

## **Appendix 1**

### **Cherwell District Council Risk Based Verification Policy**

#### **Background**

Housing Benefit and Council Tax Reduction schemes nationally cost in the region of £25 billion per annum. Ensuring that the right help is awarded is crucial both to the customers and the taxpayers. Combating fraud and reducing error is a key component of this.

The Verification Framework Policy was introduced by the Department for Work and Pensions (DWP) as guidance, in line with the Social Security Administration Act 1992, for administering Housing and Council Tax Benefit claims. This policy recommended that local authorities should obtain substantial evidence before determining claims for benefit. Although voluntary it was adopted by most Councils (including Cherwell District Council) to ensure that the correct amount of benefit was paid, that subsidy was maximised and that fraud was minimised

In 2011, the Department for Work and Pensions (DWP) allowed a limited number of councils to pilot a scheme to try to reduce the cost of the verification process and, at the same time, reduce fraud and error based on risk based verification principles. It is an approach used by Job Centre Plus and will underpin Universal Credit as it rolls out.

The pilots were successful and the DWP have confirmed that Councils can now adopt this approach for Housing Benefit and Council Tax Reduction claims. This is summarised in circular S11/2011.

Cherwell District Council administers 7,200 claims for Housing Benefit and Council Tax Reduction. This Risk Based Verification policy has been developed to underpin a

regime of preventing fraud and error from entering the system whilst continuing with live caseload intervention.

The policy takes into account that Cherwell District Council must adhere to Housing Benefit and local Council Tax Reduction legislation. The regulations do not specify what information and evidence the Council should obtain from a 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 made and renewed because of a change in circumstances.

The Council's legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which 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.”*

Risk Based Verification will be implemented from the 28<sup>th</sup> June 2017 or from the date that the Benefits work is insourced from Capita and the Academy processing system is introduced, whichever is the later

### **What is Risk Based Verification (RBV)**

RBV is a method of applying different levels of checks to new claims for Housing Benefit and Council Tax Reduction dependent upon a complex risk profile given to each customer. The profile is determined by specific software using statistical information and experience about what type of claim represents what type of risk. The higher the risk, the greater the checks used to establish that the claim is genuine.

This approach allows the targeting of resources and is very effective in identifying higher levels of fraud and error, reducing the overall cost of verifying claims and improving processing times for some low risk claims.

In adopting RBV there is still an obligation to get all the facts and make an accurate assessment but there is not the need to gather documentary evidence in all cases.

### **Implementing Risk Based Verification at Cherwell District Council**

Pursuant to DWP circular S11/2011 Cherwell District Council (hereafter referred to as 'the Council') will apply RBV to new claims for HB and CTR from the transfer of the work from Capita. This date will be confirmed by the Section 151 officer. The

Council will use an on line application form offered by Capita and a solution offered by Xantura to carry out the risk scoring. Customers may also apply on a hard copy form. The software will be integrated into the Academy Revenues and Benefits system to produce risk scores in real time.

Each new claim will be allocated a risk score – Low, Medium or High. The evidence requirements will differ based on the risk score assigned. The evidence requirements are contained at Appendix A of this policy. Circular S11/2011 confirms that local authorities have discretion to determine their own risk groups. Circular G1/2016 gives updated advice on the evidence standards required,

It should be noted that original documentation of a National Insurance Number and confirmation of identity must be provided in all cases regardless of the risk score, in order to comply with legislation. This verification is only required on the first claim and will not be requested again in support of any future claims.

#### Low Risk

The claimant's identity will be verified in accordance with sections 1(1a) and 1(1b) of the Social Security Administration Act 1992. The evidence required will be original documents to prove identity and National Insurance Number and photocopies or original evidence of self-employed earnings and student income and status. A LAREV1 is also required for any other properties.

#### Medium Risk

Cases in this group must have the same checks as low risk plus copies, scans or original documentation to prove all declared income and capital. Please note: all evidence for identity must be original documentation.

#### High Risk

All high risk cases must have the same checks as low and medium groups but the documentation must be original. In addition further checks will be carried out including a credit check via the National Anti-Fraud Network (NAFN)

### **Monitoring RBV**

DWP suggest that around 55% of cases will be low risk, 25% medium risk and 20% high risk. The likelihood of fraud and error being present is estimated to be around 3% for low risk, 11% for medium risk and 27% for high risk cases.

Once a risk group has been allocated, individual claims cannot be downgraded by an officer to a lower risk group. They can, however, be upgraded to a higher risk group

with approval from a Senior Officer or a Team leader, if the officer has good reason to think this is appropriate. All cases which are upgraded will be recorded along with the reason for doing so.

All risk scores are recorded by the RBV software and will show on the customer's account within the Academy system. This will enable the Auditors to check the level of verification needed to support the assessment of each claim type for the purposes of subsidy so protecting the Council from financial risk.

Failure to apply the verification standards as stipulated in the RBV policy may have an impact on the subsidy claimed and could result in a loss of revenue for the council.

As suggested by the DWP there will be a robust baseline against which to record the impact of RBV. The figures derived from cells 222 and 231 of the Single Housing Benefit Extract will constitute the baseline of fraud and error currently identified by the Council. The baseline figure for the Council will be confirmed once the Academy system has been introduced but is expected to be around 2.4%. Following the introduction of RBV, the level of fraud and error identified is expected to increase as the resources are focussed on the high risk group cases.

Xantura record all risk score requests and an audit log of requests is generated which the Council will use to ensure that the new claims process is being followed and reduced verification applied. There will be a blind sample of cases by Xantura where the risk group will be adjusted and level of verification applied will be checked.

Capita will provide monthly reports detailing the percentage of cases falling into each risk group, the fraud and error identified in each risk group and the level of fraud and error detected in the sample of blind cases.

### **Review of the policy**

The RBV policy will be reviewed annually and any changes will be referred to the members of Accounts Audit and Risk Committee for approval. In accordance with DWP guidance changes will not be made in-year as this would complicate the audit process.

### **Training and awareness**

Training will be provided to all staff within the Entitlements team on the use of RBV, including refresher training and training for new entrants. This will ensure that the processes and procedures are agreed and understood. Discussions will take place with all internal stakeholders such as Customer Services and Housing.

### **Business Continuity**

The Capita RBV solution is web-based and the ability to obtain a risk group in real time is dependent on an internet connection. In the event of the officers being unable

to generate a risk score for any claim, the claim will be treated as medium risk and the appropriate level of verification will be applied.

### **Audit requirements**

External audit have been consulted on the implementation of RBV and on this policy. Auditors will carry out their duties against the terms of the RBV policy and, provided cases have been assessed correctly against the requirements of the policy, this shall meet audit requirements.

### **Policy approval**

**This Policy has been produced in line with Department for Work and Pensions guidance on the use of Risk-Based Verification as detailed in HB/CTS circular S11/2011 and G1/2016.**

**This policy is approved by:**

**Account Audit and Risk Committee**

Date:09.06.2017

**Chief Finance Officer (Section 151 Officer)**

Name: Paul Sutton

Signed

A handwritten signature in black ink, appearing to be 'PS', with a long horizontal line extending to the right.

## Cherwell District Council RBV Evidence Checklist

Evidence Type	Subcategory	Low Risk	Medium Risk	High Risk
Identity & NINO		> Originals. CIS Check where identity has been verified for a qualifying benefit	> Originals, CIS Check where identity has been verified for a qualifying benefit	> Originals Required, CIS Check
Residency & Rent	> Private Tenants		> Originals or Photocopies;	> Originals Required
	> Social Landlords		> Originals or Photocopies;	> Originals Required
	> Registered		> Originals, Photocopies or electronic file from Social Landlord	> Originals Required
Household	> Partner's ID/ NINO	> Originals or CIS check where identity has been verified for a qualifying benefit	> Originals or Photocopies CIS check	> Originals Required, CIS check
	> Dependents		> Originals or Photocopies CIS check	> Originals Required, CIS check
	> Non-Dependent Working		> Originals or Photocopies or RTI file	> Originals Required or RTI file
	> Non-Dependent (PB) Non Dependent no income	>	> CIS Check P45 or statement	> CIS Check P45 or statement
	> Non-Dependent Student	>	> Originals or Photocopies	> Originals Required
	> Non-Dependent Not Working			> Originals Required
	> 2AR: Non-Dependents Not Working			> Originals Required
Income	> State Benefits	>	> CIS Check	> CIS Check
	> Earnings, SSP, SMP & SPP	>	> Originals, Photocopies or Cert of Earnings or RTI file	> Originals Required or RTI file
	> Self Employed	> SEE Pro-Forma	> Originals, Photocopies, SEE form or audited accounts	> Originals Required – Receipts and Invoices
Child Care Costs			> Originals or Photocopies	> Originals Required

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<b>Students</b>	>	(Income + Status Required)	>	<b>Photocopies</b>	>	<b>Originals or Photocopies</b>	>	<b>Originals Required</b>
<b>Capital</b>	>	Working Age						
	>	Working Age & > £6,000			>	<b>Originals or Photocopies</b>	>	<b>Originals Required; must include last 2 months' transactions</b>
	>	Elderly						
	>	Elderly & > £10,000			>	<b>Originals or Photocopies</b>	>	<b>Originals Required; must include last 2 months' transactions</b>
	>	Property	>	<b>LAREV1</b>	>	<b>Originals, Photocopies or LAREV1</b>	>	<b>Originals Required and LAREV1</b>

**Cases in High Risk Group will also be subject to a credit check via NAFN within one month of the date of the claim unless the claim has ended prior to the check being conducted.**