



HOUSING BENEFIT RISK BASED VERIFICATION POLICY

INTRODUCTION

- 1.1 Bromsgrove District Council is responsible for the calculation and award of Housing benefits and Local Council Tax Support, subject to a valid application and verification of that application.
- 1.2 The Council must adhere to Housing and Council Tax Benefit legislation. The Regulations under the legislation do not specify what information and evidence the Council should obtain from a claimant for Housing Benefit or Council Tax Support.. However, they do require a Council 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. The legislation is supplemented by detailed statutory guidance, which must be applied. Failure to do so would lead to an adverse inspection report, possible audit sanctions and loss of subsidy.
- 1.3 Given those requirements quality assurance and detection of fraud are key aspects of the assessment process.

RISK BASED VERIFICATION

- 2.1 Risk-Based Verification (RBV) is a method of applying different levels of checks to benefits claims according to the risk associated with those claims. Different circumstances are taken into account and a risk profile applied to each claim. The associated risk matrix is based on many years of experience and statistical information about what type of claim represents what type of risk. The higher the deemed risk, the higher amount of resources will be used to establish that the claim is genuine.
- 2.2 The Department of Work and Pensions (DWP) has a RVB approach for the assessment of some state benefits, and therefore those claims that are 'passported' into the Housing Benefits system may already have had the risk established and appropriate level of checks applied.
- 2.3 RBV allows the Council more flexibility to take into account local issues and build in checks and balances. Improving the time taken to process claims should help those moving from benefits to work whilst reducing the level of overpayments.

2.4 RBV provides the following benefits to customers and the Council:

- Improved claim processing times, especially for those claims assessed as low risk.
- Reduced administration work.
- Improved opportunity to identify fraud and error.

2.5 For the purpose of applying verification on a risk basis, each claim is ranked into one of three categories; Low, Medium and High Risk. The table at Appendix A shows the evidence requirement to be met dependent on the risk grouping. A National Insurance number and identity confirmation must be made in all cases irrespective of the risk grouping, to comply with the legislation. Where photocopies, scanned or photographed documents have been supplied, originals may be requested if there are any concerns about the validity of the document, or if the information conflicts with information already held.

Low Risk

The only checks to be made on cases classed as low risk are proof of identity, production of National Insurance Number and, if the claimant is a student, formal confirmation of status will be required.

Medium Risk

Cases in this category must have the same checks as low risk plus, for every type of income or capital declared, documentary proof is required. Photocopies of documentation can be provided in this instance. Scanned or photographed documents and submitted electronically will be treated as photocopies.

High Risk

All cases classed as high risk must have the same checks as low risk and documentation provided for each declared type of income or capital. However the documents supplied must be originals. Additional evidence, such as proof that rent is being paid, and to whom,, may be required.

Additional checks will be carried out on all cases in the high risk category. These will include a combination of:

- Home visits.
- Following up telephone conversations.
- Review of claim after 26 weeks.
- Credit Reference Checks.

Exempt accommodation, excluded from housing costs for the purposes of Universal Credit, and therefore remaining the responsibility of the Local Authority, will always be classed as high risk.

2.6 IT Software will be implemented to determine the risk score for each claim, at the point at which it is received. This uses historical local authority data to identify the likelihood of risk, fraud and potential error.

- 2.7 The evidence required at each risk level has been specified and is attached at Appendix 1.

RECORDING, MONITORING AND TRAINING

- 3.1 Detailed records of all risk scores will be maintained and reviewed to ensure compliance with the Regulations and that the Council is maintaining proper quality control and fraud awareness.
- 3.2 Cases cannot be downgraded at any time by an assessment officer, although they can be increased to a higher risk category with approval of a Team Leader. All cases which are upgraded are recorded along with the reasons for this re-classification so that this information can be fed through to update the risk parameters if errors are found. Reasons for upgrading a case may include previous fraud, previous late notification of changes in circumstances, or where there is good reason to doubt the veracity of information provided.
- 3.3 Regular quality-assurance monitoring will be undertaken to help ensure that the policy is being applied correctly by all officers.
- 3.4 Officers will review a minimum of 10% of high risk cases via visits to customers' homes.
- 3.5 Officers will monitor the effect of fraud and error detection rates compared to the baseline rate. It is expected that the levels of fraud and error will reduce over time. Fraud and error should be low in Low Risk cases and increased for Medium and High Risk categories. Qualified and experienced Fraud Investigation Officers will be used to carry out a proportion of checks on medium and high risk cases.
- 3.6 The Council will undertake a minimum of 5% checks across all assessments to make sure guidance is adhered to correctly and appropriate decisions made.
- 3.7 Training will be provided for all officers using Risk Based Verification to ensure the agreed processes, procedures and guidelines are adhered to. Discussions will take place with all internal and external stakeholders including Investigation staff, Housing staff, Social landlords and the Voluntary sector so that they are fully aware of the policy.
- 3.8 The DWP has confirmed that RBV, properly applied, will meet audit requirements. We shall maintain dialogue with the external auditors to ensure that we are not placing the Council at risk through the adoption of this policy. Internal Audit processes will have to be amended and the application of RBV will be one of the regular internal audit themes.
- 3.9 Operational measures will be put in place and data collected to understand performance in relation to the policy. These will include:
- Percentage of cases presented in each risk category;

- Level of fraud detected in each risk category;
- Level of claimant error found in each risk category;
- Level of Council error found in each risk category.
- Percentage of error found through quality assurance checks.

RISK

- 4.1 An evaluation of the risks associated with the implementation of this policy has been carried out and the following risks identified:
- 4.2 Risk 1. Fraud and error will exist in low or medium risk claims and this won't be detected.
This will be mitigated through the overall quality assurance checks that the Council will carry out. In addition medium risk claims with potentially high risk income types would be identified and additional checks carried out. Levels of fraud & error will be closely monitored by the Fraud team. Staff error will be addressed with individuals through our performance framework. The DWP Risk Based Referral file will also be used for intervention selection.
- 4.3 Risk 2. Staff will find the cultural change difficult, and maintain the old way of working.
This will be mitigated through staff engagement in the change process and backed up by post-implementation checks of 5% of claims across all risk categories. Issues identified through these checks will be addressed through our performance framework.
- 4.4 Risk 3. Staff escalate too many cases to a higher risk category.
This will be mitigated by team leaders approving cases for escalation and monitoring the number of cases put forward for escalation. Staff awareness will be increased where any issues are identified.

EQUALITIES IMPACT

- 5.1 Risk-Based Verification will apply to all New Claims for Housing Benefit and Council Tax Support. A mathematical model is used to determine the Risk score for any claim. This model does not take into account any of the protected characteristics dealt with by the Equalities Act.
- 5.2 The course of action to be taken in respect of the risk score is governed by this policy. As such there are no equalities impacts.
- 5.3 It is possible that people with certain protected characteristics, may be over-represented or underrepresented in any of the risk groups. As such monitoring will be carried out to ascertain whether this is the case. As this is a new approach to verifying benefit claims, there is no baseline monitoring we can use as a comparison.

- 5.4 Where it is intended to carry out home visits these will be undertaken by trained visiting officers. These officers are used to carrying out visits to the vulnerable, elderly and disabled, as these groups of claimants are often unable to access Council services in any other way.
- 5.5 Staff have access to translation and interpretation services if required.

LEGAL IMPLICATIONS

- 6.1 The risk based verification policy complies with the recommendations from the Department of Work and Pensions (DWP) outlined in Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011. This circular can be found at Appendix 2. It should be noted that this policy will be the basis on which we are audited in the future. Providing we comply with this policy, we will be deemed to be verifying claims in the correct way. The policy must be approved by the Council's Section 151 Officer and adopted by the Council.
- 6.2 Housing Benefit Regulation 86 of the Housing Benefit Regulations 2006 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.”

Furthermore; Section 1 of the Social Security (Administration) Act 1992 provides that a National Insurance number must either be stated or enough information provided, to trace or allocate one. This legislation applies to both applicants and their partners.

(1A) No person whose entitlement to any benefit depends on his making a claim shall be entitled to the benefit unless subsection (1B) below is satisfied in relation both to the person making the claim and to any other person in respect of whom he is claiming benefit.

(1B) this subsection is satisfied in relation to a person if–

(a) The claim is accompanied by–

(i) a statement of the person's national insurance number and information or evidence establishing that that number has been allocated to the person; or

(ii) information or evidence enabling the national insurance number that has been allocated to the person to be ascertained; or

(b) the person makes an application for a national insurance number to be allocated to him which is accompanied by information or evidence enabling such a number to be so allocated.

POLICY REVIEW

- 7.1 This policy will be kept under review based on the measures but it must comply with the legislative requirements and cannot be changed mid-year due to the complexity of the auditing process.

EVIDENCE REQUIREMENT

Type of Evidence	Sub-category of evidence	Low Risk	Medium Risk	High Risk
Identify and S19	Identity	Originals, photocopies, scanned or photographed images	Originals, photocopies, scanned or photographed images	Originals required
	S19	Originals, photocopies, scanned or photographed images	Originals, photocopies, scanned or photographed images	Originals required
Residency/Rent	Private Tenants	Not required	Tenancy agreement, letter from landlord - Originals, photocopies, scanned or photographed images	Tenancy agreement, letter from landlord Originals required
	Social Landlords	Not required	Tenancy agreement, letter from landlord Originals, photocopies, scanned or photographed images	Tenancy agreement, letter from landlord Originals required
	Registered	Not required	Not required	Tenancy agreement, letter from landlord Originals required
	Rent paid – actual payment	Not required	Not required	Proof of rent payments made, rent book, receipts, bank statement Originals required Where applicable
Household Composition	Partner ID/S19	Originals, photocopies, scanned or photographed images	Originals, photocopies, scanned or photographed images	Originals required
	Dependants under 18	Child benefit CIS check	Child benefit CIS check	Child benefit CIS check

	Non-dependants – remunerative work	Not required	Current wage slips Originals, photocopies, scanned or photographed images	Current wage slips Originals required
	Non-dependants – passported benefit	Not required	CIS check	CIS check
	Non-dependant – student	Not required	Student Certificate Originals, photocopies, scanned or photographed images	Student certificate Originals required
	Non-dependant – not in remunerative work/other	Not required	Latest bank statement Originals, photocopies, scanned or photographed images	Latest bank statement Originals required
Income	State Benefits	CIS check	CIS check	CIS check
	Earnings/SMP/SSP	Not required	Current wage slips or estimated earning statement if new job Originals, photocopies, scanned or photographed images	Current wage slips or estimated earning statement if new job Originals required
	Self employed earnings	Self employed statement of earnings	Self employed statement of earnings	Self employed statement of earnings
Child Care Costs		Not required	Statement from claimant Originals, photocopies, scanned or photographed images	Statement from claimant Originals required
Student Status	Income also required	Confirmation of status Originals, photocopies, scanned or photographed images	Confirmation of status Letters about student contributions or maintenance agreements Evidence of term time dates of study, grants/loans and other funding received.	Confirmation of status Letters about student contributions or maintenance agreements Evidence of term time dates of study, grants/loans and other funding received.

			Originals, photocopies, scanned or photographed images	Originals required
Capital	Below lower capital limit	Not required	Bank statement if over £5500 Originals, photocopies, scanned or photographed images accepted	Bank statement if over £5500 Originals required
	Above lower capital limit	Not required	Last 2 months bank statements Originals, photocopies, scanned or photographed images	Last 2 months bank statements Originals required
	Property	Not required	Originals, photocopies, scanned or photographed images of evidence	Originals required of evidence
Other circumstances (money paid out, other income)		Not required	Originals, photocopies, scanned or photographed images of evidence	Originals required of evidence

Housing Benefit and Council Tax Benefit Circular

Department for Work and Pensions

1st Floor, Caxton House, Tothill Street, London SW1H 9NA

HB/CTB S11/2011

SUBSIDY CIRCULAR WHO SHOULD READ	All Housing Benefit (HB) and Council Tax Benefit (CTB) staff
ACTION	For information
SUBJECT	Risk-Based Verification of HB/CTB Claims Guidance

Guidance Manual

The information in this circular does not affect the content of the HB/CTB Guidance Manual.

Queries

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Risk-Based Verification of HB/CTB Claims Guidance

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Risk-Based Verification of HB/CTB Claims Guidance

Introduction

1. This guidance outlines the Department's policy on Risk-Based Verification (RBV) of Housing Benefit and Council Tax Benefit (HB/CTB) claims.

Background

2. RBV allows more intense verification activity to be focussed on claims more prone to fraud and error. It is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCS). Local authorities (LAs) have long argued that they should operate a similar system. It is the intention that RBV will be applied to all Universal Credit claims.
3. Given that RBV is practised in JCP and PDCS, the majority (up to 80%) of HB/CTB claims received in an LA may have been subject to some form of RBV. Already 16 LAs operate RBV. Results from these LAs have been impressive. In each case 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 JCP and PDCS there have been efficiencies in areas such as postage and storage and processing times have improved.
4. We therefore wish to extend RBV on a **voluntary basis** to all LAs from April 2012.

This guidance explains the following;

What is RBV?

How does RBV work?

The requirements for LAs that adopt RBV

How RBV claims will be certified

What are the subsidy implications?

What is RBV?

5. RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. LAs will still be required to comply with relevant legislation (Social Security Administration Act 1992, section 1 relating to production of National Insurance numbers to provide evidence of identity) while making maximum use of intelligence to target more extensive verification activity on those claims shown to be at greater risk of fraud or error.
6. LAs have to take into account HB Regulation 86 and Council Tax Benefit Regulation 72 when verifying claims. The former 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."

Council Tax Benefit Regulation 72 is similar.

7. 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.

How does RBV work?

8. RBV assigns a risk rating to each HB/CTB claim. This determines the level of verification required. Greater activity is therefore targeted toward checking those cases deemed to be at highest risk of involving fraud and/or error.
9. The classification of risk groups will be a matter for LAs to decide. For example, claims might be divided into 3 categories:

Low Risk Claims: Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.

Medium Risk Claims: These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.

High Risk Claims: Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.

10. We would expect no more than around 55% of claims to be assessed as low risk, with around 25% medium risk and 20% high risk. These figures could vary from LA to LA according to the LA's risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.
11. LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy, however, the use of clerical systems is acceptable.
12. Some IT tools use a propensity model¹ which assesses against a number of components based on millions of claim assessments to classify the claim into one of the three categories above. Any IT system² must also ensure that the risk profiles include 'blind cases' where a sample of low or medium risk cases are allocated to a higher risk group, thus requiring heightened verification. This is done in order to test and refine the software assumptions.

13. Once the category is identified, individual claims cannot be downgraded by the benefit processor to a lower risk group. They can however, exceptionally, be upgraded if the processor has reasons to think this is appropriate.

The requirements for LAs that adopt RBV

14. RBV will be voluntary. However, all LAs opting to apply RBV will be required to have in place a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's (section 85 for Scotland) agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.
15. 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.
16. Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.
17. Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

How RBV claims will be certified?

18. Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTB claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

¹ Whilst DWP is of the opinion that the use of IT will support the success of RBV, it does not in anyway endorse any product or company

² The same safeguard must be applied to clerical systems

Other considerations

19. The sample selection for HB/CTB cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

What are the subsidy implications?

20. Failure by a LA to apply verification standards to HB/CTB claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases can not be identified, extrapolations will have to be performed across the whole population in the particular cell in question.
21. We will now work with the respective audit bodies to incorporate this into the COUNT guidance. If you have any queries please contact Manny Ibiayo by e-mail HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK