

REPORT FOR: Governance, Audit, Risk Management and Standards Committee

Date of Meeting: 1 April 2015

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

Responsible Officer: Tom Whiting, Corporate Director of Resources

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
Equality Impact Assessment Appendix B

Section 1 – Summary

Risk Based Verification policy is being brought to GARM Committee to:

- To consider and comment on the Risk Based Verification Policy to take effect from April 2015

The policy is held in Appendix A to this report

FOR INFORMATION

Section 2 – Report

2.1 Risk Based Verification is a tool that forms part of the verification process in administration of Housing Benefit and Council Tax Support. The system allows targeting of higher levels of verification to those at greater risk of fraud or error, hence requiring less resource than needed to verify all cases at the same standard.

- 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 prevent fraud and error from entering the system.
- 2.3 The initial Risk Based Verification policy was brought to GARM in April 2014 along with the electronic claims policy as the two are interlinked. Following identification of new functionality by the Council's electronic claim supplier, it was decided to delay implementation of these new processes to ensure the system would be future proofed. This will result in an end to end automated process for new claims including integration with both the assessment and workflow systems, reducing the need for manual input and reducing costs.
- 2.4 The system has also been amended by introducing different verification standards as per appendix A to the policy. Original documentation will now only be required on high risk cases, with either originals or copies acceptable on medium risk with the exception of identity proof which under statute must be original proofs. Removing the need for original documents on medium risk cases will reduce the level of customer contact at Access Harrow as customers will not need their proofs verified by an officer and they will be able to send documents electronically. The process will also reduce the demand on the Scanning and Indexing Department as less original documents are returned to customers by post and electronic documents do not require scanning.
- 2.5 Risk Based Verification works on the premise that the same level of fraud and error will be found using the existing standards of verification as will be identified under the Risk Based Verification system. It should be recognised that by reducing the level of evidence required against medium risk cases the level of fraud within the system is likely to increase as it is easier to manipulate photocopied or electronic documents. This risk is largely carried by the Department of Work and Pensions who pay 100% subsidy to the local authority for Housing Benefit paid, and needs to be considered in the context of reduced resources in Access Harrow, Benefit Assessments and the Business Support hub while managing increased demand due to welfare reform and DWP savings programmes. There is a risk to the local authority if fraud is identified at a later point and overpayments raised at a reduced subsidy rate.
- 2.6 This risk will be monitored by reviewing overpayments raised through various channels including fraud referrals and DWP/HMRC change notifications. Furthermore the Housing Benefit service matches its data with multiple data bases including council tax, HMRC (earnings and private pensions), student finance, DWP benefits and capital which assists in the identification of undeclared income/capital/residency. The outcomes of these data matches will be reviewed to identify the extent of any new fraud entering the system as a result of the reduced verification standard within Risk Based Verification.

- 2.7 Internal Audit and the Corporate Anti-Fraud Team have been consulted in the development of the changes to the Risk Based Verification Policy and their concerns regarding the likelihood of increased fraud and how this will be monitored and actioned have been incorporated into this report.
- 2.8 It is proposed that new claims will go live with Risk Based Verification in April 2015, using a dual verification process with Risk Based Verification and existing systems for the first four months. Changes in circumstance are planned to be implemented later in 2015.
- 2.9 GARM Committee is being asked to consider and comment on the Risk Based Verification Policy from April 2015. The comments of this committee will be reflected in the April 2015 Risk Based Verification Cabinet report.

Section 3 – Further Information

- 3.1 Harrow processes approximately 4,000 Housing Benefit/Council Tax Support new claims a year and 15,000 changes in circumstance of which approximately 25% will fall in to the medium risk category. The assessment process has been reviewed to identify efficiencies without negatively impacting customer service. Reducing the level of risk on medium risk cases will help alleviate pressure on resources in Access Harrow and the Business Support hub.
- 3.2 The introduction of Risk Based Verification into the electronic changes in circumstance process will help residents to self-serve, whilst ensuring they provide the required information relating to their change in circumstance. Partner organisations have agreed to support this new process for example Registered Social Landlords submitting electronic forms and uploading scanned copies of evidence to speed up the claim turnaround times.
- 3.3 With external agencies supporting the claim process, the local authority will see further reductions in demands on council services including Access Harrow, Housing Benefit Assessments and Scanning & Indexing.
- 3.6 DWP has laid out the procedure for local authorities to meet in their Risk Based Verification policy in circular HB/CTB S11/2011 to mitigate risk to the subsidy claim. This includes the requirement that the Risk Based Verification Policy should not be amended in-year. While Cabinet agreed a Risk Based Verification Policy in February 2014, that policy is deemed to be null and void as the process has not gone live. Risk Based Verification will not have been used in Harrow until after this revised policy has been approved by Cabinet in April 2015. The local authority must meet these requirements to ensure the £150m annual subsidy claim is not put at risk.
- 3.7 Risk Based Verification has been piloted in other local authorities, and was rolled out nationally from November 2011. Housing Benefit/Council Tax Support Services use different verification systems and standards. The verification levels laid out in Harrow's Risk Based Verification policy is common practice and has been live in other local

authorities who have not had their subsidy claims challenged in this respect during their annual audit.

Section 4 – Financial Implications

4.1 Cabinet and GARM have already been informed that Revenue costs are £15,000 pa, which are being financed from the deletion of a 0.5 Full Time Equivalent (FTE) G6 Financial Assessment post which equates to £15,000 pa. On-going costs are therefore contained within existing budgets. However, additional financial savings were made in Access Harrow to the value of 1 FTE AH Advisor @£32,000. Whilst the policy of Risk Based Verification and electronic claiming will reduce service costs and support our efficiency drive, fundamentally it also underpins the validation of our Housing Benefit Subsidy audit by ensuring DWP approved processes are used to de-risk qualifications to our Housing Benefit subsidy claim and therefore reducing the risk of benefit clawback by the DWP which could cost the general fund hundreds, if not millions of pounds in lost benefit should auditors not find our processes compliant and robust .

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 When Risk Based Verification and the Electronic Claiming Policy were taken to Cabinet and GARM in 2014, an Equalities Impact Assessment screening was conducted and can be viewed at Appendix B. The Equality Impact Assessment screening concluded that the implementation of the policy would 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. That Equalities Impact Assessment remains relevant to the changes detailed in this report, and the actions that came out of the Assessment will continue to be implemented and monitored.

Section 6 – Priorities

- 6.1 The Risk Based Verification policy assists the council in meeting two of the administration’s priorities:
- Making a difference for the most vulnerable
 - Making a difference for families

Section 7 – Monitoring

- 7.1 A progress report will be brought to GARM after the first six months of new claims running and will include information from the initial four month pilot when dual processes will be run. The service will stop using existing verification processes on Risk Based Verification cases after the four month trial if the levels of fraud and error identified are the same or more than the baseline. The percentage of fraud and error identified will be monitored by the service on a monthly basis.
- 7.2 Interventions and fraud outcomes will also be monitored to manage the risk of any additional fraud entering the system as detailed in 2.6 above.
- 7.2 Should the level of fraud and error entering the system be found to be a cause for concern, then the system will be reviewed. If a solution cannot be identified then consideration will be given to either revising the Risk Based Verification Policy or stopping the use of the system within the Benefits assessment process.

Name: Dawn Calvert	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 24 th March 2015		

Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23 rd March 2015		

Section 8 - Contact Details

Contact: Fern Silverio, Head of Collections and Benefits