Report for: **Cabinet on 08 October 2019**

Title: **Introduction of a Risk Based Verification (RBV) policy for Housing Benefit and Council Tax Reduction claims**

**Report
authorised by:**   **Andy Briggs, Assistant Director for Corporate and Customer Services**

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Ward(s) affected: All

**Report for Key/
Non-Key Decision: Key**

1.   Describe the issue under consideration

1.1   As part of the FOBO Transformation Programme we would like to introduce Risk Based Verification (RBV) to assist with the processing of Housing Benefit and Council Tax Reduction claims.

1.2   RBV relates to the level of checks that are undertaken on a claim before benefit is awarded. Its primary purpose is to target resources to where fraud and error are more likely to occur and thus help minimise fraud and error.

1.3   The DWP have used RBV on their claims for many years and extended the scheme on a voluntary basis to all Local Authorities from April 2012 under HB/CTB Circular S11/2011.

1.4   When a claim is submitted to the Benefits service, the customer is asked to provide evidence to support the claim.

1.5   All customers are required to provide some form of evidence to verify income and identity to support their claim. Some customers may then be asked to provide further proofs.

1.6   RBV is a method of applying different levels of checks to different types of claims. Each claim would be given a risk category, Low, Medium or High. This risk determines the likelihood of fraud or error occurring on the claim.

1.7   The risk profile is determined by specific software using statistical information gathered over many years about what type of claims represents what type of risk. The company already provides this software to 65 other local authorities.

1.8   In line with DWP guidance (HB/CTB Circular S11/2011) a policy has been created to determine how the Benefits service would process claims that fall into each of the risk categories.

1.9   As claims are received, the amount of supporting evidence required would have been pre-determined according to the risk category assigned. The risk category being based on the type of claim submitted. Each claim will automatically be assigned either a Low, Medium or High risk and then processed in line with the agreed policy for that category.

1.10 Based on the guidance provided by the DWP over a third of our claims would require less evidence than is currently requested (low risk).

1.11 In the last financial year, we received 4471 new claims and 145,819 changes of circumstances for customers. We sent out 21,049 letters to customer requesting further information. It takes on average 10mins extra processing time for each letter we send out for additional information, and adds on average, 2 weeks onto the processing time for each customer.

1.12 With RBV we would send out approx. 6,000 fewer letters as low risk claims could be processed without the need for additional information. This would reduce handling time in the back office by around 1,578 hours and significantly improve processing times for the customer.

1.13 The remaining two thirds (medium and high-risk claims) would remain broadly the same. However, the verification approach to these claims would be more structured, consistent and based on statistical evidence.

1.14 An Equalities Impact Assessment attached at appendix B has determined that this policy will not have an adverse effect on our residents. We are likely to see waiting times for assessments remaining the same or being improved. The application process itself will remain the same or will be made simpler with the requirement on customers to provide supporting evidence being reduced for many claims.

2. Cabinet Member Introduction

2.1 The FOBO programme was initiated in September 2018 to modernise our services, reduce the number of unnecessary contacts and simplify the experience for residents and businesses when using our services. Introducing Risk Based Verification (RBV) into the Benefits service will allow us to deliver on all the programme's objectives.

2.2 RBV will mean that over 30% of our residents in receipt of Housing Benefit will need to provide less evidence to support their claim than they are currently required to do. This will result in the process to claim Benefits being significantly quicker and easier for them.

2.3 For our staff it will mean sending significantly fewer requests for further information before a claim can be assessed. This will allow staff to spend more time making assessments and checking more high-risk cases rather than asking all our customers for more information.

2.4 The intelligence-based software used to apply RBV means that only those claims which are more likely to result in fraud or error will be subject to the additional checks which are currently applied to everyone. The result is a better service and experience for our customers and an improvement in our fraud and error detection rates.

2.5 The RBV software is already being used successfully in 65 other local authorities and introducing it in Haringey will help bring our service in line with the service provided at other local authorities.

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3. Recommendations

3.1 It is recommended that Cabinet approves Haringey's Risk Based Verification Policy - Appendix A [exempt] as the means by which the Council will process claims for Housing Benefit and Council Tax Reduction having regard to the Equalities Screening Tool (set out in Appendix B)

4. Reasons for decision

4.1 To help reduce fraud and error in the processing of Benefit claims by targeting our resources to those claims which provide a higher risk of fraud and error. The software company has confirmed that those claims that carry the very highest risk rating in the high-risk group have a 40% chance of error.
A case study in Bolton found that since the introduction of RBV, error detection rates had increased by 13.4%.

4.2 Reduce processing times for customers whose claims are at low risk of fraud and error. The software company has confirmed that low risk category claims see improvements in processing times up to an average of 10 days per claim
A case study in Bolton found that since the introduction of RBV processing times for all claims reduced from 24.8 days to 17 days, and for low risk claims it reduced to 5.4 days.

5. Alternative options considered

Do Nothing:
Without targeting our resources to those claims which pose a higher risk, we will not be making the most of our limited resources and are potentially delaying payments for customers with low risk claims. Our average processing times for 2018/19 was 18.14 days. We are also not in a position to identify and focus on those claims which are highly likely to have an element of fraud or error.

6. Background information

6.1 This policy was presented to and agreed at Corporate Committee on 25th July 2019.

6.2 The DWP have used RBV on their claims for many years and extended the scheme on a voluntary basis to all Local Authorities from April 2012 under HB/CTB Circular S11/2011

6.3 RBV has being successfully implemented in other Local Authorities where fraud and error rates had been improved and overall processing time reduced.

6.4 The DWP have confirmed (HB/CTB S11/2011) that results from LAs that operate RBV show that the % of fraud and error identified has increased against local baselines taken from cells 222 and 231 of the Single Housing Benefit Extract (SHBE). In addition, in common with the experience of the JCP and PDCS there have been efficiencies in areas such as postage and processing times have improved

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6.5   HB/CTB S11/2011 states: The policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process

6.6   Performance using RBV will be monitored monthly to ensure its effectiveness. Reporting will include, as a minimum, the % of cases in each risk category and the levels of fraud and error detected in each.

6.7   Auditors will check during the annual certification that the subsidy claim adheres to the RBV Policy which states the necessary level of verification required to support the correct processing of each type of HB/CTB claim. The risk category will be recorded electronically against each claim.

7.   Contribution to strategic outcomes

7.1   The policy will contribute to Your Council Priority, specifically outcome 20: Using our resources in a sustainable way to prioritise the needs of the most vulnerable residents
- It will provide value for money by targeting our limited resources to areas where we are most likely to prevent fraud and error.
- By preventing fraud and error we are protecting the council's finances.
- It will allow us to process low risk claims much quicker providing a better service to those customers.

8.   Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance – Section 151 Officer comments

The implementation of Risk Based Verification is a key element of process automation that will deliver the FOBO Programme savings for the Benefits Service that are included in the current Medium-Term Financial Strategy.

In addition, targeting resources to those claims which pose a higher risk will help to mitigate the risk of benefit overpayment and its potentially adverse impact on Housing Subsidy loss.

To minimise the risk of adverse financial consequences RBV performance will be monitored monthly and the policy reviewed annually.
I recommend this policy for approval.

Head of Audit & Risk Management

Audit have confirmed there are no points to raise from an audit perspective at this stage. They will be involved in understanding how the framework will be implemented, key risks and controls to manage the operations once/ if we are Live.

Strategic Procurement

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There are no Procurement implications in this activity. Procurement has no objections to this.

Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and makes the following comments.

The Department for Work and Pensions Subsidy Circular - HB/CTB S11/2011 - sets out the Department's policy on Risk-Based Verification (RBV) of Housing Benefit and Council Tax benefit claims, making the point that adoption by local authorities with effect from April 2012 is on an entirely voluntary basis.

The Circular also sets out the process to be followed in order to adopt RBV. That process consists of two stages, namely an examination of the bespoke policy for this Council by Corporate Committee which occurred on 25th July 2019 followed by approval and sign off by Members, which in this case means Cabinet with express support from the Council's Section 151 officer.

In light of the above, there is no legal reason why Cabinet cannot adopt the Recommendations contained in this report.

Equality

The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The implementation of this proposal will lead to applicant waiting times either remaining the same or being reduced. As outlined in the accompanying EqIA there are no negative effects anticipated as a result of this proposal on any protected characteristic group and as such there are no equalities concerns.

9.   Use of Appendices

> Appendix A – Haringey's Risk Based Verification Policy – This is exempt under paragraph 3 - Schedule 12A to the 1972 Act

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- Appendix B – EqIA

10. Local Government (Access to Information) Act 1985

HB/CTB Circular S11/2011:
https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2011