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

Date of Meeting: 21 January 2020

Subject: Information Report: Removal of Risk Based
Verification in the Administration of Housing
Benefit and Council Tax Support

Responsible Officer: Dawn Calvert, Director of Finance,
Resources Directorate

Exempt: No, except for Appendix A: Risk Based
Verification Policy is exempt under paragraph
7 of Part 1 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

Wards affected: All

Enclosures: Appendix A – Risk Based Verification Policy -
Restricted
Appendix B – Equality Impact Assessment

Section 1 – Summary

This report sets out the proposal to remove Risk Based Verification from the administration of Housing Benefit and Council Tax Support.

It is being brought to Governance, Audit, Risk Management and Standards Committee to:

- Consider and comment on the proposal to remove Risk Based Verification from the administration of Housing Benefit and Council Tax Support with effect from 1st April 2020

FOR INFORMATION

Reason: The reduction in the number of new claims for Housing Benefit as a result of the rollout of Universal Credit and the level of complexity of a high proportion of residual claims makes the Risk Based Verification process less effective in the administration of Housing Benefit. Furthermore, the implementation of a revised Council Tax Support scheme that uses the Universal Credit notification as a claim for Council Tax Support for the working age and allows validation of most working age claims from Universal Credit, also nullifies the need for using Risk Based Verification for Council Tax Support assessments

The Department of Work and Pensions require any changes to Risk Based Verification to be made at the start of the financial year. The proposal is therefore to remove the use of RBV with effect from 1st April 2020.

Section 2 – Report

Introductory paragraph

2.1 Risk Based Verification was introduced into the administration of Housing Benefit and Council Tax Support new claims in Harrow in 2015 following agreement by Department of Work and Pensions (DWP) for whom the Council administer Housing Benefit on behalf of. In April 2015 the current Policy, Appendix A, was agreed by Cabinet and taken to GARMS for information. GARMS requested a six month pilot be carried out after which a report was taken back to the Committee and confirmed that, while the Policy was still in its infancy and needed more time to fully understand the outcomes, it was meeting the expected outcomes.

Since that time Universal Credit has started to rollout in the borough resulting in a 69% reduction in the number of Housing Benefit new claims. The Council now only receives Housing Benefit claims for pensioners, people in Supported Accommodation or Temporary Accommodation and, for the short term, people who are entitled to a Severe Disability Premium.

2.2 Furthermore the Council is in the process of changing its Council Tax Support scheme from April 2020 to ensure it remains fit for purpose in response to the rollout of Universal Credit. The changes to the scheme include using the Universal Credit notification as a claim for Council Tax Support and to verify the majority of information required to assess the claim directly from DWP rather than requesting it from the claimant.

2.3 Both of these changes will reduce the number of claims that can be risk assessed by the Risk Based Verification tool. This makes the tool financially unviable for the number of claims it could be used for, but could also increase the level of subsidy risk in Housing Benefit.

Options considered

2.4 There are only two options available:

- Keep Risk Based Verification in the administration of Housing Benefit and Council Tax Support
- Remove Risk Based Verification in the administration of Housing Benefit and Council Tax Support

This report sets out the reason for proposing to remove Risk Based Verification by considering the risk and impacts of keeping it.

Background

2.5 Risk Based Verification is an automated process that risk assesses new claims to target those at higher risk of fraud and error. By incorporating it into the electronic new claim process claims receive a classification of low, medium or high. Verification of evidence to support the claim is based upon the risk classification as below:

Low risk	Medium risk	High risk
Original evidence of identity and proof of national insurance number required All other information declared by the claimant is accepted without further evidence	Original evidence of identity and proof of national insurance number required Copies of all other evidence	Original evidence of all information declared and invited to attend an interview where further clarification is required

2.6 Risk Based Verification was implemented in Harrow in 2015 to reduce the level of evidence requests on low risk claims and allow resources to be directed to high risk claims. The Risk Based Verification policy is audited by Department of Work and Pensions (DWP) as part of the annual Housing Benefit subsidy audit. The authority is required to ensure that the overall level of fraud and error detected using Risk Based Verification does not fall below the baseline level of detection prior to Risk Based Verification implementation. The application of Risk Based Verification for CTS claims is not audited in the same way.

2.7 The effectiveness of Risk Based Verification in Harrow has been limited due to the caseload make-up. Monitoring following its introduction has identified that the complexity of the Harrow Housing Benefit caseload has impacted how successful the Risk Based Verification tool is in respect to faster processing for low risk claims to allow resources to be diverted to high risk claims. For example claims from Persons from Abroad, of which Harrow has a disproportionately high number, were required to have the risk allocation increased e.g. to obtain evidence of the right to access public funds. Claims from people

in employment also frequently result in additional verification requests due to the high level of error made by claimants when providing earning information in the claim form. As Harrow has such a high proportion of low earners, this has impacted on the effectiveness of Risk Based Verification in Harrow compared to some other boroughs.

Reasons for change

2.8 Universal Credit

Working age claimants are now required to claim assistance with housing costs from Universal Credit instead of Housing Benefit. This has resulted in a 69% reduction in the number of new claims received for Housing Benefit and is expected to reduce further when Severe Disability Allowance claims also transfer into Universal Credit.

2.9 The working age claims that remain with the local authority in the long term are Supported and Temporary Accommodation. In most instances these claimant's personal evidence can be validated directly from DWP, however because of the complexity of these claims verification of the rent and support provided is required and consequently these claims cannot go through the risk assessment. Pensioner claims account for a much smaller proportion of new claims received, with 71 received in quarter 2 of 2019/20, approx. 24 a month.

2.10 Access to real time earnings and private pension data

Since the introduction of Risk Based Verification, Councils have been given access to more information by DWP/HMRC. Earnings and private pension details can now be viewed directly through an online system and alerts are issued where there is a mismatch between Council and HMRC data. This allows more accurate assessments without the need to contact claimants to verify their claim.

2.11 Subsidy risk

Housing Benefit is administered by the Council on behalf of the DWP and the Council is therefore subject to an annual audit of the subsidy claim which is submitted to reclaim the benefit paid out to residents. The current Housing Benefit expenditure is around £127 million p.a. If an error is found in the audit it is extrapolated and the subsidy payment reduced accordingly. Part of the audit is to check that the Council is applying its Risk Based Verification policy accurately. An error in this respect could have an impact of millions of pounds on the Council. The level of risk must be balanced against the benefits of using the Risk Based Verification tool. As the benefits of the tool have reduced, the subsidy risk has become unjustifiable.

The Risk Based Verification tool costs the Council £15,000 a year. Given that the residual Housing Benefit working age claims are too complex to be risk assessed and there are only a small number of pensioner claims received, there is no business case for retaining the tool for the purposes of Housing Benefit.

2.12 Introduction of new Council Tax Support scheme

Council Tax Support is funded by the Council and is not subject to the same requirements by DWP or DHCLG as Housing Benefit, giving the Council greater autonomy over how it administers the scheme. Harrow's Council Tax Support scheme is changing from April 2020 to ensure it remains fit for purpose as residents transfer onto Universal Credit. From April 2020 the number of working age new claims that can be risk assessed will reduce as the Council starts to use the Universal Credit notification issued by DWP as a claim. Furthermore the new scheme will require less verification as it is a simpler scheme which can obtain the majority of information required directly from Universal Credit.

89% of Council Tax Support claims are made by working age people. It is therefore not viable to retain the Risk Based Verification tool for pensioner only claims (approx. 22 a month).

A survey of London Councils in Jan 2019 found that of the 23 respondents, 14 had implemented Risk Based Verification at some time. 4 of the 14 had stopped using it and 1 was proposing to stop using it. The rollout of Universal Credit was given stated as the reason for ceasing to use the tool where a reason was provided.

Replacement verification process

2.13 DWP guidance circular S11/2001 states:

"LAs have to take into account HB Regulation 86 when verifying claims. Reg. states:

"a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable."

These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant's entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied."

The following verification process will be implemented for the administration of new claims in place of Risk Based Verification:

2.14 Housing Benefit

Original evidence of all required documentation to be obtained for all new Housing Benefit claims.

Where evidence can be obtained from services within the Council e.g. Housing, or from DWP, then this will always be the first point of contact before requesting information from the claimant.

Proof of identity will always be requested from the claimant in original format.

Housing Associations are trained as verification officers by the Council. They will therefore use the evidence upload form (when available) to provide all information they have available to support a tenant's claim.

2.15 Council Tax Support:

Proof of identity will always be requested from the claimant in original format.

All other evidence to follow the procedure set out below.

Evidence will be obtained from sources other than the claimant e.g. DWP/HMRC or copies accepted unless stated otherwise. The term 'copies' is used to mean photocopies or evidence submitted electronically e.g. from a photograph on a mobile phone, self-scanned or received by the claimant electronically e.g. bank statements. Customers will be encouraged to provide evidence electronically whenever viable.

2.16 Universal Credit

When the claimant is in receipt of Universal Credit:

- When claimants are in receipt of Universal Credit then all evidence that can be obtained from DWP will be accepted through this route.
- Evidence of non-dependant income will need to be obtained from the claimant if it is not available from Universal Credit

2.17 VEP (WURTI) – DWP/HMRC online system

- Earnings and private pension information should always be obtained from VEP in the first instance.
- If information is not going to be available until a point in the future, e.g. next months pay slip, then a template letter will be sent to the claimant informing them of this and that if the information is not available from VEP they will be required to provide proof. Letter to state they do not need to do anything now unless they believe their information won't be available in VEP

- If earnings/private pension information not available in VEP either for known reasons or unknown reasons:
 - Obtain original payslips/letter from employer
 - Request additional verification e.g. bank statements to show transactions
 - Contact employer to confirm employment
 - Check Companies House
 - Speak to claimant and potentially invite them in to discuss if still have concerns
 - Consent will need to be obtained before contacting employers directly. This should be requested from the claimant if it is not already held.

2.19 Other income

Copies are acceptable in all other scenarios unless there is cause for concern or conflicting information is provided. 'Cause for concern' will be decided upon by the assessment officer based on their experience, information available to them and procedures. Examples would include:

- Concern that documents have been falsified. All Benefits staff are verification trained to identify documents that could have been falsified and will therefore be able to request further evidence if they are not satisfied that information held is genuine
- Where cross checks don't substantiate information provided, for example checking self-employed information against Companies House database

Types of other income that will be accepted as copies include:

- Student finance
- Self-employed
- Annuities
- Dividends
- Miscellaneous e.g. support from friends/family
- Income from lodgers
- Child benefit
- Tax Credit for more than 2 children
- Non-dependant income

2.20 Capital

Proof of capital is to be accepted as copies unless there is cause for concern or conflicting information is provided

Rent

Proof of rent is to be accepted as copies unless there is cause for concern or conflicting information is provided.

2.21 Expenditure

Proof of expenditure is to be accepted as copies unless there is cause for concern or conflicting information is provided.

2.22 Clarification and additional information sought

- Where any clarification is sought a telephone conversation must be held by making an outbound call and by leaving a voicemail message and a note in Northgate that claimant can be put through to assessor.
- The type of scenarios that would require additional clarification, but not exclusively, are:
 - Any discrepancies over information provided
 - Earnings should be in VEP but aren't
 - Living off income below applicable amount
 - Declare nil income but expenses indicate otherwise e.g. regular travel across London
- Original documents may be requested in these scenarios if it is believed that this will help to clarify the claimants circumstances

Implications of this proposal

The impacts of this proposal are expected to be minimal. Requests for information from customers are not forecast to increase as they are either already made or the information can be obtained from other sources. Pensioners will be required to provide information where some may not currently be asked to do so, but the numbers impacted will be low (under 10 a month).

There is no expectation of an increase in customer contact because of the low numbers who will be asked to provide evidence compared to now and the fact that this proposal coincides with the change to the Council Tax Support scheme will also reduce customer contact relating to evidence provision.

Risk Management Implications

No risks have been identified in the removal of the Risk Based Verification tool in the administration of Housing Benefit and Council Tax Support. However, there are potential risks to retaining the tool following the rollout of Universal Credit:

- The rollout of UC in the borough has meant that there are relatively few Housing Benefit claims that can now be fully risk assessed due to the complexity of a number of the residual claims. Retaining the tool costs £15,000 p.a. for a product that has very limited use in the administration of the residual Housing Benefit new claims.
- Using the Risk Based Verification tool carries a subsidy risk. While the Council sets out to ensure it is compliant with the DWP's requirements when applying the tool in the administration of Housing Benefit, should the authority be found to be non-compliant the financial implications could be very high with DWP potentially requesting a subsidy

repayment into millions of pounds. The level of risk is no longer offset by the level of gain from using the tool.

Procurement Implications

There are no procurement implications due to the removal of this check.

Legal Implications

There is no legal requirement to use Risk Based Verification in the administration of Housing Benefit or Council Tax Support. The proposed procedure to replace Risk Based Verification complies with Regulation 86 of the Housing Benefit Regulations 2006 and Paragraph 7 of Schedule 8 of The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

Financial Implications

The only financial implications identified in this proposal are to reduce the risk to the Housing Benefit subsidy audit. DWP set very tight controls in respect to the processes that must be followed by the LA when using RBV. If these processes cannot be demonstrated as having been met by the organisation there will be a risk to the subsidy claimed from DWP. Given that RBV will potentially affect every Housing Benefit claim made, the value of subsidy at possible risk is very high.

As the number of new claims now received has reduced and those that are made are largely more complex and require additional verification irrespective of RBV, the benefits of using the tool no longer outweigh the risks. Given that a level of verification will be carried out on all claims once RBV is stopped, it is not anticipated that any additional fraud risk will be able to enter the system.

Equalities implications / Public Sector Equality Duty

Appendix B sets out the Equality Impact Assessment that has been carried out to understand the potential impacts of this proposal. Due to the rollout of Universal Credit and the proposed changes to the Council Tax Support scheme, the number of claims that will be impacted by the proposal to remove Risk Based Verification is low. As pensioners are not affected by either Universal Credit or the change to Council Tax Support, they are more likely to be impacted by the removal of Risk Based Verification.

It is estimated that of the estimated 25 pensioner Housing Benefit and Council Tax Support claims received a month, 10 may be required to provide more information than they do currently (25 claims includes HB and CTS claims of which there are approx. 22 and 24 respectively, most of which are joint claims for both benefits). As a high proportion of evidence for this group can be obtained from alternative sources (DWP/HMRC/social landlord) and the more complex claims are already classified as medium or high risk and therefore required to provide more evidence under Risk Based Verification, the impact will be low. Furthermore, the implementation of a new online evidence upload tool will allow claimants to submit information electronically in most instances where they are able to do so. Should there be exceptional situations where

evidence is required and the claimant's vulnerable status makes it difficult for them to provide the information to substantiate their claim, a home visit will be arranged.

Council Priorities

This proposal will continue to support those most in need by having minimal impact to residents claiming Housing Benefit and Council Tax Support. It will however reduce risk to the Housing Benefit subsidy claim, therefore protecting the Council's finances.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 8 th Jan 2020		

Name: Andrew Lucas	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 4 th Dec 2019		

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	on behalf of the Head of Procurement
Date: 20 Jan 2020		

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 20 December 2019		

MANDATORY		
Ward Councillors notified:		NO

EqIA carried out:		Yes
EqIA cleared by:		Alex Dewsnap

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:

Appendices, as attached to the main report

Appendix B is exempt