



RISK BASED VERIFICATION POLICY

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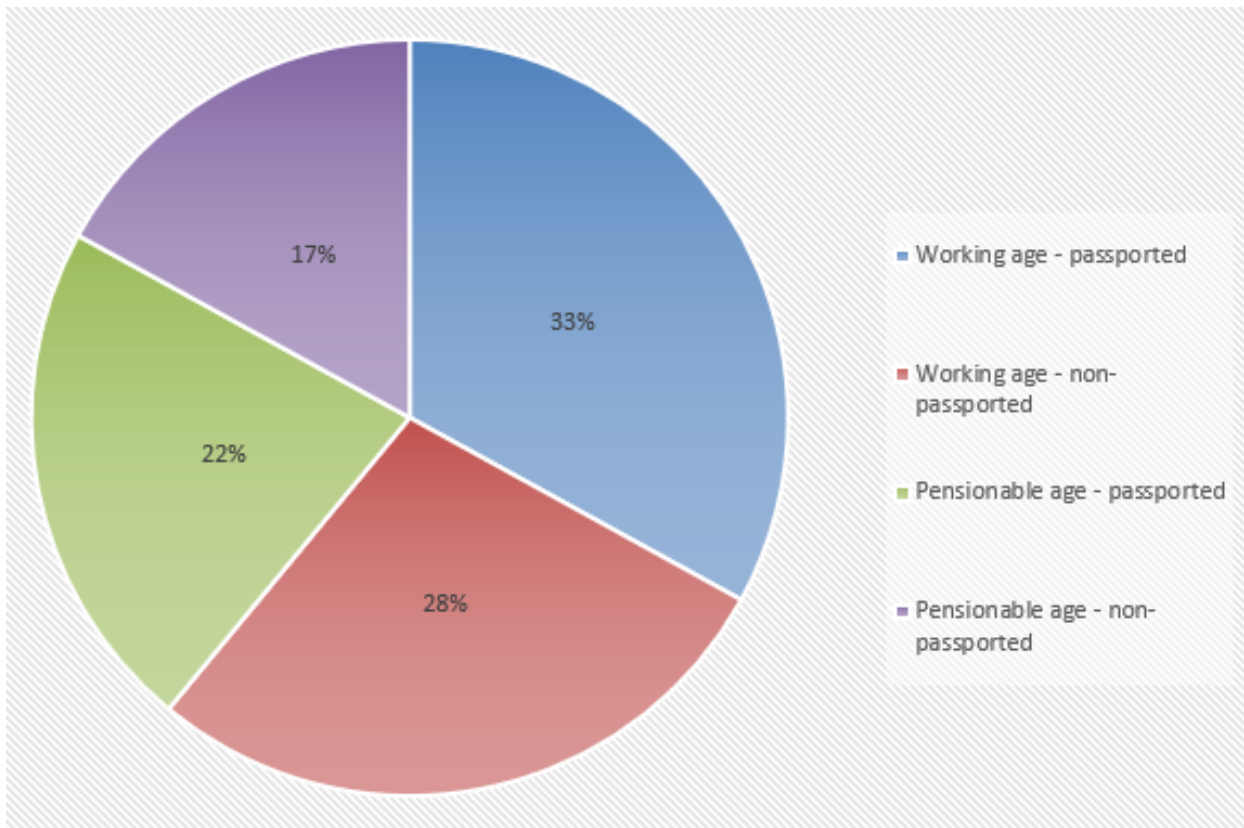
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1: Introduction

- 1.1** Risk Based Verification (RBV) is already used on aspects of claims administered by the Department for Work and Pensions (DWP).
- 1.2** From April 2012 Local Authorities (LA) have been able to adopt RBV for the processing of Housing Benefit and Council Tax Benefit (now Council Tax Reduction) claims. Adopting RBV will provide the following benefits:
- Improved claim processing times, especially for those assessed as “low risk”.
 - Improved efficiency in administrative functions.
 - Improved opportunity to identify fraud and error on claims and better allocation of resources to target these claims.

2: Risk Based Verification

- 2.1** Risk Based Verification is a method of applying different levels of checks according to the risk associated with those claims. This determines the level of verification that is required in order to process the claim. The Council will use software provided by Xantura which will create a measured risk score, this score indicates the level of verification that needs to be applied to that case. The Xantura risk model utilises around 50 variables to predict the likelihood of Fraud and error at the gateway and is reviewed and updated in order to reflect both legislative and claimant behavioural change.
- 2.2** Claims will be divided into 3 categories:
- Low risk
 - Medium risk
 - High risk
- Low risks claims will be streamlined, and additional verification applied to high risk claims.
- 2.3** The DWP expects no more than 55% of claims to be assessed as low risk, with around 25% medium risk and 20% high risk. These figures will change from LA to LA according to the risk profiling and case load.
- 2.4** Passported claims are expected to fall into low or medium risk categories. Those that are not passported and of working age are likely to be employed or self-employed which would unlikely be low risk. It is our intention that employed and self-employed claims will fall into the high-risk category. Pensionable claims are less likely to be high risk. Our current caseload split between working age and pensionable claims that are passported or non-passported is displayed below.



2.5 Based on our caseload we will expect to see:

- Up to 25% in the high-risk group
- Approximately 35% in the medium risk group
- At least 40% in the low risk group

2.6 Depending on the risk grouping of the claim the level of evidence required to process the claim will change. The table at Appendix 1 shows the evidence requirement dependent on the risk grouping. Evidence of a National Insurance Number and identity are required in all cases irrelevant of the risk grouping as per the legislation as seen in Appendix 2.

2.7 Low Risk

Evidence required will be proof of ID and National Insurance Number (NINO). For passported cases this can usually be confirmed by accessing CIS (the LA gateway to DWP systems) as the DWP will have conducted identity checks. Non passported claimants and their partners (where applicable) will be required to provide original evidence to confirm their identity and NINO.

2.8 Medium Risk

Evidence of ID and NINO are required as per low risk cases. Plus, evidence of income, capital, expenses and rent are required. This can be photocopies or scanned documents.

2.9 High Risk

Will be required to provide the same level of evidence as a medium risk case but will be required to provide original documentation. These claims may also be subject to further additional checks, such as a visit to confirm residency, a telephone interview to check entitlement or a credit check carried out by a credit reference agency.

3: Recording and Monitoring

- 3.1** Each claim passed through RBV process will be allocated a risk score by the software that will be recorded on the claim. Accuracy checks will be incorporated to ensure that the claim has been processed in accordance with this policy.
- 3.2** Cases can be upgraded to higher categories, officers would need to seek approval from a Team Leader to upgrade a case. The cases and reasons are recorded so that information can be fed through to the parameters if errors are found. Risk scores cannot be downgraded.
- 3.3** The risk scores will be monitored on a monthly basis using the software. The reporting will also detail the level of fraud and error within each risk score. The Single Housing Benefit Extract (SHBE) will also identify errors from the original claim and this will be reported monthly. This monitoring will be measured against our local baseline taken from cells 222 and 231 of (SHBE).
- 3.4** Where the appropriate levels of fraud and error are not being identified the RBV policy will be reviewed, any appropriate changes will be made annually to ensure that the Policy remains relevant to the caseload distribution.
- 3.5** Claimants will claim and report changes online through Citizen Access Benefits (CAB), RBV will score the claim or change of circumstances at the time of submission and notify the claimant immediately of what evidence is required in order for the claim or change to be processed.

4. Implementation

- 4.1** The policy will commence on the 13 January 2020. New claims and changes of circumstances received after this date will be risk scored by the RVB software as described by this policy. The claim will then be subject to the verification standards applied to the risk group to which they have been assigned. Claims and changes reported prior to this date will be subject to full verification. Claims will be checked to ensure that verification is being applied correctly.

5. Subsidy and Audit requirements

- 5.1** The Housing Benefit subsidy claim is audited annually. Part of this audit focuses on RBV and whether the Council has acted within its Policy. In order to satisfy the annual subsidy and audit requirement the policy will be reviewed annually and signed off by the Section 151 Officer and any changes to the policy will be reported and agreed by Members.

Appendix 1

Evidence Required

Type of Evidence	Sub-category of evidence	Low Risk	Medium Risk	High Risk
Identity and NINO	Identity	Originals or photocopies	Originals or photocopies	Originals Required
	NINO	Originals or photocopies	Originals or photocopies	Originals Required
Residency/ Rent	Private Tenants	Not Required	Originals or photocopies	Originals Required
	Social Landlords	Not Required	Originals or photocopies	Originals Required
Household Composition	Partner ID, NINO, Income, Capital		Originals or photocopies	Originals Required
	Dependants under 18	Not Required	Originals or photocopies	Originals Required
	Non- Dependants - working	Not Required	Originals or photocopies	Originals Required
	Non-dependants – passported benefit	Not Required	Originals or photocopies	Originals Required
	Non-dependant - student	Not Required	Originals or photocopies	Originals Required
	Non-dependant – not in remunerative work/other	Not Required	Originals or photocopies	Originals Required
Income	State Benefits	Not Required	Originals or photocopies	Originals Required
	Earnings/SMP/SSP	Not Required	Originals or photocopies	Originals Required
	Self -employed income	Not Required	Originals or photocopies	Originals Required
Child Care Costs		Not Required	Originals or photocopies	Originals Required
Student Status	Student certificate	Originals or photocopies	Originals or photocopies	Originals Required
	Student Income	Originals or photocopies	Originals or photocopies	Originals Required
Capital	Under lower capital limit	Not Required	Originals or photocopies required if over £5,500 for working age or £9,500 for Pensioner Age claims. Not required if capital is	Originals required if over £5,500 for working age or £9,500 for Pensioner Age claims. Not required if capital is

Type of Evidence	Sub-category of evidence	Low Risk	Medium Risk	High Risk
			below these amounts	below these amounts
	Above lower capital limit	Not Required	Originals or photocopies	Originals Required
	Above upper capital limit (£16,000)	Not Required	Not Required	Not Required
	Property	Not Required	Originals or photocopies along with completed second property form	Originals required along with completed second property form

Appendix 2

DWP Housing Benefit & Council Tax Benefit Circular S11/2011 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 focused 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), monthly data collection regime to DWP. 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.
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 evidence 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 LA's 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 model 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 system 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 LA's 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.

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 subpopulations on RBV cases cannot 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 HBCT