by Cabinet on 9th March 2015.

2.4 Human rights

2.4.1 There are no Human Rights issues arising from this report.

2.5 Equalities and diversity

2.5.1 There are no equality and diversity issues. Each claim is assessed against a set of statistical data and a risk group applied. It does not take into account any of the

protected characteristics dealt with by the Equalities Act when applying that risk group.

2.6 An Equality Impact Assessment has been carried out and although there was no evidence to suggest that any group would be disadvantaged by introducing a RBV policy, there is a possibility that people with certain protected characteristics may be under or over represented in any of the risk groups. Monitoring will be carried out to consider whether there is any examples of this.

2.7 Risk management

2.7.1 Once the system has applied a risk group to a case it cannot be downgraded by officers to reduce the evidence required. This ensures that levels of evidence required cannot be manipulated on an individual basis.

2.7.2 There is a risk that fraud and error could go unnoticed in the lowest risk group as less evidence checks are being carried out on these. The RBV solution selects a sample cases and these are checked to ensure that the assumptions when applying a risk group are correct.

2.7.3 RBV is now implemented and any issues identified will be raised with the supplier.

2.7.4 There is a risk to the annual subsidy audit which is carried out if verification requirements are not followed in line with the verification requirements laid out in the Policy. However robust quality assurance checking will ensure that verification standards are in line with the Policy.

2.8 Crime and disorder

2.8.1 Those with a higher risk have heightened checks carried out on them, and this should prevent potential fraud from entering into the system.

2.8.2 Due to the delay in implementing RBV there is minimal data available; however even at this early stage the data does indicate that a higher level of errors are being identified compared against the error rate identified through the previous process.

2.9 Environment and sustainability

2.8.1 There are no environment and sustainability issues arising from this report.

Report authors: Andrew Scott
Tracy Hunter