


Report to:	AUDIT PANEL
Date:	12 March 2019
Reporting Officer:	Ilys Cookson – Assistant Director (Exchequer)
Subject:	RISK BASED VERIFICATIONS – HOUSING BENEFIT
Report Summary:	To revoke the Risk Based Verification Policy. The policy was introduced in April 2013 to improve processing times of Housing Benefit new claims and changes in circumstances. Evidence to support claims was gathered depending on how the claim was risk scored. Due to improvements in data sharing and technology most evidence required is now available to the Housing Benefit service, via other means, therefore the need to apply a risk score in line with the Risk Based Verification Policy is no longer required to improve processing times.
Recommendations:	It is recommended: <ul style="list-style-type: none"> i. Housing Benefit is no longer processed using the Risk Based Verification Policy with effect from 01 April 2019; and that ii. Housing Benefit continues to be processed in accordance with regulation 86 of the Housing Benefit Regulations 2006 using real time information provided by the DWP and HMRC.
Corporate Plan:	The report contributes to the corporate vision to improve the housing benefit application process and improve the speed in which housing benefit payments are made.
Policy Implications:	There is no requirement for the Housing Benefit Service to have a Risk Based Verification Policy. However, the Local Authority must have clear guidance for auditors stating how Housing Benefit supporting evidence will be collated and used in the processing of Housing Benefit applications.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The proposals set out in the report do not anticipate any additional cost for the Council. By revoking the Risk Based Verification policy, the Council is able to cancel the software contract associated with this policy, which is expected to result in a saving of £24,000 per annum.
Legal Implications: (Authorised by the Borough Solicitor)	The risk based verification sets out the level of checking required to reduce fraud and improve delivery. This approach is no longer required as the same standard of information is expected for virtually all claims improving accuracy.
Risk Management:	Risks are detailed in Section 5 of this report.
Access to Information:	The following background papers; <ul style="list-style-type: none"> 1) Risk Based Verification Policy 2) HB Circular S11/2011 have been used in the preparation of this report

Background Information: The background papers relating to this report can be inspected by contacting Tracey Watkin by:

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1 BACKGROUND

- 1.1 Exchequer Services process applications for Housing Benefit for the Department of Work and Pensions (DWP) and undertake that work in accordance with regulation set by central government.
- 1.2 The processing of all applications requires specific checks to be undertaken to ensure that claims made by members of the public are not fraudulent. In 2012 the DWP recommended to local authorities that a new method of checking claims could be used and which would improve the timescales for those checks to take place upon purchase of a risk based verification (RBV) system. The aim of RBV was to improve processing times and reduce fraud and error getting into the benefits system by concentrating on claims deemed to be 'high' risk.
- 1.3 Risk Based Verification (RBV) is a software system based method of applying different levels of checks to different circumstances using a complex set of mathematical algorithms to determine a high, medium or low risk profile for each customer, based on many factors and including age, number of addresses, number of previous claims for example. The higher the risk, the higher amount of resources are required to establish that the claim is genuine.
- 1.4 RBV also reduced the amount of correspondence required with customers to verify evidence provided in support of their application for Housing Benefit, or a change in circumstances, and in the chasing up and scanning of that evidence.
- 1.5 The Council introduced a Risk Based Verification Policy from April 2013 following approval from Audit Panel in March 2013 using the Coactiva software tool at a cost of £24k per annum. RBV has operated well in the absence of any other legal data sharing agreements with DWP or other organisations at that time.
- 1.6 New and improved data sharing methods and agreements are now in place with the DWP, Her Majesty's Revenues and Customs (HMRC) and a number of larger Registered Social Landlords (RSL's) which negates the need for the continued use of the RBV software product and checking system. This report sets out the new data sharing systems in place and seeks approval to cease to use the RBV system.

2 DATA SHARING

- 2.1 Since the introduction of the RBV Policy in Tameside in April 2013, the Department of Work and Pensions and Her Majesty's Revenues and Customs (HMRC) have significantly improved the data which they share with local authority Housing Benefit Services as set out here:
 - HMRC WURIT system (Wider Use of Real Time Information);
 - DWP daily data file;
 - DWP CIS system (Customer Information System).
- 2.2 The Housing Benefit Service has access to WURIT (wider use of real time information), which is information held by HMRC and includes earned income details and occupational pension details.
- 2.3 The DWP send a data file to the Housing Benefit Service each day. The file details awards and levels of state benefits and pensions including the following:

- Pension Credit (Savings Credit);
- Pension Credit (Guaranteed Credit);
- State Retirement Pension;
- Attendance Allowance;
- Working Tax Credit;
- Child Tax Credit;
- Income Support;
- Job Seekers Allowance Income Based;
- Job Seekers Allowance Contribution Based;
- Employment and Support Allowance Income Related;
- Employment and Support Allowance Contribution Based;
- Personal Independent Payments;
- Disability Living Allowance;
- Severe Disablement Allowance;
- Carers Allowance;
- Maternity Allowance;
- Bereavement Benefits;
- Widows Allowance.

2.4 CIS (Customer information System) is a DWP database which all Housing Benefit staff have access to. All income can be verified and national insurance numbers checked on the database. It is unnecessary for the Benefit Service to request information that has already been obtained and verified by the DWP. Capital can be verified using CIS and the following income details:

- Pension Credit;
- State Retirement Pension.

2.5 In addition to the above, data sharing agreements are now in place between the Housing Benefit Service and some of the Boroughs large registered social landlords to automate annual rent increases. This has removed the need for customers to supply evidence of their rental agreements as was the process when using RBV system only.

3 UNIVERSAL CREDIT

3.1 The DWP are in the process of transferring cases of working age Housing Benefit claimants to Universal Credit (UC) across the country. This was rolled out to all new claimants in the Tameside area from 7 March 2018 and has resulted in a drop in the Housing Benefit caseload from 17,223 on 01 April 2018 to 15,269 as at 01 January 2019. The reduction in claims will continue until the whole of the legacy housing benefit customers are migrated onto Universal Credit, however, claims from those of pension age will remain with the Council.

3.2 The reduction in caseload means fewer working age claims for Housing Benefit and therefore less evidence requiring verification. Local authorities are to continue processing Housing Benefit claims for pensioners and these will not transfer to the DWP and become Universal Credit claims.

3.3 It is important that local authority Housing Benefits Services receive information regarding UC entitlement as Housing Benefit Services continue to administer the local Council Tax Support (CTS) scheme. CTS is means tested, which, if eligible, reduces the amount of Council Tax a person has to pay. So, although a person of working age

would not receive Housing Benefit from the Council in the future for help with housing costs, they will continue to receive Council Tax Support from the Council for help with Council Tax.

- 3.4 The DWP already provide notifications of UC entitlement to local authorities which details all income and amounts of UC paid to the customer. As a result of this there is no need to request any additional information from customers who receive UC who claim Council Tax Support from the Council.

4 AUDIT REQUIREMENTS

- 4.1 Given that such improvements to data sharing has taken place since RBV was introduced it was prudent to review the use of the RBV policy and method of working. It became clear that RBV is no longer serving the purpose of risk verification as well as existing, and real time, sources of data now available. Therefore advice was sought from the DWP regarding the steps that must be taken by a local authority to cease to process claims under the RBV Policy.
- 4.2 The DWP have made clear that it is appropriate to cease to use RBV when processing claims and that revoking of use of the Policy should preferably take place at the commencement of a new finance year. This is to ensure that external auditors can be clear under what rules the subsidy claim should be audited. Subsidy is the term used for the monies that are reimbursed to the Council by the DWP for the Housing Benefit that is paid out and which is audited annually by the Councils external auditors. Ceasing to use the Policy part way through a year can cause confusion in the audit process.

5 RISKS

- 5.1 There is a risk that the continued use of RBV costs the Council £24k annually and serves no purpose in the fraud and error prevention required to process claims and changes in circumstances.
- 5.2 There is also a risk that the DWP and HMRC may withdraw the extensive data sharing that is currently in place, however given that the DWP and HMRC have spent years in refining data sharing this risk is expected to be negligible and highly unlikely that Government agencies would not work with the Council to reduce fraud of public money.
- 5.3 The only significant risk identified is to the external audit of the subsidy claim, the value of which is approximately £75m each year, should RBV be ceased mid year and not at the start of a financial year as the DWP have stipulated. However as the Council is seeking to revoke the RBV Policy at the start of the financial year this risk is diminished.

6 PROPOSED CHANGES & NEXT STEPS

- 6.1 Taking into consideration the new and improved data sharing that is now in place it is proposed that the Housing Benefit Service will cease to process Housing Benefit claims received after 31 March 2019 under the RBV Policy. All claims received from 1 April 2019 will be processed in accordance with Regulation 86 of the Housing Benefit regulations.
- 6.2 The DWP and external auditors will be formally notified of the change in processing so this can be factored into the external audit of the subsidy claim.

- 6.3 The contract with the RBV software company will be terminated immediately and this will bring an annual saving of £24k.
- 6.4 Less information will be requested from customers to support the Housing Benefit claims and as a consequence there will be a reduction in the post received, which needs to be opened, referenced and scanned into the back office system.

7 CONCLUSION

- 7.1 The RBV Policy was introduced with effect from 01 April 2013 with the aim of identifying fraud and error in the processing of Housing Benefit claims. The software used to support the RBV process costs the Council £24k per annum.
- 7.2 Since 2013 there have been considerable improvements to the amount of real time information shared by the DWP and HMRC to support the processing of claims for Housing Benefit and Council Tax Support, which negates the use of the RBV Policy and way of working.
- 7.3 The risks identified are minimal and the same would apply to every local authority in the country.
- 7.4 The DWP have confirmed that RBV may cease to be used and recommend that this takes place at the beginning of a financial year to avoid potential difficulties with the external audit of the subsidy claim, the value of which is approximately £75m per year.

8 RECOMMENDATIONS

- 8.1 As set out at the front of the report.