

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 15 December 2021
Subject:	Review of Risk Based Verification for Housing Benefit and Local Council Tax Reduction claims		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	Appendices 2 and 3 of the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt.		

Summary:

The report provides the Audit and Governance Committee with details of a review of the Council's Risk Based Verification policy for Housing Benefit (HB) and Council Tax Reduction (CTR) and recommends changes to the approach with effect from 1st April 2022.

Recommendation(s):

- 1) that the Council's Audit and Governance Committee approves ending the use of Risk Based Verification in the administration of HB, CTR claims and reported changes in circumstances received after 31st March 2022, and
- 2) that the Audit and Governance Committee approves changes to verification of evidence to support HB and CTR claims received after 31st March 2022.

Reasons for the Recommendation(s):

- 1) The review of the operation of the Risk Based Verification policy has identified that performance will not be affected should it end.
- 2) The roll-out of Universal Credit, administered by the Department for Work and Pensions (DWP), and the reduction in the number of claims dealt with by the Council, mean that there is no longer a need for Risk Based Verification to verify income.

- 3) Access to data from the DWP and Her Majesty's Revenues and Customs (HMRC) has significantly improved availability of accurate and reliable data to confirm a claimant's income so a Risk Based Verification approach is no longer required.

Alternative Options Considered and Rejected: (including any Risk Implications)

The Council may continue to operate a Risk Based Verification policy however the review has identified that there is no real benefit in doing so.

The risk in relation to fraud and error in claims has been considered and it was found that the creation of overpayments has reduced over the years but there is no conclusive evidence to suggest it was down to Risk Based Verification. This is because the number of initiatives put in place over the years by the DWP and HMRC have improved timeliness and accuracy of data. Direct notification of changes in circumstances from central Government agencies, rather than a reliance on customer-notified changes, also mean that there is less scope for error and overpayment to occur.

What will it cost and how will it be financed?

There will be no impact on costs of service delivery. The software used to support Risk Based Verification is provided by Northgate Public Services as part of a wider package of Revenues and Benefits software applications and there will be minimal savings if this is no longer used.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

There are no negative financial implications by ending the operation of Risk Based Verification.

Benefits processing staff already have access to a significant amount data of claimant data provided directly to the Council from DWP/HMRC which means that in an increasing number of cases there is no requirement for additional claimant-provided supporting information and evidence.

Legal Implications:

The Housing Benefit Regulations 2006 provide that claimants must furnish the Council with documentation and/or information that may reasonably be required to determine entitlement to the benefit claimed. The regulations do not impose a requirement on the Local Authority as to what specific evidence and information should be obtained from the claimant but do require it to obtain information which will enable an accurate assessment of entitlement to benefit to be made.

The Council's local Council Tax Reduction Scheme includes a similar requirement.

There is a requirement when processing new claims for Housing Benefit to verify original documents to prove identify for the claimant and their partner (if applicable).

Equality Implications:

There are no equality implications by ending the operation of Risk Based Verification. Benefit entitlement for all groups will be based on the Council's updated verification arrangements rather than different requirements that have been in place based on a claimant's risk category in line with the Risk Based Verification Policy.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The recommendations will have a neutral impact. In most cases, benefits processing staff will determine entitlement using information and data already held on the claimant's record.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: The administration of Housing Benefit and Council Tax Reduction using the Council's verification standards will ensure that people who require this support will receive their correct entitlement.

In all likelihood information and evidence will be received directly from DWP/HMRC to reduce the need for claimants to have to provide this separately to the Council.

Facilitate confident and resilient communities: N/A

Commission, broker and provide core services: N/A

Place – leadership and influencer: N/A

Drivers of change and reform: N/A

Facilitate sustainable economic prosperity: N/A

Greater income for social investment: N/A

Cleaner Greener: N/A

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6594/21) and the Chief Legal and Democratic Officer (LD.4795/21) have been consulted and any comments have been incorporated into the report.

The Cabinet Member for Regulatory, Compliance and Corporate Services has been briefed regarding the review of the Risk Based Verification policy and the recommendations proposed to take effect from 1st April 2022.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Meeting

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Appendices:

Enclosure 1: DWP Circular S11/2011

Enclosure 2: Sefton Council Risk Based Verification Policy 2013

Enclosure 3: Sefton Council Risk Based Verification Policy – updated 2017

1. Introduction/Background

- 1) DWP Circular S11/2011 (Appendix 1) sets out guidance for local authorities operating Risk Based Verification for Housing Benefit and Council Tax Benefit. Risk Based Verification allows for more intense activity on claims more prone to fraud and error. Risk Based Verification is practised on aspects of claims in Jobcentre Plus, the Pensions Disability and Carers Service, and the DWP set out its intention that Risk Based Verification would be applied to claims for Universal Credit as it began to be introduced from 2013.
- 2) S11/2011 set out the DWP’s wish that Risk Based Verification would be extended to claims for Housing Benefit and Council Tax Benefit on a **voluntary basis** with effect from April 2012.
- 3) Risk Based Verification is a method of applying different level of checks to benefit claims according to the risk associated with those claims. Local Authorities are still required to comply with legislation around evidence of National Insurance numbers to verify identity while making use of intelligence to target more extensive verification activity on those claims shown to be at more risk of fraud and error.
- 4) Risk Based Verification assigns a risk category to each claim: Low, Medium or High Risk. Only minimal, essential checks would be made to Low risk claims, Medium risk claims would continue to be verified in the same manner as previously, whereas High risk claims would be subject to more extensive verification, for example, requesting further information and evidence, telephone interviews, credit reference checks.

- 5) While Risk Based Verification is voluntary, Local Authorities opting to adopt it are required to have a policy in place detailing risk profiles and verification standards. The policy must be submitted for Member approval along with a covering report providing the recommendation/approval of the Section 151 officer. The DWP also considers it good practice for the Policy to be examined by an Authority's Audit and Risk committee (or similar).
- 6) The information held within the Policy should not be made public due to the sensitivity of its contents.
- 7) The Policy should be reviewed annually and should not be changed in year as this would complicate the audit process. Auditors are required to check during the annual certification process that subsidy claimed adheres to the Authority's Risk Based Verification policy to support correct processing of claim categories. Failure by a Local Authority to process claims in line with its Risk Based Verification policy could result in subsidy loss.
- 8) Due to the COVID-19 pandemic, the DWP issued guidance to Local Authorities in April 2020, and again in May 2021, that the requirement to undertake an annual review of the Risk Based Verification policy was suspended until March 2022. However, if a Local Authority wants to change its current Policy it should do so following the approval route set out in Circular S11/2011.
- 9) Sefton Council has operated a Risk Based Verification policy since 1st April 2013 (Enclosures 2 & 3). Initially the Policy applied to New Claims and it was extended to include change in circumstances from April 2016. At the time, Risk Based Verification provided an opportunity to improve administration and reduce the burden on claimants to provide as much evidence to support their claims. There was also the potential to drive out fraud and error by targeting higher risk claimants to provide more evidence in support of their claims.
- 10) The Council has used software provided originally by Coactiva, (now Transunion) to provide claimant risk profiles. Profiles are determined by a propensity model, a mathematical formula/ algorithm, which uses historical outcome data to establish the likelihood of fraud and error appearing in any given claim. Each claim is analysed by the risk score software to identify if any of the characteristics associated with the occurrence of fraud and error are present. Likelihood is expressed by a risk category of low, medium or high risk.
- 11) The risk score is just one factor considered by the Council's Benefits Service before a claim is paid. An experienced staff member is responsible for considering the risk score, as well as income information and evidence held on the claimant's benefit record, before determining entitlement.

Review of Risk Based Verification Policy

- 12) The Benefits Service has recently undertaken a review of the Risk Based Verification Policy and considers that it could end with effect from 31st March 2022 without any negative impact on performance or fraud and error. The volume of claims categorised as high risk in line with the Policy is extremely low compared to

the overall volumes processed by the Benefits Service.

The table below shows volumes of cases falling into each risk category by Transunion software system for the 12-month period August 2020 – July 2021: -

	Low Risk	Medium Risk	High Risk
RBV claim volumes	1153 (88%)	144 (11%)	14 (1%)

- 13) From 30th June 2014, Sefton was part of the national roll out of the Universal Credit Live Service, and in October 2017 Universal Credit Full Service was implemented. Both changes have had an impact on the number of new claims to HB that the Council deals with as working age claimants now claim housing costs through Universal Credit. Although there was an increase in claims for Council Tax Reduction between April – June 2020, due to a rise in the number of people claiming Universal Credit in the early stages of the pandemic, supporting evidence is provided directly to the Council from the DWP.

The table shows that there has been a reduction of approximately 40% in the volume of Housing Benefit claims received by the Council since 2017 due to the majority of people claiming housing support through Universal Credit: -

	30.04.2017	30.04.2018	30.04.2019	30.04.2020	30.04.2021
HB claims received	3204	2709	2272	2075	1946

- 14) Since the introduction of the Risk Based Verification Policy in Sefton, there have been significant improvements in the access to data provided by the DWP and HMRC; This allows the Council to accurately verify the state benefits of claimants and receive direct notification from DWP systems when incomes change. For CTR claimants receiving Universal Credit, DWP also provide a notification to the Council of the income they have used in awarding Universal Credit including details of earnings. The Council also has access to earned income and private pension data held on HMRC systems. There is no need to request information from claimants in these cases.
- 15) These improvements in access to data, the increasing number of claimants in receipt of Universal Credit rather than HB, has led the Benefits Service to consider whether there is still a need for Risk Based Verification, and whether the Service could still process claims effectively without risk to the Council without using it.
- 16) Fraud and error in claims have also been considered and it was found that the creation of overpayments has reduced over the years but there is no conclusive evidence to suggest it was down to Risk Based Verification. This is because the number of initiatives put in place over the years by the DWP and HMRC have improved timeliness and accuracy of data. Direct notification of changes in circumstances also mean that there is less scope for error and overpayment to occur.

- 17) The cases highlighted as high risk have been considered. The software used, Transunion, provides no reason for a case being categorised as high risk. In most cases, the reason for it being high risk could not be established. After conducting additional checks required as part of the Policy, cases were put into payment as there was no reason established for payment to be withheld – but claims had been delayed whilst additional checks were carried out, impacting on processing times and potentially causing additional financial challenges for people on low incomes.
- 18) Transunion has written to the Council to say that it has decided to discontinue its Risk Based Verification software service from 30th September 2021 when access was removed. Transunion has explained that it has observed the impact which the rollout of Universal Credit has had on the demand for its Risk Based Verification software and its local authority client-base has reduced significantly. Therefore, it is no longer viable, nor efficient, to continue to maintain and develop the software.
- 19) Due to the DWP requirement that a Risk Based Verification policy should not be changed in year to avoid a risk to the subsidy audit process, the Benefits Service has switched to using Xantura software, provided by Northgate Public Services part of its wider package of Revenues and Benefits applications, for the six month period 1st October 2021 – 31st March 2022.

Proposed Changes to Verification of Evidence

- 20) It is proposed that claims received with effect from 1st April 2022 will be processed in accordance with Regulation 86 of the Housing Benefit regulations and/ or Rule 48 of the Council's Council Tax Reduction Scheme that sets out that claimants must furnish the local authority with documentation and/or information that may be reasonable required to determine benefit entitlement.
- 21) Benefit staff will work in accordance with updated procedures setting out the verification standards for HB and CTR administration. Improved access to DWP and HMRC data will continue to provide timely, accurate information and removes the need to verify income with the customer in most cases; only in a very limited number of cases would there be a need to ask the customer to provide supporting evidence.