

**RISK BASED VERIFICATION POLICY FOR HOUSING BENEFIT  
AND COUNCIL TAX REDUCTION**

**HOUSING & COMMUNITIES PORTFOLIO (COUNCILLOR LYNDA  
THORNE)**

**AGENDA ITEM: 8**

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*Appendices A-C of the report are not for publication as they contain exempt information of the description in paragraphs 14, 18 and 21 of Schedule 12 A of the Local Government Act 1972.*

**Reason for this Report**

1. To approve the adoption of a risk based approach to verifying evidence to support Housing Benefit and Council Tax Reduction new claims and change of circumstances as outlined in the Risk Based Verification Policy attached at Appendix A.

**Background**

**Current Verification Framework**

2. Cardiff's Benefit Service administers claims for Housing Benefit and Council Tax Reduction. The Housing Benefit scheme is overseen by the Department of Work and Pensions while the Council Tax Reduction Scheme is the responsibility of the Welsh Government.
3. During 2018/19 the service processed 13,980 new claims and 62,645 changes in circumstances. Claimants are currently required to provide original documentary evidence of their income, savings, rent and expenses in support of their claim and each new claim and change of circumstances is verified to the same standard.
4. This current approach to verification is inconvenient for the customer and costly to administer.

**Risk Based Verification**

5. The Department for Works and Pensions has approved an alternative approach to verifying the accuracy of claims and changes known as Risk Based Verification. The Welsh Government have confirmed that this

approach is also acceptable for the administration of Council Tax Reduction.

6. Risk Based Verification is a method of applying different levels of verification checks to claims according to the predicted risk associated with those claims. The approach allows less evidence to be accepted for those cases deemed to be at lower risk of fraud and error while increasing the verification activity focussed on claims more prone to fraud and error.

### **Benefit of Risk Based Verification**

7. Taking a risk based approach ensures that information and evidence is only requested when needed and therefore has considerable benefits for both the customer and the service, these benefits include:
  - Increased customer satisfaction as the burden of proof is reduced for most customers and claims will be paid in a more timely manner
  - Less time spent following up missing evidence
  - Improvement in the speed of processing, productivity and efficiency of assessment staff
  - Reduction in footfall at hubs for verification of documents therefore improving waiting times for customers accessing other hub services
  - Less administrative and postage costs associated with the processing of Housing Benefit and Council Tax Reduction new claims and change in circumstances
  - Increased detection of fraud and error in high risk cases

### **Issues**

#### **DWP requirements**

8. The Department of Work and Pensions has provided guidance for local authorities wishing to adopt Risk Based Verification. This includes a requirement for a Risk Based Verification Policy which should detail:
  - The risk profiles that will be used
  - How the risk of each case will be determined (IT solution or clerical)
  - How the assumptions to determine risk will be tested and refined
  - The verification standards that will apply to each of the risk profiles
  - The minimum number of claims to be checked
  - Monthly monitoring and reporting of the Risk Based Verification performance which should include as a minimum; the percentage of cases in each risk category and the levels of fraud and error detected in each

9. The guidance also states that the policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must also be reviewed annually but not changed in year as this would complicate the audit process.
10. It also recommends that the policy should be examined by the Council's Audit Committee and must be submitted for Member's approval and sign-off along with confirmation of the Section 151 Officers agreement.
11. The guidance also suggests that the information held in the Policy should not be made public due to the sensitivity of its contents.
12. Local Authorities will be required to produce a robust baseline of fraud and error detection against which to record the impact of Risk Based Verification.

### **Risk Based Verification Pilot**

13. A pilot of Risk Based Verification took place in Cardiff between May and September 2019.
14. An integral part of the Risk Based Verification Pilot was the testing of an IT specialist software solution. The software has been developed by an external supplier and provides a risk category to identify the likelihood that fraud and error exists within a new claim or change of circumstances. The software has been built using historical local authority data. Its performance has been validated across a number of local authorities and has been proven to be effective.
15. Once a risk category has been identified by the software, officers cannot lower the risk category. They can upgrade the risk category where the information available makes this appropriate, however this can only be done by exception.
16. Each Housing Benefit and Council Tax Reduction new claim or change of circumstances processed as part of the pilot was subject to different levels of verification based on the risk category assigned to the case by the specialist software.
17. Monthly performance reports were made available by the supplier of the software so that the effectiveness of the risk based approach could be monitored. The reports include:
  - Volumes of new claims and change of circumstances risk categories generated
  - Risk analysis of cases (including/excluding pending cases)
  - Fraud and error distribution by risk category
  - Average days to process new claims
  - Blind sample – Fraud and error analysis
  - Benefit case days saved for low risk changes

## Pilot Findings

18. 727 new claims and 799 change of circumstances were assessed during the period of the pilot.
19. There were no issues of concern raised and the percentage of cases reported in each risk category was within expected guidelines provide by the Department for Works and Pensions.
20. The evidence required in support of the majority of new claims and change of circumstances was reduced compared to the current verification process adopted by the service. There was a clear improvement in the processing times of those claims deemed to be at lower risk of fraud and error.
21. As expected the level of fraud and error detected increased as the risk category of the cases increased. The overall level of fraud and error detected within the new claims processed as part of the pilot is higher than the previous baseline fraud and error detection rate.
22. To test whether the system is functioning correctly, a “blind sample” of cases was automatically selected. The blind sample was subjected to a higher level of verification than would normally be required for its risk category. The purpose of the blind sample is to check whether any fraud and error would have been detected if full verification had been carried out. During the pilot the level of fraud and error detected in the blind sample was nil, showing that that the risk assumptions made by the software are robust.
23. It should be noted that there is some risk associated with applying lower levels of verification. If errors are found later, this could lead to an increase in claimant error overpayments and a subsequent subsidy loss to the Council if it was not possible to recover the overpayment in full.
24. The results demonstrated by the pilot as part of the “blind sample” process and the fraud and error detection rate within each category gives assurance that the risk associated with claims is being assessed correctly by the software and therefore minimises the likelihood of increased overpayments. A full analysis of the pilot can be found at Appendix C.
25. Given the success and positive findings of the pilot it is proposed that full implementation of Risk Based Verification takes place. A Risk Based Verification Policy has been developed that covers all the requirements set out by the Department of Work and Pensions and this can be found at appendix A.
26. It is anticipated that this new way of working will reduce the administration required for benefit claims, and will allow the service to release 4 posts in the first instance, this can be achieved by the deletion of vacant posts. Further savings will be considered once the new arrangements are fully implemented.

## **Consultation**

27. Internal Audit has been consulted on the implementation of Risk Based Verification and the Policy. Comments provided have informed the final policy document.
28. The policy, risk management, governance arrangements and pilot findings were presented to the Council's Audit Committee on 12th November 2019 and no issues were raised.

## **Scrutiny Consideration**

29. The policy was presented to the Community & Adult Services Scrutiny Committee on the 6<sup>th</sup> of November. The letter will be circulated once received.

## **Reason for Recommendations**

30. The Risk Based Verification pilot has demonstrated that evidence requirements for most new claims and change of circumstances can be reduced without any negative impact. This approach reduces the burden of proof for most customers and ensures that customers receive the help they need at the earliest opportunity.
31. The pilot has also shown that more fraud and error can be detected by the increased verification activity carried out on those claims deemed to be at a higher risk.
32. It is anticipated that the change to a risk based approach to verification will assist the service to make agreed savings in administration costs.

## **Financial Implications**

33. The policy sets out the implementation and adoption of a risk based approach to verifying evidence supporting Housing Benefit and Council Tax new claims. This is anticipated to result in administrative efficiencies and a reduction in the resources required for assessment and processing of claims. The implementation of the policy also provides resilience against the anticipated reductions in the DWP Housing Benefit Administration Grant for 2020/21. The DWP requires S151 officer assurance and approval for the change in Policy. Directorate Management with the advice of Internal Audit have tested the system to mitigate against the risk of fraud or error and provided assurance for the S151 Officer to approve that the proposed changes contained within this report are appropriate for consideration.

## **Legal Implications**

34. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in

accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

35. The report identifies that an Equality Impact Assessment has been carried out and is appended at Appendix B. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty.
36. The decision maker must have due regard to the Equality Impact Assessment in making its decision.
37. Appendices A-F of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12 A of the Local Government Act 1972.

### **HR Implications**

38. The Trade unions have been fully consulted on the details within this report including the deletion of four vacant posts identified in paragraph 26. Should any further savings be identified, following full implementation, then the Trade Unions and any employees affected will be consulted. If any further savings result in the deletion of posts which are not vacant then the corporately agreed processes will be implemented.

### **RECOMMENDATIONS**

Cabinet is recommend to

1. approve the policy for Risk Based Verification as attached at Appendix A.
2. agree that this policy is to take effect from 1<sup>st</sup> January 2020.
3. delegate authority to the Assistant Director of Housing and Communities following consultation with the Cabinet Member for Housing and Communities to review the policy annually and to make changes as necessary.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>SARAH MCGILL</b> <b>Corporate Director People &amp; Communities</b>
	15 November 2019

*The following appendices are attached:*

Appendices A-E of the report are not for publication as they contain exempt information of the description in paragraphs 14, 18 and 21 of Schedule 12 A of the Local Government Act 1972.

**Confidential Appendix A:** Confidential Risk Based Verification Policy

**Confidential Appendix B:** Confidential Equality Impact Assessment

**Confidential Appendix C:** Confidential RBV pilot analysis

*The following background papers have been taken into account*

DWP Subsidy Circular S11/2011 & DWP General Circular G1/2016