

North Tyneside Council Report to Cabinet 9 March 2015

ITEM 7(I)
Risk Based Verification

Portfolio(s): Finance and Resources

Cabinet Member(s): Cllr Ray Glindon

Report from Service Area : Finance

Responsible Officer: Janice Gillespie (Tel: 643 5701)

Wards affected: All

PART 1

1.1 Purpose:

- a) The purpose of this report is to seek approval from Cabinet to make changes to the verification of Housing Benefit and Council Tax Support claims. The proposal is to introduce a Risk Based Verification (RBV) approach to the assessment of entitlement to Housing Benefit and Council Tax Support.
- b) This report seeks approval from Cabinet to adopt the Risk Based Verification Policy set out at Appendix 2.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:

Agree that the Authority adopt the Risk Based Verification Policy (set out at Appendix 2).

1.3 Forward plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 2nd February 2015.

1.4 Council plan and policy framework

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.

1.5 Information:

- 1.5.1 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.
- 1.5.2 Over £85 million was paid to claimants in North Tyneside by way of Housing Benefit (HB) and Council Tax Support (CTS) in the financial year 2013/14, with around 18,700 claimants entitled to HB and over 22,000 entitled to CTS.
- 1.5.3 The Benefit Service, which is delivered by our Strategic Business Partner Cofely GDF Suez, must assess entitlement in line with HB legislation and the Local Council Tax Support Scheme. Evidence checking is a key aspect of the assessment process to ensure that this entitlement is paid accurately, provides quality assurance and robust detection of fraud and error.
- 1.5.4 The Department for Work and Pensions (DWP) do not specify in the Housing Benefit 2006 Regulations and Housing Benefit (State Pension Credit) 2006 Regulations what evidence is required to award Housing Benefit, however, regulations do state:
'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 questions arising out of the claim or the award, as may be reasonably required by the relevant authority in order to determine that persons 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'.
- 1.5.5 A similar statement is also included in North Tyneside's Local Council Tax Support Scheme 2014-15 (Part 14, Paragraph 113 Information and Evidence).
- 1.5.6 The Authority awards Housing Benefit on behalf of DWP and is reimbursed through the subsidy payments process. The claim for subsidy is audited on an annual basis and any failings by the Authority to follow legislation may result in an adverse audit comment and a potential loss in subsidy.
- 1.5.7 Currently the Authority uses a standard approach to gather evidence and all claims are treated the same regardless of circumstance. There is no profiling carried out with regard to potential risk of fraud and error and all claims must have the same level of evidence provided to allow entitlement to be calculated.
- 1.5.8 The requirement for supporting evidence can be excessive in many cases and places a burden on some individuals to provide the evidence and can delay claims. Resource is currently being used to verify all claims to the same standard when it could be better utilised to target cases of higher risk of fraud and error.

Introducing Risk Based Verification

- 1.5.9 In 2011 the DWP provided guidance around Risk Based Verification (RBV) and highlighted that RBV was already practiced in Job Centre Plus (JCP) and the Pensions, Disability and Carers Service (PDCS). It is the intention that RBV will be applied to all Universal Credit (UC) claims. DWP had allowed a number of local authorities to pilot RBV to reduce fraud and error. The risk models used in the DWP research were built up over a two year period to accurately and consistently differentiate claims across three categories of low, medium and high risk and were subject to rigorous statistical evaluation.

- 1.5.10 A risk based 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.
- 1.5.11 DWP advised that results of the local authority pilot were impressive and the identification of fraud and error against baselines taken from previous data had increased. Additionally efficiencies have been found and more effective processing times have been delivered improving customer experience. DWP provided guidance to allow local authorities to adopt RBV from April 2011 on a voluntary basis. See appendix 1 (HB/CTB Circular S11/2011 Risk-Based Verification of HB/CTB claims Guidance).
- 1.5.12 Circular S11/2011 is clear that RBV is voluntary and any policy must be submitted for Members approval and sign off along with a covering report confirming the Section 151 Officer's agreement/recommendation. It is also seen as good practice for the policy to be examined by the Authority's Audit and Risk Committee or similar appropriate body. Therefore it is proposed that the Policy will be reviewed by the North Tyneside Council's Audit and Risk Committee (see paragraph 2.6 below).
- 1.5.13 Risk profiling is carried out in many industries for example in banking and insurance as it allows resource to be better targeted to higher risk cases and allows more rigorous checking of information and evidence of those with a higher risk profile. Many local authorities have already adopted a RBV Policy and use an IT system to help them deliver this. Coactiva is the market lead product and is used by 70 Authorities as it is an established product approved by DWP, it delivers all the DWP requirements of RBV as well as being compatible with electronic claim forms.
- 1.5.14 Having a RBV approach will complement the current proactive work that is ongoing within the service to deliver assurance as the Authority already actively checks claims where life changes are likely to bring with it financial changes. The DWP have also recently introduced a programme called Real Time Information (RTI) which provides each local authority with notifications of changes which have been identified through matching data from government databases, thus ensuring current claims are kept as accurate as possible. Regular ongoing data checks using the Housing Benefit Matching Service (HBMS) are also in place, as legislation permits the DWP and other government services to supply information on claims to local authorities, so that they might prevent, detect and investigate fraudulent and erroneous claims. Where appropriate cases are prosecuted for fraud.
- 1.5.15 Feedback provided from other Authorities who are using a RBV approach show that identification of fraud and error has increased and processing times have reduced. They have also confirmed that:
- (1) There have been no issues or reported adverse reactions from claimants to their claims being evidenced to different levels. This includes cases which have been moved from a low or medium risk category to a higher risk category as part of the system process check to verify the software assumptions are accurate.
 - (2) As part of the process check, individual claims are chosen at random and moved to a higher risk category. This will not mean that a further claim from that resident at any future point would be highlighted as an increased risk too, as the risk is set against the circumstances at the time the claim is made.

1.5.16 RBV is seen as an important part of the Benefits Service plan to improve claim processing times; It will reduce the number of times claimants have to visit the Authority buildings to provide evidence, deliver efficiencies and is an integral part of the business improvement of electronic claiming. Electronic claiming has improved access to claiming by allowing residents to make claims on-line 7 days a week 24 hours a day.

How RBV will be applied in North Tyneside

1.5.17 If Cabinet approve the RBV Policy it is intended to implement Coactiva, the established IT Solution recognised by DWP to deliver RBV, which will be applied to all new claims for Housing Benefit and Council Tax Support cases.

1.5.18 There will be three risk groups - Low, Medium and High and each new claim will be assigned a risk group depending on its circumstances at the time of claiming. Local authorities do still require evidence of a National Insurance Number and; identity for all risk groups. Appendix 2 provides the draft RBV Policy for which approval to implement is being sought. This draft policy includes a table at appendix 1 outlining the evidence requirement for each risk group.

1.5.19 DWP advise that they do not expect more than 55% of claims to be assessed as low risk with around 25% medium risk and 20% high risk, although there may be local variances depending on local profiling. There is an expectation that more fraud and error will be detected in the high risk claims when compared with medium risk claims and a greater risk in medium than in low risk. In North Tyneside our risk profiles will follow a similar approach as DWP expectations in that no more than 55% will be considered as low risk, 25% medium and 20% high.

1.5.20 Those falling into the lower risk group will have to provide less evidence than they currently do, those falling within the medium risk group will continue to provide the similar levels of evidence as they currently do 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. The additional checks are outlined within the draft RBV Policy (Appendix 2.)

1.5.21 In line with DWP guidance performance will be monitored monthly to include the percentage of cases falling into the different risk groups and the amount of fraud and error identified to ensure the profiling is effective against the policy. This will be made available to the Section 151 Officer for his scrutiny.

1.5.22 Any annual subsidy audits carried out after the adoption of a RBV policy will be audited in line with that policy. Provided that auditors find that verification of claims is in line with that policy, subsidy will be claimed at the normal rate.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

1.6.1 Option 1

Cabinet may agree that the Authority will adopt the RBV Policy (set out at Appendix 2).

1.6.2 Option 2

Cabinet may choose to reject Option 1 and continue with the current practice that all claims are evidenced to the same level regardless of risk. However this is resource intensive, and can create delays which may not be necessary for low risk claims.

1.6.3 Option 3

Cabinet may choose to reject options 1 and 2 above and refer the matter back to officers for further consideration.

Option 1 is the recommended option.

1.7 Reason for Recommended Option

1.7.1 Option 1 is recommended for the following reasons:

- It supports the implementation of on-line claiming.
- It reduces the level of evidence required by some claimants, so reducing the number of contacts and improves customer experience.
- It delivers a more effective way of working by reducing the time to gather evidence and thus improve processing times.
- It identifies a greater number of cases that are likely to be of higher risk of fraud and error, allowing resources to target these cases and identify more fraud and error in the system, delivering a more robust assessment and providing confidence.
- It provides efficiencies through less chasing of evidence and improved administration.

1.8 Appendices:

Appendix 1 – HB/CTB Circular S11/2011 Risk-Based Verification of HB/CTB claims Guidance)

Appendix 2 –Risk Based Verification Policy.

Appendix 3 – Equality Impact Assessment

1.9 Contact officers:

Janice Gillespie – Strategic Manager, 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

1.10 Background information:

Equality Impact Assessment of Risk Based Verification

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

2.1.1 Our Strategic Partner Cofely GDF Suez will be providing both the software and the manpower required to achieve implementation of RBV, so there is no financial cost to the Authority.

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 for it to determine that person's entitlement to the benefit claimed. The Regulations do not impose a requirement on the Authority as 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 Authority's Council Tax Support Scheme includes a similar requirement to furnish the Authority with documentation and/or information that may be reasonably required by the Authority in order for it to determine a claimant's entitlement to Council Tax Support.

2.2.3 The Department for Work and Pensions in the Housing Benefit and Council Tax Benefit Circular (HB/CTB S11/2011) has stated that RBV is voluntary but it requires all Authorities which 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.

2.3 Consultation/community engagement

2.3.1 Discussions with Lead Members, the Senior Leadership Team and Internal Audit have taken place. External Audit has been made aware that a proposal to adopt a RBV Policy would be considered by Cabinet.

2.4 Human rights

2.4.1 RBV has been in use for a number of years, both within DWP departments then also used in Local Authorities. In researching the use of RBV, there have been no issues raised with regard to human rights.

2.5 Equalities and diversity

2.5.1 RBV assesses each claim against a set of statistical data and assigns it to a risk group depending on the circumstances of the claim.

2.5.2 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. We will therefore carry out regular monitoring in order to gather evidence locally and identify mitigating action should it be required.

2.5.3 The Equality Impact Assessment is attached to this report at Appendix 3.

2.6 Risk management

- 2.6.1 Cases are assigned to differing risk groups depending on their circumstances, once that claim has been assigned to a risk group the level of evidence required will be dependent on the risk group. Once assigned to a risk group it cannot be downgraded by officers to reduce the evidence required. This ensures that the levels of evidence required cannot be manipulated on an individual basis, and all evidence checks are in line with parameters set.
- 2.6.2 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. A mitigating action which is built into the RBV Policy is to select a sample of lower or medium risk cases and allocate these to a higher risk group, thus requiring a heightened verification. The outcomes of this sample checking will inform a review of the assumptions made by the software and any adjustments will be made to the system where appropriate.
- 2.6.3 The product has been tested to interface with our current systems so there is no risk of incompatibility with our systems.
- 2.6.4 Both Internal and External Audit are aware of the proposal to adopt a RBV Policy and that it will involve differing levels of evidence for claims. There has been no negative feedback received regarding this proposal.
- 2.6.5 The Policy will be reviewed by the Authority's Audit and Risk Committee at a future date.
- 2.6.6 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.

2.7 Crime and disorder

- 2.7.1 As one of the aims of introducing this policy is to identify more cases that are of a higher risk to fraud and error and target resource to carry out a heightened verification process against them, having a RBV process in place should prevent potential fraud from entering into the system.

2.8 Environment and sustainability

- 2.8.1 There are no issues with regard to environment and sustainability associated with this report.

PART 3 - SIGN OFF

- Deputy Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X