



Leicestershire Partnership Revenues & Benefits

**RISK BASED VERIFICATION
POLICY**

1. PURPOSE OF THE REPORT

- 1.1 To approve the adoption of the Risk Based Verification Policy in determining evidence requirements for the assessment of new Housing Benefit and Council Tax Support claims.

2 RECOMMENDATION

- 2.1 To adopt the process of Risk Based Verification for verifying Housing Benefit and Council Tax Support claims

3. BACKGROUND

The Leicestershire Revenues and Benefits Partnership provides Revenues and Benefits services on behalf of Hinckley & Bosworth Borough Council, North West Leicestershire District Council and Harborough District Council

The Partnership is responsible for the calculation and award of Housing Benefit and Local Council Tax Support, subject to an accepted application form and verification of that application. The partnership already has a verification policy in place which deals with the provision of documents, certificates information and evidence to determine entitlement, Risk Based Verification is an enhancement of that policy.

Risk Based Verification (RBV) is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The approach allows for a more intense verification activity to be focused on claims more prone to fraud and error. The Department for Work and Pensions has confirmed that all Councils are able to adopt this approach (Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011).

The Department for Works & Pensions (DWP) has implemented an RBV approach for the assessment of some state benefits and has announced its intention that RBV will be applied to all Universal Credit claims. DWP allows local authorities to implement an RBV approach to the verification of benefit claims. It has identified that adopting such an approach will provide the following benefits to customers and Local Authorities.

- Improved claim processing times, especially in relation to claims assessed as being “low risk”.
- Improved efficiencies through reduced administrative costs.
- Improved opportunity to identify fraud and error at the claim gateway through better targeting of resources. The DWP have made it clear that the adoption of RBV software should not result in a reduction in resources, this is particularly relevant for the partnership as we have already reduced the number of assessment staff following the recommendations made in the service review

The Partnership intends to introduce RBV within the new financial year for all new claims for Housing Benefit and Local Council Tax Support. This will help reduce the burden on customers to provide perceived excessive levels of evidence and reduce the cost of administering claims by reducing correspondence with customers and the subsequent scanning of evidence. It is intended that RBV will initially only be applied to new claims. However, the process will be reviewed and potentially expanded to include changes of circumstances in the future.

Local authorities adopting RBV are still 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 and/or error.

Purpose of Policy

The purpose of this policy is to specify how the Partnership will operate the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness. The Partnership will implement “risk assessment” software which has been provided by Capita/Xantura. The benefit of going with the Capita solution is that the new claims module is fully integrated with the Capita HB application .

At the claim gateway the Capita/Xantura solution will determine the risk score of the claim and that in turn will determine the level of verification that needs to be applied to that claim by the processing officer.

Risk scores cannot be downgraded at anytime by the processing officer. However, they can be increased through approval from a Senior Officer or Team Leader if there are mitigating reasons. Reasons for upgrading a risk score may be due to previous fraud investigations or a customer is known not to report changes in circumstances within the specified time frame. System notes will be kept of all such cases including the reason why the risk score was increased.

Each member of staff responsible for processing claims will be made fully aware of the changes introduced by this Policy as well as being fully trained in the use of the IT solution. In order to mitigate the risk of fraud and error entering at the claim gateway, levels of evidence required for each risk score have been specified.

An integral part of the IT solution being used for RBV is a specially developed risk algorithm. This risk algorithm has been developed to identify the likelihood that fraud and/or error exists in a claim as it is made at the local authority. This has been built using historical local authority data and its performance validated across a number of local authorities.

The risk framework which is embedded in the IT solution is shown below:

Risk Score	Risk Level	Distribution of Risk across claims	Likelihood of error being present in claim
1	HIGH	21%	27%
2			
3			
4	MEDIUM	27%	11%
5			
6			
7			
8	LOW	52%	3%
9			
10			
11			
12			
13			
14			
15			

Low risk claims

On the basis of the risk algorithm it is estimated that around 52% of claims received will be low risk. In this circumstance only essential checks will be made. All low risk claims can be processed once identity has been verified; any other necessary data can be requested post assessment.

Medium risk claims

It is assumed that around 27% of claims will be deemed to be medium risk. In this circumstance these claims will be verified in the same way as they are currently.

High risk claims

Around 21% of claims will be deemed to be high risk. In this circumstance these claims will require further checks in addition to those undertaken for medium risk cases. Further checks will lead to fraud and error being identified at the claim gateway, thus minimising subsequent overpayments and collection costs. In the High Risk category there are three risk scores, risk score 1 being the highest risk of fraud and/or error being present. For each risk score within the High Risk category additional checks will be undertaken as follows:

- Risk score 1 – In addition to the requirement to supply original documents to support the claim, the assessor will conduct a telephone interview with the claimant.
- Risk score 2 – The assessment officer will write to the customer asking them to provide additional evidence to support the claim.
- Risk score 3 – An intervention check will be raised after commencement of the claim.

The base line

A key component of this policy is to create a robust baseline of existing fraud and error. The DWP expect local authorities that participate in RBV to set a robust baseline against which to record the impact of RBV. DWP guidelines allow local authorities to establish their own baseline for the level of fraud and/or error.

Prior to the introduction of RBV, work will be undertaken to set the Council's baseline position by recording (for a period of at least 1 month) all fraud and error identified at the claim gateway.

How checks and balances will be introduced into business as usual processes

The RBV process also incorporates the functionality to randomly escalate Low or Medium Risk cases to High Risk. This is both a DWP requirement and ensures the veracity of the Risk Based Verification process is maintained.

In line with guidelines set, between 4% and 5% of low risk cases will be escalated to high risk.

Performance reporting implications

Performance monitoring will be undertaken on a monthly basis to ensure the effectiveness of the approach. This will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each.

The monitoring will also identify and outline how much fraud and/or error has been detected in blind sample cases.

Data Processing Agreements

Each of the partners will be required to sign a data sharing agreement with Capita/Xantura, the software will be made available as a hosted web solution.