

**REPORT FOR: Governance, Audit & Risk Management Committee**

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**Date of Meeting:** 2 April 2014

**Subject:** **INFORMATION REPORT – Risk Based Verification**

**Responsible Officer:** Fern Silverio, Head of Collections & Benefits

**Exempt:** No, except Appendix A, Risk Based Verification Policy – Para 7 Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

**Enclosures:** Risk Based Verification Policy Appendix A  
Electronic New Claims Implementation Plan Appendix B  
Equality Impact Assessment Appendix C

## **Section 1 – Summary**

February Cabinet approved the implementation of Risk Based Verification within the administration of Housing Benefit and Council Tax Support from April 2014. The local authority administers Housing Benefit on behalf of the Department of Work and Pensions (DWP) within a framework of legislation and DWP guidance. DWP circular HB/CTB S11/2011 states 'We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee'.

Council Tax Support is prescribed by legislation and local policy. While DWP has no remit over the administration of Council Tax Support, the local authority seeks to align Council Tax Support assessment processes with Housing Benefit to reduce administration costs, and to share best practice across the systems.

This paper is to inform the Governance, Audit and Risk Management Committee of the policy and monitoring processes.

**FOR INFORMATION**

## **Section 2 – Report**

- 2.1 Risk Based Verification has been implemented in conjunction with electronic claims in Housing Benefit/Council Tax Support. Approximately 4,000 new claims are processed in Harrow each year. Legislation requires the local authority to be satisfied that it has sufficient information to be able to accurately assess entitlement to Housing Benefit. This is currently done by, in most instances, the provision of original documentation to support all aspects of a detailed means test e.g. pay slips.
- 2.2 Risk Based Verification is technology that changes the evidence requirements as it risk assesses new claims and changes in circumstance at the point of claiming/notifying a change. Claims will be categorised as low, medium or high. Levels of verification against each risk category are detailed in the restricted Risk Based Verification Policy at Appendix A. Classification of claims allows resources from low risk cases to be channelled towards high risk cases and reduce fraud and error from entering the system at the gateway.
- 2.3 Following successful pilots for Risk Based Verification by the Department for Work and Pensions (DWP) and local authority partners in 2011, the process was opened up to all organisations with responsibility for administering Housing Benefit.
- 2.4 Harrow's Risk Based Verification process is reliant on an electronic claims system. Electronic claims will be implemented over the course of a year from March 2014 as detailed in the Electronic New Claims Implementation Plan Appendix B. Risk Based Verification will be simultaneously rolled out for new claims. Changes in circumstance implementation will follow once lessons have been learned from the new claims process.

## **Section 3 – Further Information**

- 3.1 Implementation of Risk Based Verification and Electronic Communications within the administration of Housing Benefit and Council Tax Support will deliver a total saving of £47,000, equivalent to one and a half Full Time Employee (FTE) in the Resources Directorate. This saving will be used to cover the set up and running costs of £15,000 per annum, with the remaining £32,000 fed into the savings requirement under the Minerva Programme. Savings will be realised due to a reduction in customer contact and the issue of information requests as less evidence is required to support approximately 50% of claims.
- 3.2 Risk Based Verification will enable more efficient targeting of resources to tackle fraud, as fraud referrals will be of a higher quality and more accurate. Internal Audit and the Corporate Anti-Fraud team were closely involved in the shaping of the Risk Based Verification Policy.

- 3.3 It is anticipated that customer service will be improved due to improved assessment times as low risk claims do not require high levels of validation. The national DWP Right Time Performance Indicator 181 will be impacted positively by the implementation of Risk Based Verification and electronic claiming. This is a combined figure of number of days to assess new claims and change of circumstance. PI 181 is currently at 10.46 days and is expected to reduce to 9.5 days once the new processes are live, assuming no other attributing factors change.
- 3.4 The Risk Based Verification software package is delivered with reports that enable the scheme to be monitored. Blind-sampling is automated within the system to validate the process. Furthermore assessment officers are able to increase the risk category at any time should they have concerns about an individual case, however they must never reduce a risk rating. The Risk Based Verification procedure will detail when and how this will be carried out and monitored.
- 3.5 For the first four months following implementation of Risk Based Verification, the existing validation processes will continue to be run alongside the new system. This will enable monitoring of Risk Based Verification by way of comparison, provide management information regarding risk profiles and give assurance that the new system is working.
- 3.6 In circular HB/CTB S11/2011, the DWP has laid out the procedure required to implement Risk Based Verification to ensure local authorities meet auditing requirements. Harrow is following these requirements and therefore reducing any risk to the Housing Benefit subsidy claim. The scheme has been piloted in other local authorities, and rolled out nationally from November 2011, allowing Harrow to benefit from experiences of others.

## **Section 4 – Financial Implications**

- 4.1 Revenue costs are £15,000 pa. This will be financed from the deletion of a 0.5 Full Time Equivalent (FTE) G6 Financial Assessment post which equates to £15,000 pa. Implementation and on-going costs are therefore contained within existing budgets.
- 4.2 However, additional financial savings will be realised in Access Harrow to the value of 1 FTE AH Advisor @£32,000. The implementation of Risk Based Verification and electronic claiming will therefore reduce service costs and support our efficiency drive.

## **Section 5 – Equalities Implications**

- 5.1 Pursuant to the Equality Act 2010 (“the Act”), the council, in the exercise of its functions, has to have ‘due regard’ to (i) eliminating discrimination, harassment,

victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

5.2 An Equalities Impact Assessment screening was conducted in relation to the implementation of the Risk Based Verification Policy and the Electronic Claiming Policy and can be found at Appendix C to this report. The Equality Impact Assessment screening has concluded that the implementation of the policy will not have an adverse impact on residents from any of the protected groups, however actions have been put in place to ensure all groups within the protected characteristics have access to the appropriate support to enable them to transact electronically or to make paper claims. These actions are identified in the Electronic Claims Implementation Plan Appendix B. Implementation of the Risk Based Verification policy will be monitored to enable mitigations to be put in place should the need arise.

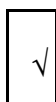
## **Section 6 – Priorities**

6.1 The administration's priorities are to deliver a cleaner, safer and fairer Harrow. The Risk Based Verification policy enables fairer delivery of services due to best use of resources and improved performance times. Furthermore it reduces the risk of fraud entering the Housing Benefit system, thus helping to deliver a safer environment.

## **Section 7 – Monitoring**

7.1 Following the initial four month pilot, GARM will be updated on the outcomes which will be fed into a process review at that time. Furthermore, the percentage of fraud and error identified will be reported to the Improvement Board, or equivalent, for reference against the baseline. This will ensure that the level of fraud and error within the Housing Benefit and Council Tax Support systems does not increase as a result of Risk Based Verification.

Name: Simon George



Chief Financial Officer

Date: 25 March 2014

## **Section 8 - Contact Details**

**Contact: Fern Silverio, Head of Collections and Benefits**