

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance and Executive Director - Commercialisation (S151)

**To:** Cabinet Tuesday 12<sup>th</sup> March 2019.

**(Author:** Sharon Hammond, Head of Service, Revenues and Benefits)

**Subject** Benefits Verification Policy

**Purpose:** To define the standards of verification for evidence required in respect of Housing Benefit claims and Local Council Tax Support Applications, to help protect public funds from fraud and error.

### **Recommendations:**

- 1) That Cabinet approves the Benefits Verification Policy, with implementation from 1 April 2019, and
- 2) That subsequent annual reviews and revisions are delegated to Executive Director, Commercialisation (and S151) and Portfolio Holder for Finance

### **1.0 BACKGROUND**

- 1.1 Since 2011 South Holland has operated a Risk Based Verification (RBV) approach in the verification of evidence for new Housing Benefit (HB) claims and Council Tax Support (CTS) applications. Initially operated under a trial approved by Department for Work and Pensions (DWP), this was then adopted more formally under a policy from 2014, in line with DWP requirements.
- 1.2 There is no legal requirement for local authorities to adopt RBV as the approach to administration of new claims, and authorities are free to continue with traditional methods of verification. The adoption of RBV however allowed resources to be targeted towards those cases with greater risk of fraud and error.
- 1.3 Under RBV, new claims are given a risk score of low, medium or high risk, using a third party system. The DWP indicate in its circular S11 of 2011 that it would expect a profile in the region of 55% low risk, 25% medium risk and 20% high risk. There has however in the past year been a deviation from the profile distribution of risk categories expected, as shown in the following table.

	High %	Medium %	Low %
April 2018	21.4	26.10	52.5
November 2018	30.5	31.20	38.30

- 1.4 The introduction of Universal Credit in 2018 has introduced an element of uncertainty over the risk profiling, and in turn a requirement to increase verification of evidence for medium

and high risk cases, as well as carry out increased activity and intervention on high risk cases, in line with the current RBV policy.

- 1.5 The changing profile of work and claimant base reduces the earlier benefits of RBV. With fewer new Housing Benefit claims being received, and fewer being classified as 'low' risk through RBV we have a situation which requires more claimants to provide full evidence, and for those that are 'high' risk it has meant additional activity has been required to be undertaken.
- 1.6 With this in mind, it is timely to consider the approach to verification of evidence for Housing Benefit claims and Council Tax Support. The timing for review is important, because an RBV policy, once in place for a financial year, cannot be changed in-year due to complications this would cause in the Housing Benefit subsidy audit process.
- 1.7 The early effects on the Benefits service following implementation of the full Universal Credit service across the district during 2018 have been considered. As anticipated we are beginning to see a reduction in the Housing Benefit caseload and the number of new Housing Benefit claims, and this will continue to fall. There has been a reduction in live Housing Benefit caseload of over 500 cases between April and December 2018, and the number of new HB claims processed in the same period has dropped by 450 when compared to the same period in 2017.
- 1.7 Presently different standards of verification are applied to new claims and changes in circumstances, with new claims being subject to RBV but changes are not. This results in different evidence requirements. Through this review we have the opportunity to introduce standardisation of requirements.
- 1.8 Also considered as part of this review is the digital and transformation aspirations of the Council and of Compass Point Business Services (CPBS), intended to increase online submission of claims and changes. The revised policy considers the type and nature of evidence that is acceptable, and the verification that is required to ensure processes and controls remain robust to prevent fraud and error, but at the same time balancing the need for ease of access for the customer, and the efficiency in the processing and decision making of claims.
- 1.9 In consideration of the matters identified above, it is recommended that from April 2019 we should end Risk Based Verification and return to an approach which requires a standard and consistent evidence and verification process for all new claims and changes, both for Housing Benefit and for Council Tax Support.
- 1.10 The proposed Benefits Verification Policy at Appendix A to this report sets out the evidence that will be required from claimants, and the verification that will be applied.
- 1.11 In developing this policy there has been regard to the level of verification DWP expect of local authorities. Whilst there is no longer a definitive verification framework, there is guidance which local authorities must have regard to. Informal advice from the DWP is to be cautious in the relaxation of verification, and to ensure auditors are on board to reduce the risk of DWP challenge.
- 1.12 Full regard has been had to this DWP advice, and the development of the Benefits Verification Policy reflects this, ensuring a robust approach is maintained. At the heart of this policy remains the objective to protect public funds through helping prevent fraud and

error entering the benefit system, and to ensure that controls are robust to protect Housing Benefit subsidy.

- 1.13 There will be little impact to the customer as a result of the change to policy. Under RBV new claimants are required to submit evidence based on their risk score. Removal of RBV will see all claimants required to provide the level of evidence specific to their individual circumstances in relation to income, capital, and household make-up and so on.
- 1.14 With regard changes in circumstances, this is not covered by the RBV Policy and therefore the requirements will be similar to current.
- 1.15 From an operational perspective the introduction of a standard approach to verification will help to ensure consistency in approach, both from the Benefit Assessment perspective, but also for Customer Contact being the first point of contact for many customers.
- 1.16 It also sets out the position for accepting electronic documents in certain circumstances. The proposed Benefits Verification Policy recognises the changing landscape whereby customer documents might well now be available electronically rather than in paper copy, such as bank statements and payslips, and provision is made for how this information might be provided.
- 1.17 Further, the proposed policy also provides for situations where a claimant's ID and evidence has already been verified by DWP, and how this can be accepted for the purpose of HB and CTS claims, including Universal Credit claimants where South Holland DC will, in the main, be notified of changes to awards.
- 1.18 The approach set out in this Policy has been discussed and agreed with Internal Audit for assurance. The Audit Process Note is attached at Appendix B.
- 1.19 As stated in section 1.2 of this report, there is no legal requirement for authorities to adopt RBV. With the fast changing climate, whilst the recommendation for now is to cease RBV and introduce a new Benefit Verification Policy from April 2019, we should also recognise the value of continuous review of the policy. The effects of Universal Credit will emerge more fully over the next year, and as we progress with digitalisation including increased online claim forms and change in circumstances forms, it would be appropriate to keep future options open, with approaches to evidence and verification under review to ensure firstly robust processes protect public funds, but also to ensure that the process is as streamlined as possible for the customer, and efficient in administration.
- 1.20 Whilst this policy considers the approach to evidence and verification at the 'gateway', there will continue to be a range of interventions carried out on claims, targeted towards those which represent greatest potential risk of fraud and error. The council also participates in a number of national data matching activities which all support the protection of public funds.

## **2 OPTIONS**

- 2.1 Option 1 – Recommended.  
Adopt the new Benefits Verification Policy, and cease Risk Based Verification from 1 April 2019.  
This is the recommended option, and reflects the changing picture of the Benefits environment, and the aspirations for digitalisation, at the same time as ensuring robust controls and process are in place to help prevent fraud and error.

2.2 Option 2 – Do nothing.  
This would retain the current Risk Based Verification policy for 2019/20.

### 3 **REASONS FOR RECOMMENDATION(S)**

3.1 The new Benefits Verification Policy will help prevent fraud and error at the same time as ensuring a clear and consistent standard approach to the evidence requirements and verification to support HB and CTS new claims and changes in circumstances.

### 4 **EXPECTED BENEFITS**

4.1 To ensure that current policy is up to date and is fit for purpose.

### 5 **IMPLICATIONS**

#### 5.1 **Financial**

5.1.1 The Council will be able to demonstrate formal control measures are in place to protect against subsidy loss.

#### 5.2 **Risk Management**

5.2.1 This policy will ensure a robust and documented approach for evidence and verification, helping to protect public funds from fraud and error.

5.2.2 Internal Audit have reviewed the Benefits Verification Policy and have confirmed they are satisfied that the proposed changes to the verification process are adequate and fit for purpose in the current climate.

#### 5.3 **Staffing**

5.3.1 The policy will be administered by CPBS Benefits team on behalf of South Holland DC.

### 6 **WARDS/COMMUNITIES AFFECTED**

6.1 All

### 7 **ACRONYMS**

7.1 RBV – Risk Based Verification

7.2 HB – Housing Benefit

7.3 CTS – Council Tax Support

7.4 DWP – Department for Work and Pensions

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Background papers:-

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**Key Decision:** N

**Exempt Decision:** Y

**Confidential Appendices A and B attached to this report:**

**(Please note that the following appendices are not for publication by virtue of Paragraph 7 (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime))**

**The content of the Policy includes details around the process and approach to evidence and verification which should not be made public to the sensitivity in protection against fraud and error.**

**This report refers to a Mandatory Service**

**Confidential Appendices attached to this report:**

Appendix A	Benefits Verification Policy
Appendix B	Internal Audit Process Note