

North Tyneside Council Report to Cabinet Date: 9 September 2019

ITEM 5(c)

Title: Risk Based
Verification

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| Portfolio(s): Finance and Resources | Cabinet Member(s): Councillor Ray Glindon |
| Report from Service Area: Resources | |
| Responsible Officer: Janice Gillespie, Head of Resources | (Tel: (0191) 643 5701) |
| Wards affected: All Wards | |

PART 1

1.1 Executive Summary:

The purpose of this report is to seek approval from Cabinet to make changes to the verification of evidence to support Housing Benefit and Council Tax Support claims.

1.2 Recommendation(s):

- 1.2.1 It is recommended that Cabinet agree that the Authority replaces its current Risk Based Verification approach to verifying incomes of those claiming Housing Benefit and Council Tax Support in line with 1.6 of this report.

1.3 Forward Plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 30 July 2019.

1.4 Council Plan and Policy Framework

This report does not link directly to priorities identified in the 2018-2020 Our North Tyneside Plan.

1.5 Information:

1.5.1 Background

- 1.5.2 On 9 March 2015 the Benefits Service sought approval from Cabinet to implement a Risk Based Verification (RBV) process to administer new claims to Housing Benefit (HB) and Council Tax Benefit Support (CTS). RBV is a process that involves using a system that places new claims for HB and CTS into one of three risk groups: low, medium or high risk with each group having a set verification of income criteria that has to be met.

- 1.5.3 Cabinet were asked to approve the RBV approach because the number of new claims to HB and CTS was steadily rising (in 2014/15 over 10,500 new claims were processed).

RBV 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.

- 1.5.4 Cabinet agreed that it was appropriate at that time to move to using a RBV process to administer new claims, so Engie procured a system provided at that time by Coactiva, (now Transunion), and on the 1st April 2015, RBV was implemented.
- 1.5.5 In 2015/16 the number of new claims received peaked to over 11,000 per annum and RBV allowed the Authority to process these claims without the need to request large amounts of evidence from claimants. This improved administration and the speed of processing claims improved from an average of 32 days for HB in 2014/15 to 24 days in 2015/16.
- 1.5.6 From November 2015 the Authority was part of the national roll out of the Universal Credit Live Service, and in May 2018 Universal Credit Full Service was implemented. Both of these changes have had an impact on the number of new claims to HB that the Authority deals with as working age claimants now claim housing costs through Universal Credit. Alongside this, the number of new claims for CTS is also reducing. In 2018/19 the overall number of new claims the Authority dealt with annually had reduced to less than 8,000 and is expected to drop further up to and following full migration of working age claimants to Universal Credit.
- 1.5.7 The profile of new claims for HB the Authority deals with is changing and the majority are now from pensionable age claimants, with the remaining working age claims from those in supported or temporary accommodation or claimants entitled to a Severe Disability Premium.
- 1.5.8 Since 2015 when RBV was implemented the Authority has also seen significant improvements in the access to data provided by the Department for Work and Pensions (DWP). This allows the Authority to verify the state benefits of claimants and receive direct notification from DWP systems when incomes change. For CTS claimants receiving Universal Credit, DWP also provide a notification to the Authority of the income they have used in awarding UC including details of earnings. A further recent development now means the Authority also have access to earned income and private pension data held on Her Majesty's Revenue and Customs (HMRC) systems.
- 1.5.9 These improvements in access to data, the reducing number of new claims, and the change in profile of new claims, has led the Service to consider whether there is still a need for RBV and whether the Service could still process claims effectively without risk to the Authority, without using it.
- 1.5.10 The number of new claims processed has been tracked since RBV was implemented in April 2015 (shown in Table 1 – Claims Data). This shows that the number of claims had started to reduce from 2016 but that in 2018 the reduction was considerably higher and additionally the first three months of 2019/20 also continues to show a significant reduction.

Table 1 – Claims Data

| Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|-------------|---------------|
| Annual number of new claims | 11,013 | 10,514 | 9,904 | 7,750 | *1,609 |
| Average claims per month | 918 | 876 | 825 | 658 | 536 |
| Reduction in monthly claims from previous year | | -42 (5%) | -51 (6%) | -167 (20%) | ** -122 (19%) |

*This is based on three months data (April, May and June)

- 1.5.11 The systems that provide the Authority with data direct from DWP and HMRC have also been examined, and it is considered that because of developments in these systems, that they now provide sufficient accurate information that is reliable for assessing entitlement to HB and CTS and there is often no need to request evidence from the customer in most cases.
- 1.5.12 Fraud and error in claims has also been examined and it was found since 2015/16 the creation of overpayments has reduced over the years but there is no conclusive evidence to suggest it was down to RBV. This is because there have been a number of DWP initiatives over the years that have improved accuracy of data and notifications of changes so there is less scope for error to occur.
- 1.5.13 Finally the cases categorised as high risk were considered. The system (Transunion) provides no reason for a case meeting a high risk category and it was found that in most cases the reason for it being high risk could not be established. After carrying out the additional checks required as part of the policy the cases were put into payment as there was no reason for the payment to be withheld, but claims had been delayed whilst the additional checks were carried out which impacts on processing times.
- 1.5.14 Whilst it is considered that there is no real value to continue to use RBV in benefit processing, the Authority still needs a framework in which to ensure that evidence in support of claims are verified to a standardised process to ensure accuracy and accountability.

An alternative to RBV

- 1.5.15 Prior to moving to a RBV the Service used a standard approach to verify income, which is similar to that applied to the high risk group under RBV for HB claims. This involved requesting original evidence. This would be now appropriate to use in HB cases as the reduced number of claims and change in profile of new claims makes this now a more manageable option. (CTS cases would still follow medium risk under RBV which allows photocopies as well as originals). The improved access to data on DWP and HMRC systems provides quicker more accurate information and removes the need to verify income with the customer in the majority of cases; only in a very limited number of cases would there be a need to request the customer to provide supporting evidence. Many

Authorities use this approach so North Tyneside would not be out of line with what others are using to verify incomes. Details of what evidence is required under this approach are shown at Appendix 1 – Evidence Required for New Claims.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet agrees that the Authority adopts a different approach to RBV to verify claims for HB and CTS Claims (set out at Appendix 1).

Option 2

Cabinet may choose to reject Option 1 and ask that the Service consider an alternative approach.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

- performance will not be affected;
- the reducing number of claims and the changing profile means there is no longer a need for an RBV approach to verifying income;
- the access to data from DWP and HMRC has improved the availability of accurate and reliable data to confirm claimant's incomes so an RBV approach is no longer required; and
- there may be savings to Engie as there will no longer be a need to pay for RBV software. (Any reduction in cost to administer HB and CTS claims will be part of a future review of service delivery.)

1.8 Appendices:

Appendix 1: Evidence Required for New Claims

Appendix 2: Equality Impact Assessment

1.9 Contact officers:

Janice Gillespie, Head of Resource, tel. (0191) 643 5701

Andrew Scott, Senior Client Manager, Revenues, Benefits and Customer Service, tel. (0161) 643 7150

Tracy Hunter, Client Manager Revenues, Benefits and Customer Service, tel. (0161) 643 7150

1.10 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- (1) [Cabinet Report: Risk Based Verification - 9 March 2015](#)
- (2) [Appendix to Cabinet Report: Risk Based Verification - 9 March 2015](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no negative financial implications with changing the process around verification of income for new claims. Any savings made to Engie as part of not requiring a RBV system will be part of future discussions around reductions in the overall cost to administer the Benefits Service.

2.2 Legal

The Housing Benefit Regulations 2006 provide that claimants must furnish the Authority with documentation and/or information that may be reasonably required by the Authority in order for it to determine that person's entitlement to the benefit claimed. The Regulations do not impose a requirement on the Authority as to what specific information and evidence should be obtained from a claimant but do require it to obtain information which will enable an accurate assessment of entitlement to benefit to be made. The Authority's Council Tax Support Scheme includes a similar requirement.

There is however a requirement that all claims for HB includes verification of original documentation for identity.

2.3 Consultation/community engagement

Internal Consultation

Discussions with the Lead Member for Finance and Resources and the Head of Resources have taken place. Internal Audit have been made aware that a proposal will be made to Cabinet to change the way the verification of claimants incomes in relation to HB and CTS claims is being made.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

An EIA has been carried out and it did not identify any groups with protected characteristics that would be impacted by this change.

2.6 Risk management

The use of DWP and HMR data ensures claims are processed using accurate and reliable information.

A suite of Key Performance Indicators (KPI's) around the processing of new claims and overpayments created is managed through a monthly Partnership reporting mechanism. Overpayment creation is also managed through monthly budget monitoring. These will monitor performance to ensure claims processing and overpayments created are not adversely effected by changing the recommended verification process.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy and Customer Service X