

## **Committee: General Purposes**

**Date: 12 March 2015**

Agenda item:

Wards:

### **Subject: Withdrawal of Housing Benefit and Council Tax Support Risk Based Verification**

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison

Forward Plan reference number:

Contact officer: David Keppler – Revenues and Benefits Manager

Tel. 020 8545 3727

Email. david.keppler@merton.gov.uk

---

#### **Recommendations:**

- A. To agree that the Risk Based Verification process adopted for Housing and Council Tax Benefit in April 2012 will be withdrawn from April 2015 or 1 July 2015 pending further discussions with the Department of Work and Pensions
  - B. To agree the new Verification Policy for Housing Benefit and Council Tax Support will be implemented from 1 April 2015 or 1 July 2015 pending further discussions with the Department of Work and Pensions
  - C. To note the Section 151 officers agreement to this approach and policy
- 

#### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report details the withdrawal of the Risk Based Verification process and policy for new housing benefit and council tax support claims and seeks agreement of the new Verification Policy, as the introduction of Universal Credit will see a reduction in new claims.

#### **2 DETAILS**

- 2.1. Housing benefit is a government means tested benefit to help meet housing costs and is administered by Council's. The process for claiming benefit, verifying income and circumstances and calculating benefit are prescribed within the regulations and guidance provided by the Department of Work and Pensions (DWP).
- 2.2. The Verification Framework Policy was initially introduced by the DWP to stipulate to Council's what evidence must be provided to support all new benefit claims and change of circumstances.
- 2.3. Although this policy was abolished in 2006 Merton has generally continued with the principals of the previous policy although a more measured

approach had been taken in certain areas such as proof of capital and savings.

- 2.4. Whenever a claim is made or a change in circumstances reported the verification of the circumstances or income is an integral and vital aspect of the assessment process. Payment of benefit is audited each year by the External Auditors and the verification of income is equally as important as the correct calculation of the claim. The auditors will fail a case if the verification of income and circumstances has not met the required standard which can have an impact of subsidy.
- 2.5. Verification of claim data is often the most difficult and time consuming part of administering a claim for benefit. For a typical claim for housing benefit the following information would need to be seen and verified, proof of identity for claimant and partner, proof of National Insurance numbers, proof of income, (if claimants are working this is in the form of five weekly or two monthly wage slips), proof of any benefits received such child and working tax credits, proof of savings and bank accounts, proof of rent and proof of income of over 18 year olds living in the property.
- 2.6. As this evidence is required to be seen customers either post in original documents or visit the Civic Centre to leave their evidence. In approximately 70% of claims customers do not provide all the correct information with the original claim and as a result customers are either written to or telephoned and asked to provide further evidence. These requests more often than not result in customers attending the Civic Centre again to supply information. It should be noted that the DWP indicate that only receiving 30% of new claims with all information required is in line with their benchmarking at other Council's.
- 2.7. In 2010 the DWP allowed a number of authorities to approach the verification process in a new way, using technology a risk based verification approach was used with reduced verification on claims that scored a low risk of fraud and error and enhanced verification for those that scored medium and high.
- 2.8. On the 14 March 2012 General Purposes agreed that Merton would adopt the Risk Based Verification process and policy with effect from 1 April 2013.
- 2.9. The Risk Based Verification approach has been in operation for the past three years and we have been able to identify some fraudulent claims that the old verification process would not have. For example, for one high risk case we undertook a financial check and identified that the claimant had a mortgage on a property they owned which they had not declared to us.
- 2.10. We have also found cases where the risk score was low but the claimant had additional income or had not declared accurately all information.
- 2.11. With the implementation of Universal Credit the Council will no longer be responsible for processing the majority of new housing benefit claims. The housing element will be administered by the Department of Work and Pensions.
- 2.12. The current timetable for roll out of Universal Credit means that during 2015/16 some Merton residents making new claims or changes will be claiming Universal Credit and not housing benefit.

- 2.13. Currently Risk Based Verification costs the Council £22,000 per year and stopping this service this has agreed by full Council as a budget saving from 2016/17.
- 2.14. The existing contract for Risk Based Verification runs until July 2015, so the full year budget saving cannot be achieved until 2016/17.
- 2.15. The new Verification Framework we will work to is based on the DWP's previous good practice guide and is attached as Appendix A. We will continue to incorporate good practice used with High Risk cases under the Risk Based Verification framework.
- 2.16. The DWP stipulate that any authority implementing Risk Based Verification must have in place a Risk Based Verification Policy and that it is agreed by the Authorities Audit Committee or similar. The policy must be submitted for Members approval and sign-off along with a covering report confirming the Section 151 Officer's agreement.
- 2.17. Following initial discussions with the DWP they have indicated that the new Verification Policy should be implemented at the beginning of the financial year for ease of auditing purposes of the yearly grant claim. The external auditors have indicated that they would be comfortable with a mid-year change. Further discussions are taking place with the DWP and depending on the outcome the switch will either be 1 April 2015 or 1 July 2015 as indicated in the recommendations above.
- 2.18. This report, the attached sign off from the Section 151 officer Appendix B and the attached new policy is to ensure we are following correct procedures for the withdrawal of the Risk Based Verification Policy.

### **3 PROPOSAL**

- 3.1. To withdraw the existing Risk Based Verification Policy from 1 April 2015 to ensure that the budget saving can be achieved (or 1 July 2015 based on further discussions with the DWP)

### **4 ALTERNATIVE OPTIONS**

- 4.1. To continue with the existing Risk Based Verification Policy and to identify alternative savings for 2016/17. Within the benefits budget that would likely be a staffing saving.

### **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. Consultation has taken place within the budget process and the saving was discussed and no objections were raised at the Scrutiny Commission.
- 5.2. The approach has been discussed with our external auditors, Ernst and Young, who have no objections to the proposal.
- 5.3. The approach has been discussed with the DWP and whilst they have no objections to the proposal on going discussions are taking place regarding the most suitable commencement date.

## **6 TIMETABLE**

- 6.1. Risk Based Verification Policy will be withdrawn from the 1 April 2015. Implement the new Housing and Council Tax Support Verification Policy from the 1<sup>st</sup> April 2015 (or 1 July 2015 based on further discussions with the DWP)
- 6.2. The contract for Risk Based Verification will be ended in July 2015.
- 6.3. The full year budget saving will be taken in 2016/17

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. The budget saving of £22,000 will be taken in 2016/17. The part year saving for 2015/16 will be built into the budget monitoring.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. The administration of housing benefit is a statutory service administered for the government. The Council has to administer the scheme in accordance with appropriate regulations and each year the external auditors under take a detailed audit of the grant claim. In 2014/15 in excess of £90 million housing benefit subsidy will be claimed from the government for payments of housing benefit
- 8.2. Local Authorities have to take into account Housing Benefit Regulation 86 when verifying claims.
- 8.3. 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.

## **9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 9.1. Changing from Risk Based Verification to the new Verification Policy will not impact this.

## **10 CRIME AND DISORDER IMPLICATIONS**

- 10.1. The new Verification Policy including the best practice we identified will help benefit officers detect potential fraud cases at the gateway of the claim process.

## **11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 11.1. There are no health and safety implications. The effective date of the new Verification Policy must be communicated to external auditors as they will need to be made aware of the change as they will need to audit the yearly subsidy grant claim against the policy. Non-adherence to the policy could impact on the grant claim

**12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- 12.1. Appendix 1 – Merton’s Housing Benefit and Council Tax Support Verification Policy
- 12.2. Appendix 2 - Statement from Section 151 Officer agreeing the adoption of the Housing Benefit and Council Tax Support Verification Policy

**13 BACKGROUND PAPERS**

- 13.1. None

This page is intentionally left blank