

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
11 February 2014

Subject: RISK BASED VERIFICATION POLICY

**All Wards
Portfolio Holder for Support Services and
Economic Development: Councillor P R Wilkinson**

1.0 PURPOSE AND BACKGROUND:

- 1.1 The Audit Commission's report Protecting the Public Purse 2013 highlighted that over two thirds of loss of public money was due to Housing and Council Tax Benefit fraud at about £120 million. Ensuring the right amount is paid out is crucial in ensuring fairness to both claimants and taxpayers.
- 1.2 Hambleton District Council has for several years voluntarily adopted the Department for Works and Pensions (DWP) Verification Framework for administering Housing/Council Tax Benefit claims. The emphasis of this Policy is to operate a regime of preventing fraud and error entering the system.
- 1.3 Risk Based Verification (RBV) is a method of applying different levels of checks to different circumstances depending upon a mathematical risk profile given to each customer. The higher the deemed risk the higher the amount of resources will be used to establish that the claim is genuine. Risk Based Verification allows the Council more flexibility to take into account local issues and build in checks and balances. This type of approach identifies higher levels of fraud and error whilst reducing the overall cost of verifying claims. Overall time scales for processing claims will improve. The Department for Works and Pensions intends to use a similar process when Universal Credit is introduced.

2.0 LINK TO CORPORATE PRIORITIES:

- 2.1 The Welfare Reform changes represent significant challenges to both the Council and the community. The adoption of this policy will assist in maximising the opportunity to detect and prevent fraud and error.
- 2.2 In addition claims processing will improve with better targeting of resources.

3.0 RISK ASSESSMENT:

- 3.1 The Department for Work and Pensions have confirmed that Risk Based Verification, properly adopted will meet audit requirements. Internal audit processes will have to be amended and the application of Risk Based Verification will part of internal audits review programme alongside the sections own quality assurance measures.

4.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES:

- 4.1 There are no direct financial implications to adopting this Policy.

4.2 The experience of other local authorities is that more fraud and error has been identified at the gateway which would otherwise have entered the benefit system.

4.3 Failure by the local authorities to apply verification standards to claims as stipulated in its policy will cause expenditure to be treated as error. The auditor will, if necessary, extrapolate this error and where appropriate issue a qualification letter.

5.0 LEGAL IMPLICATIONS:

5.1 The risk based verification policy proposed complies with the recommendations from the Department for Work and Pensions.

6.0 EQUALITY/DIVERSITY ISSUES:

6.1 Risk based verification will apply to all new claims for Housing Benefit and Council Tax Reduction. The course of action to be taken following risk analysis is governed by the contents of this policy. As such there should be no equalities impact.

7.0 RECOMMENDATIONS:

7.1 It is recommended that:-

- 1) Cabinet agrees the Policy for approval at Council; and
- 2) Council ask that the Policy is reviewed annually by the Audit, Governance and Standards Committee.

JUSTIN IVES

Background papers: None

Author ref: SG

Contact: Sue Grant
Principal Benefit Officer
Direct Line No: 01609 767220

HAMBLETON DISTRICT COUNCIL

**RISK BASED
VERIFICATION
POLICY**

Policy Summary:

Risk Based Verification allows a more intense verification activity to be focussed on claims more prone to fraud and error. It will help overcome many of the problems and issues arising from the current verification methods used to assess a new claim for Housing Benefit and Council Tax Support. The current method is labour intensive, slow and inflexible.

Work has been undertaken to classify claims as low, medium or high risk, depending on risk of it being fraudulent or erroneous. Officers are then able to focus their efforts on those high risk cases, capturing more fraud and error while speeding up the processing of low risk applications.

The benefits of Risk Based Verification are that processing time for new claims will be improved, there will be a removal of resource burden for low risk claims, the resource can be deployed into other value added activities, such as overpayment and council tax recovery. Customer satisfaction will be improved by determining and paying benefit quicker. Fraud and error will be identified more quickly, and at the first point of a claim being made.

1.0 Introduction

The verification Framework Policy was initially introduced by the Department for Works and Pension as guidance in line with Social Security Administration Act 1992 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.

The emphasis of this policy is to operate a regime of preventing fraud and error entering the system through the application of Risk Based Verification, applying different levels of checks to benefit claims according to the risk associated with those claims. Thus activity is targeted towards those cases deemed to be the highest risk of involving fraud and error thereby focusing resources more effectively. This will be supplemented with an interventions programme which will target expected future changes.

Risk Based Verification is practised by the Job Centre Plus service and it is intended that this will be carried forward into the new Universal Credit system.

2.0 Background

2.1 Legislation

The Council must adhere both to Housing Benefit and Council Tax Support legislation and the associated case law from the High Court and equivalent. The regulations themselves do not specify what information and evidence should be obtained from a customer to verify the facts of the claim. However, the law does enable each authority to obtain the information it needs to allow an accurate assessment of each claimant's entitlement, both when a claim is first made and when the claim is reviewed.

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 states that a national Insurance number must either be stated or enough information provided to trace to 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.

The equivalent legislation regarding Council tax Support can be found in Schedule 8 of the Council Tax Reduction (Prescribed Scheme requirements) Regulations 2012

As these requirements are at the core of the process of administering claims these shall be adhered to at all times and be considered within the Quality Assurance checks completed on benefit claims assessment.

3 Risk Based Verification

The current verification procedure uses a significantly high percentage of time in verifying and requesting documentation to support information supplied by customers. Risk Based Verification is a method of applying different levels of checks to different circumstances depending on a complex mathematical risk profile given to each customer. The higher the deemed risk, the higher amount of resources will be used to establish that the claim is genuine.

Risk Based Verification 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.

For the purpose of applying verification on a risk basis, each claim is ranked into one of three categories:

- Low
- Medium
- High

Claimants in each risk group will be required to provide a different amount of information and documentation before their claim can be processed. The table at *Annexe A* shows the requirement in more detail. A national insurance number and identity confirmation must be made in all cases irrelevant of the risk grouping to ensure compliance with the legislation.

Low Risk

Capture of all necessary data to process the claim
Proof of identity, production of a national insurance number
Student - formal identification of status will be required where applicable

Medium Risk

The capture of all necessary data to process the claim
Proof of identity, production of a national insurance number
Student - formal identification of status will be required where applicable
Documentary evidence to verify claim where required. The documentation can be photocopies in this instance.

High Risk

All high risk categories must have the same checks as medium risk and documentation provided for each declared type of income or capital; however the documents must be original. Furthermore a Credit Reference Agency check or visit may be undertaken where there are identified discrepancies between the information provided by the customer. Credit Reference checks would be undertaken by a member of the investigations team.

4.0 Discretion, Recording and Monitoring

All risk scores are recorded by the software used to process benefits. The Council also has a minimum of 2% blind sampling which means cases from lower categories are upgraded to test the software assumptions and this information can be fed back into the propensity models supporting the parameters of the Risk Based Verification tool. Records of risk scores will be maintained and reviewed to ensure compliance with legislation and that the Council is maintaining proper quality assurance controls.

Assessment officers will be able to increase the risk on a case by case basis, with the approval of a Team Leader. All cases which are upgraded will be recorded along with the reasons for this. Reasons for upgrading the risk may include previous history of fraud, continued late reporting of changes and good reason to doubt the accuracy of information provided. Cases cannot be downgraded at anytime.

Monthly management reports will be produced to identify the percentage of cases presented in each risk category and how much fraud and error has been established in each. The Council will carry out a minimum of 5% of random sampling of cases to ensure the risk matrix is robust.

5.0 Training

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 relevant stakeholders so that they are fully aware of the change.

6.0 Review

The management team within the Benefits Service will analyse results from the new Risk Based Verification process quarterly to ensure the most up-to-date information is being used and monitor fraud and error detection levels. It is expected fraud and error will be small in low risk and increased for medium and high risk cases.

7.0 Audit requirements

Failure to apply verification standards to Housing Benefit claims as stipulated in its Risk Based Verification Policy will cause expenditure to be treated as LA error. External Auditors will be informed of the Council's Risk Based Policy so that any Housing Benefit subsidy audit will be subject to the risk based verification standards.

Section 151 Officer _____
Name _____

Member _____
Member for _____

Appendix A

Type of Evidence	Sub-category of evidence	Low Risk	Medium Risk	High Risk	
Identity and S19	Identity	Originals or Photocopies	Originals required	Originals Required	
	S19	Originals or Photocopies accepted	Originals required	Originals Required	
Residency/Rent	Private Tenants		Originals or Photocopies accepted	Originals Required	
	Social Landlords			Originals Required	
	Public Sector				
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 or Photocopies accepted	Originals Required	
	Self Employed Earnings	Originals or Photocopies accepted	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 accepted	Originals Required	
Capital	Below lower capital limit				
	Above lower capital limit		Originals or Photocopies	Originals Required	
	Property		Originals or Photocopies accepted	Originals Required	