

Cherwell District Council

Accounts Audit and Risk Committee

28 June 2017

<p>Housing Benefit and Council Tax Reduction Risk Based Verification Policy</p>
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Report of the Chief Finance Officer

This report is public

Purpose of report

To seek support from members of this Committee for the introduction of a Risk Based Verification Policy for new claims for Housing Benefit and Council Tax Reduction with effect from 28 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.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.
- 1.2 To recommend to the section 151 officer the adoption of the Risk Based Verification Policy in determining the evidence requirements for the assessment of new Housing Benefit and Council Tax Reduction claims.

2.0 Introduction

- 2.1 Cherwell District Council administers more than £38 million in Housing Benefit and makes Council Tax Reduction payments of around £6.8 million each year to around 7,200 households in the district. Historically, the standards of verification applied by Councils to Housing Benefit claims have been governed by the Department for Work and Pensions (DWP) verification framework. This policy recommended that Councils should obtain substantial evidence before determining claims for benefit. Most councils adopted this framework to ensure that the correct amount of benefit was paid, that subsidy was maximised and that fraud and error was minimised. The verification framework has proved to be costly and there is little scope for local discretion.
- 2.2 Following a number of pilots the DWP now allows local authorities to carry out this verification using a risk based approach for claims. Circular S11/2011 confirms the requirements for local authorities that adopt Risk Based Verification (RBV) including adopting a RBV policy that has been approved by the Section 151 Officer and by

members of Accounts Audit and Risk Committee. The Policy must allow officers and external auditors to be clear about the levels of verification required. Circular G1/2016 gives updated advice on the evidence standards required. The policy must be reviewed annually but cannot be amended in-year as this would complicate the subsidy audit process. The DWP is also planning to adopt the RBV approach for administering claims for Universal Credit so, by introducing this now customers will be familiar with the process so easing them into the change to Universal Credit.

3.0 Report Details

Risk Based Verification

- 3.1 Risk Based verification is a method of applying different levels of checks to Housing Benefit and Council Tax Reduction new claims according to the risk associated with those claims. The aim is to reduce the burden on customers to provide excessive evidence and to enable low risk claims to be processed and put into payment more quickly. It will also reduce the cost of administering claims and allow the team to concentrate efforts on high risk cases where there is expected to be greater fraud and error. RBV also allows the council more flexibility to take into account national and local issues and to build in checks and balances. It may also help maintain the average time taken to process new claims for HB and CTRS within existing resources.

Application of RBV

- 3.2 The intention is to implement an IT solution to support the introduction of RBV provided that the appropriate approval is given by this Committee. The approach will be adopted for new claims. Any change of circumstance will follow separate standards. For the purposes of applying RBV, each claim is allocated a risk group. The risk category is applied via the Academy software system using a third party software supplier. The modeling performed by the software supplier has been scrutinised, tested and approved by DWP. Claims are assessed prior to payment and put into one of three categories – Low, Medium or High risk and this category will determine the evidence requirements.

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, photocopies or original evidence of self-employed earnings and student income and status. A valuation is also required for any other properties owned.

Medium Risk

Cases in this group must have the same checks as low risk plus copies (emails will be accepted as 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).

- 3.3 It is anticipated that around 55% of all new claims will be deemed to be low risk and will normally be paid on the information provided by the claimant (subject to verification of identity on the first claim made). 25% are expected to be medium risk and will be subject to normal verification processes. 20% will be high risk and will be subject to much higher levels of verification including a credit check via National Anti-Fraud Network (NAFN).
- 3.4 To benefit fully from Risk Based Verification the process for receiving a new claim and checking data must be tailored to risk score the claim in the very early stages. To assist with this the intention is to introduce a new on-line claim form for Cherwell at the same time as RBV. The customer will then complete the application form on line and be accurately advised on the level of evidence required as they submit the claim. This request for information at the point of claim will make the process much easier for the customer who will not be asked to provide high levels of evidence. It will also help to speed up the time taken to assess new claims. Customers will be offered support in making their claim online and there will be the option of completing a hard copy form for any customers who do not wish to apply online.

Recording and monitoring of RBV

- 3.5 The software supplier will provide monthly management reports to show all risk scores allocated and how much fraud and error has been established in each risk group.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Risk Based Verification is a new approach to verifying new claims for Housing Benefit and Council Tax Reduction. There is a requirement that the Risk Based Verification Policy be approved by members of Accounts, Audit and Risk Committee.
- 4.2 Members are now requested to approve the Risk Based Verification Policy shown at Appendix 1 of this report.

5.0 Consultation

- 5.1 The policy has been drafted by the Joint Revenues and Benefits Manager and internal consultation has taken place with the Team Leaders and the Corporate Fraud Investigations Officer.

In accordance with DWP Circular S11/2011 the Section 151 Officer has agreed the Policy.

No formal consultation has taken place with members of the public, however, the change will be fully communicated and the policy will be on the website. Consultation has taken place with colleagues in Customer Services and Housing.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: As RBV is a voluntary scheme the alternative would be to not adopt the scheme and for the verification procedure to remain “as is”. This has been rejected as it is anticipated that it will become increasingly difficult to meet service demands based on current resources if the verification requirements remain as substantial and costly.

7.0 Implications

Financial and Resource Implications

- 7.1 It is anticipated that the introduction of RBV will generate efficiencies through reduced verification procedures on low risk claims and by targeting resources on the high risk category claims. There will also be positive financial implications from the reduction of fraud and error.

Comments checked by:

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Legal Implications

- 7.2 Although Risk Based Verification is a voluntary scheme there is a mandatory requirement, if it is adopted, to have a Risk Based Verification Policy detailing the risk profiles and the verification standards which will apply. This is stated in DWP Circular S11/2011 (Appendix 2). It should be noted that this policy will be the basis on which the Council is audited in the future and for this reason the policy must be agreed by the Council’s S151 Officer for adoption.

Comments checked by:

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Equality Implications

Risk Based Verification Policy will apply to all new claims for Housing Benefit and Council Tax Reduction. The mathematical model used to determine the Risk Score does not take into account any of the protected characteristics within the Equalities Act. As such there should not be any equalities impact. However an equalities impact assessment will be carried out.

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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priorities of a district of opportunity and sound budgets and a customer focused council

Lead Councillor

Councillor Tony Ilott Lead member for Financial Management

Document Information

Appendix No	Title
One	Risk based Verification Policy
Background Papers	
None	
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