REPORT FOR:	**Governance, Audit, Risk Management and Standards Committee**
Date of Meeting:	5th April 2016
Subject:	Outcomes of Risk Based Verification Pilot in Housing Benefit and Council Tax Support
Responsible Officer:	Tom Whiting, Corporate Director - Resources & Commercial
Exempt:	No, except for Appendix B, Risk Based Verification Policy – Exempt by virtue of Paragraph 7 of Schedule 12 To the Local Government Act 1972 (as amended) in that it contains Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime
Wards affected:	All
Enclosures:	Appendix A – GARM RBV report Apr 2015 Appendix B – Risk Based Verification Policy (Exempt) Appendix C – Equality Impact Assessment

Section 1 – Summary and Recommendations

This report sets out the outcomes of the Risk Based Verification (RBV) pilot conducted in the administration of Housing Benefit and Council Tax Support

Recommendations:

The Governance, Audit, Risk Management and Standards Committee is requested to:

- Note and comment on the outcomes of the Risk Based Verification pilot in the administration of Housing Benefit and Council Tax Support.

- Note and comment on the proposal that should the results from Risk Based Verification not match the expectations from the Department for Work and Pensions by October 2016, that the Risk Based Verification process will be withdrawn from use.

Section 2 – Report

Background

2.1 Housing Benefit and Council Tax Support are administered by the local authority. Residents claim these benefits by completing a combined application form. The form requests information to support a means test. This information is verified before the assessment is carried out. Housing Benefit is administered by the local authority on behalf of the Department for Work and Pensions while Council Tax Support is localised.

2.2 Harrow has approximately 20,000 live Housing Benefit and Council Tax Support claims with annual expenditure of £150 million and £13.5 million respectively.

2.3 Assessment of entitlement to benefit has previously involved a robust verification process which required original documents to be provided by the claimant to validate all information given in their claim. This verification process has been applied across all claim types, irrespective of the likelihood of fraud or error. Where possible, information is obtained from alternative sources, such as the Department for Work and Pensions to confirm entitlement to other state benefits, but high volumes of correspondence are still handled by the local authority; approximately 40,000 items per annum.

2.4 In April 2015 a report was brought to the Governance, Audit, Risk Management and Standards Committee to inform Members of the introduction of Risk Based Verification into the Benefit assessment system. The report is attached as Appendix A. Risk Based Verification

has been approved by Department for Work and Pensions as a method of risk assessing claims for Housing Benefit to enable resources to be targeted toward those claims at higher risk of fraud and error. The system allows low risk claims to be assessed with minimal levels of verification, while high risk claims will be required to undertake a more rigorous assessment process.

2.5   The differences between the existing verification system and risk based approach are detailed below. This information is detailed in Harrow's Risk Based Verification Policy which is attached as Appendix B.

Existing Verification methods	Risk Based Verification method		
	Low Risk	Medium Risk	High Risk
Original documents required on all claims	Identity and National Insurance Number to be verified through original documentation. No other documentation required	Identity and National Insurance Number to be verified through original documentation. All other documentation to be accepted as photocopies	All information to be verified as original documentation Additional verification to be carried out such as Credit Reference and land registry checks

2.6   The Department for Work and Pensions sets out the basis on which Housing Benefit is to be administered. In 2011 the Department for Work and Pensions issued guidance to local authorities allowing them to voluntarily use Risk Based Verification standards in the administration of Housing Benefit. The system adopted by Harrow requires the use of a third party tool to carry out the risk assessment. While the local authority is permitted to use the system on new claims and changes of circumstances, it is currently only applying the process to new claims of which there are approximately 3,000 submitted per annum in Harrow.

2.7   For commerciality reasons, Harrow was unable to obtain the detail behind the risk assessment from the third party supplier. The process followed by the supplier has been reviewed and agreed by the Department of Work and Pensions on behalf of local authorities. However, to give Harrow some confidence in the process, it was agreed following input from the Governance, Audit, Risk Management and Standards Committee in April 2015, that a pilot would be carried out before rolling out the Risk Based Verification system across the caseload.

2.8   The pilot

2.9   Harrow's Risk Based Verification system requires claims to be submitted electronically. Harrow implemented e-claims in June 2015. All e-claims received were allocated a risk score by the Risk Based Verification system but until 31 March 2016 were all still actually verified using the existing system. The existing system requires original documentation to be provided for all elements of the claim. Assessors were therefore instructed not to take the risk rating into account in the verification process, and the fraud and error indicator was based on provision of original documents and not the rules within the Risk Based Verification system. All outcomes from the pilot are based on this verification process.

2.10   Between June 2015 and October 2015, 1,015 electronic claims were submitted. This data was analysed by the Risk Based Verification supplier and, with Harrow's agreement, the tool recalibrated. This recalibration allowed the distribution of risk to reflect the levels within the low, medium and high categories that are expected from the use of Risk Based Verification, without a potential reduction in the proportion of fraud and error being identified.

2.11   From November 2015 over 80% of new claims have been submitted electronically, with volumes as at end of January 2016 rising to around 95%.

2.12   Table 1 shows the distribution of risk categories for all electronic Housing Benefit and Council Tax Support claims received November 2015 to January 2016. Risk scores were allocated by the Risk Based Verification technology at the point the electronic claim was submitted.

Table 1 – distribution of risk categories across new claims

Risk Category	November 2015	December 2015	January 2016
Low	56%	59%	57%
Medium	27%	23%	19%
High	17%	18%	24%

Total number of claims through Risk Based Verification over this period was 812

2.13   Harrow's Risk Based Verification policy sets out that risk distribution will be 'In line with Department of Work and Pensions guidance, around 55% of cases are likely to be classified as Low Risk, 25% Medium and 20% High.'

2.14   The distribution of risk over the pilot period is deemed to be within policy and the level of risk in each category is within expected parameters.

2.15   When verifying a benefit claim, it is recorded whether fraud or error has been found as a result of the verification process. This level of error is determined by considering whether the information used to assess the

claim is the same as that given by the claimant when they completed the form.

2.16 The level of fraud and error found in November 2015 is shown in Table 2 below. In the context of verifying the claim for benefit, 'error' is a mistake or omission made by the claimant when completing the claim form. It is only possible to decide whether there is fraud or error once the claim has been assessed. Data can only be provided for November because not enough time has elapsed at the time of preparing this report for all Housing Benefit claims received in December and January to have been assessed.

Table 2 – November 2015 fraud and error rates found at the point of assessing the new claim using existing verification methods

Risk Category	Percentage of total claims where fraud or error found	Number of claims assessed	Number of claims where fraud or error found
Low	8%	97	16
Medium	10%	66	19
High	5%	33	9
Across all categories	22%	196	44

Note: percentages are the level of fraud and error found within the risk category against the total claims (196), not just the claims within the risk category.

2.17 When verification is carried out according to the Risk Based Verification policy from 1st April 2016, the expectation is that the level of fraud and error currently found in the low risk group will be found in the high risk group. This will be because the additional resource previously targeted at low risk claims will now be targeted at high risk e.g. through credit reference or land registry checks. Had the risk based verification been fully implemented in November, then approximately 75% of claims in high risk would have had to have had fraud or error found to offset the equivalent loss of identified cases in the low risk category.

2.18 It has to be recognised that while Risk Based Verification could not be fully implemented during the period of the pilot, assessors were aware of the risk classification when assessing claims. It is therefore probable that they were undertaking additional verification steps unintentionally and therefore identifying additional fraud and error in the high risk group that would not have been found had a risk rating not been allocated to the claim. Data cannot be compared with pre-pilot verification outcomes as the electronic claim was not used at that time and accurate claim information was not able to be captured on the hard copy claim form.

2.19 Whilst noting that the additional fraud & error found may have been, in part, due to more assessor checking, the tool will continue to be calibrated to better reflect risks in Harrow. As such we will continue to work with the supplier to ensure the calibration is adjusted until we are achieving the appropriate suggested results.

2.20 Breakdown of caseload across risk categories

2.21 Limited information is currently available on the claim types within each risk group as claims need to be assessed for this data to be extracted. The data below is for claims received in November 2015

Table 3 - Claim types across risk categories November 2015

Claim type	% low risk	% medium risk	% high risk
Passported* working age	73%	23%	4%
In-work working age	42%	41%	17%
PCGC pensioner	100%	0%	0%
Non-passported pensioner	50%	17%	33%

*Automatically passported entitlement onto Housing Benefit/Council Tax Support due to receipt of another state benefit

Table 4 - Tenure type within risk categories November 2015

Claim type	% low risk	% medium risk	% high risk
Private	39.3%	45.3%	15.4%
Council	70.0%	10.0%	20.0%
Housing Association	88.9%	5.6%	5.5%

2.22 This caseload data demonstrates that more complex cases are most likely to require some level of verification of entitlement, and those on passported benefits or Social Rented accommodation are more likely to fall into the low risk category. The Risk Based Verification process allows resources to be directed toward those more complex cases which have a much higher probability of being correct and away from those simpler cases.

2.23 Conclusion

2.24 Risk Based Verification, whilst not yet achieving the results expected, has demonstrated that the process works and identifies fraud and error. However the process is still evolving and with on-going liaison with the supplier and future calibrations of the tool, we are confident that Risk Based Verification will be effective and allow us to fully migrate to the automated process by October 2016. However, should future data not confirm this position or give Harrow the confidence that it is effective in identifying the correct levels of fraud and error, then it will be withdrawn from use.

2.25   Governance, Audit, Risk Management and Standards Committee is asked to note and comment on the outcomes of the pilot for officers to feedback into the monitoring and review of the process.

2.26 Financial Implications

2.7   There are no financial implications any additional costs to processing high risk claims will be offset by reductions in verification of low risk claims.

2.28 Risk Management Implications

2.29   Risk included on Directorate risk register? No
2.30   Separate risk register in place? No

2.31   Through liaison with other local authorities and Benefit professionals, Harrow has taken one of the most robust and risk adverse approaches toward implementation of Risk Based Verification. The pilot has also enabled managers to gain a greater understanding of the tool. However should Harrow be unable to exceed the baseline as detailed above, or if the Risk Based Verification is found to have not been followed during the assessment process e.g. due to assessor error, then there is a risk to a proportion of the £150m Housing Benefit subsidy claim.

2.32   Risk also exists as assessors have to apply different assessment rules to different claim types. The Housing Benefit and Council Tax Support systems are already increasingly complex, making it more likely that assessors will make mistakes as they are asked to consider more elements of a claim while under increasing pressure due to reducing resources not linked to Risk Based Verification. Assessment errors found by the auditor are extrapolated across the caseload and the Housing Benefit subsidy claim adjusted accordingly. Again, this brings risk to the £150m subsidy claim.

2.33   This risk will be monitored and reviewed on a monthly basis for six months. The Housing Benefit department will work with KPMG, the Council's auditors, and the Department for Work and Pensions to mitigate risk. Risk Based Verification will also be incorporated into the Housing Benefit Quality Assurance plan to further mitigate the risk, however even with this activity it should be recognised that there is a level of uncertainty surrounding Risk Based Verification.

2.34   Based on the limited information available from the pilot, the Risk Based Verification tool does appear to do what it is intended to do, by allocating risk to new claims for Housing Benefit and allowing resource to be focused on high risk claims and reducing effort toward low risk claims.   This process will provide a better customer journey for

approximately half of the residents submitting new claims for Housing Benefit and Council Tax Support.

2.35   Risk Based Verification will alleviate the pressure on front line services that currently collect original documents for all new claims. Benefits will also be seen in the Business Support hub through reduced volumes of scanning and indexing.

2.36 Equalities implications

2.37   An Equality Impact Assessment was carried out when the Risk Based Verification policy was taken to Cabinet and Governance, Audit, Risk Management and Standards Committee in April 2015. That impact assessment remains relevant at the time of writing this report and is held as Appendix C

2.38   The Equality Impact Assessment jointly considered Risk Based Verification and electronic claiming. No adverse impacts were identified in respect to Risk Based Verification, but it was found that channels of support for those claimants unable to transact electronically needed to be kept open.

2.39 Council Priorities

2.40   Risk Based Verification will enable the Council to Protect the Most Vulnerable and Support Families as it will allow resources to be targeted to where they are most needed, protecting service delivery and the public purse.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	X	on behalf of the* Chief Financial Officer
Date: 21 March 2016		
Name: Andrew Lucas	X	on behalf of the* Monitoring Officer
Date: 17 March 2016		

Ward Councillors notified: **NO**

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

Background Papers:
DWP Risk Based Verification Guidance, HB/CTB S11/2011
https://www.gov.uk/government/publications/hb-subsidy-circular-s112011-risk-based-verification-guidance