

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	23 April 2015
<b>Subject:</b>	Risk Based Verification (RBV) Policy for Housing Benefit and Council Tax Support
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Tom Whiting, Corporate Director of Resources
<b>Portfolio Holder:</b>	Councillor Sachin Shah, Portfolio for Finance and Major Contracts
<b>Exempt:</b>	No, except for Appendix A which is exempt under paragraph 7 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to any action to be taken in connection with the prevention of crime
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Risk Based Verification Policy (Appendix A) (Exempt) Equalities Impact Assessment (Appendix B)

## **Section 1 – Summary and Recommendations**

This report sets out the new policy for Risk Based Verification within Housing Benefit and Council Tax Support

### **Recommendations:**

Cabinet is requested to make the following decision:

1. Agree the revised Risk Based Verification policy (Appendix A) to take effect from April 2015

2. Delegate authority to the Corporate Director of Resources following consultation with the Portfolio Holder, to review and change the policy annually as necessary.

### **Reason: (For recommendations)**

The policy to use Risk Based Verification (RBV) processes regarding Harrow's Housing Benefit/Council Tax assessments was adopted by Cabinet on the 13/2/2014. 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 report now requests that Cabinet adopts the policy attached which will allow the RBV processes to be used for changes in circumstances and new claims, and informs Cabinet that implementation is now scheduled for April 2015.

DWP recommend that it is good practice for the Risk Based Verification Policy to be considered by GARM. The policy was therefore brought before GARM committee on 1<sup>st</sup> April 2015, the comments of which are included in this report.

Implementation of Risk Based Verification in the Housing Benefit and Council Tax Support assessment process supports the savings requirement within the Resources Directorate. Adopting the policy will reduce the necessity for benefit claimants to contact the council through more expensive methods such as face to face, and decrease the need to produce original documents to support their claim resulting in a reduction in the number of customer contacts in Access Harrow, lower volumes of scanning and indexing within the Business Support hub and less information requests made by the Housing Benefit Service.

Risk Based Verification allows the targeting of resources from low risk cases to those which are at higher risk of potential fraud and error. By identifying these cases at the point of entry the process should help to reduce fraud and error from entering the system. For those claimants classified as low risk the customer journey will be enhanced as they are required to provide minimal information to support their claim, speeding up the claim process.

## **Section 2 – Report**

### **Introductory paragraph**

- 2.1 Harrow's Housing Benefit/Council Tax Support process currently requires original documents to support all new claims and changes in circumstance. Risk Based Verification reduces this standard by targeting resource at higher risk cases and removing the need for low risk claims to be evidenced beyond statutory requirements.

2.2 By enabling the policy to be used across both new claims and changes in circumstance allows greater efficiencies in processing, reducing the level of customer contact and correspondence flowing through the system and assisting services in managing reductions in resource in Access Harrow, Benefit Assessments and the Business Support Hub.

### **Options considered**

2.3 The only option proposed in this report is to adopt a revised Risk Based Verification standard and confirm changes of circumstance will be brought into the process in 2015-16. This will enable resources to be targeted more effectively toward identifying fraud and error within reduced structures. The alternative is not to implement Risk Based Verification (as it is not obligatory) although this would not support the reduction in costly channels for customer contact.

### **Background**

2.4 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. Claimants are currently required to provide original evidence of all aspects of their claim irrespective of the type of claim made.

2.5 Risk Based Verification is a tool that forms part of the verification process in the 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.

2.6 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.

2.7 The initial Risk Based Verification policy was agreed by Cabinet 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.

2.8 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 documents 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.

- 2.9 The policy is also being brought back to Cabinet to confirm that Housing Benefit/Council Tax Support changes in circumstance will go-live with Risk Based Verification in 2015-16. 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.

### **Risk Management Implications**

- 2.10 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 and is therefore not an in-year policy change. The local authority must meet these requirements to ensure the £150m annual subsidy claim is not put at risk.
- 2.11 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.
- 2.12 To further manage the risk 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.
- 2.13 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. This risk is largely carried by the Department of Work and Pensions (DWP) 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.

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.

2.14 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.

The Risk Based Verification Policy has been before GARM on 1<sup>st</sup> April 2015 for consideration. Comments from GARM Committee in respect to the changes to the policy are detailed below:

- Acknowledged that the key driver behind the change in verification standard to medium risk claims was financial efficiencies and reducing service demand in Access Harrow, Business Support hub and Benefit Assessments;
- Acknowledged that using Risk Based Verification and the verification standard within Harrow's policy is a local Council decision and while DWP has piloted Risk Based Verification and granted local authorities the permission to use the tool within the assessment of Housing Benefit, it is a local authority decision to adopt the process and set the verification standard;
- Queried whether benefit claimants could be required to authenticate their own documents, in place of the burden being placed on the local authority. This option had not been previously been investigated because officers felt it would not be a robust method of verification; as self-authentication would make claiming benefit more cumbersome for the claimant it could act as a deterrent to people notifying changes of circumstance; may act as a disincentive to starting work/increasing working hours due to the impact of notifying the local authority of a change; and could create a barrier to receiving benefits for more vulnerable residents;
- Acknowledged that levels of fraud entering the system would be monitored in the medium term through interventions and fraud referrals;
- Acknowledged that changes of circumstances were confirmed in the policy to go-live in 2015;
- Welcomed the opportunity for the outcomes of the four month dual process to be taken back to GARM, accepting that at that point it will be too early to confirm whether additional fraud was entering the system.

A monitoring report will be taken back to GARM after 6 months to feedback on early outcomes.

Risk included on Directorate risk register? No

Separate risk register in place? No

## **Legal Implications**

Risk Based Verification (RBV) is voluntary but if an authority chooses to adopt it must have in place an RBV Policy setting out the risk profiles, verification standards that will apply and the minimum number of claims to be checked. Such a policy must be approved by members and have the agreement of the authority's section 151 Officer. Due to the nature of the content of the policy, it is not made publicly available. It is also expected that there is monthly monitoring of RBV to ensure its effectiveness and that there is reporting of this.

The use of Risk Based Verification and eclaims are supported by legislation, DWP circulars and guidance and local policy.

## **Financial Implications**

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 .

## **Equalities implications / Public Sector Equality Duty**

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.

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.

## Council Priorities

The Risk Based Verification and electronic claims policies enable 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 ensuring we concentrate on supporting those who are financially vulnerable.

## Section 3 - Statutory Officer Clearance

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

<b>Ward Councillors notified:</b>	<b>NO, as it impacts on all Wards</b>
<b>EqIA carried out:</b>	<b>YES</b>
<b>EqIA cleared by:</b>	Alex Dewsnap, Chair, Equality Task Group (Resources) - (24 March 2015)

## Section 4 - Contact Details and Background Papers

### Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),  
Tel: 020-8736-6818 / email: [fern.silverio@harrow.gov.uk](mailto:fern.silverio@harrow.gov.uk)

### Background Papers:

Appendices, as attached to the main report

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in applies]*