Risk Based Verification Policy

Background

1. RBV is a method of applying different levels of verification checks to housing benefit claims already in payment and according to the predicted risk (of Fraud and/or Error) associated with those claims. In adopting RBV the council will still be required to comply with all relevant legislation whilst making use of greater intelligence to target more extensive verification activity on those claims predicted to be at greater risk of fraud and error.

Purpose of the Policy

2. The purpose of this policy is to specify how City of York Council's Benefit Service will operate the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness.

3. The main objectives relating to this policy are to:

- ensure officers understand and trust the impact of the risk scores in terms of the likelihood of fraud and error being present;
- highlight the DWP financial incentives being targeted from the implementation of RBV for proactive in-claim reviews;
- set out and initiate the required process changes in support of the risk score;
- show how checks and balances will be introduced into business as usual processes;
- provide performance reporting implications.

Understanding the risk scores

4.   An integral part of the IT solution being used for RBV is a specially developed change in circumstances risk algorithm.

5.   The risk algorithm has been developed to identify the likelihood that fraud and error exists in a change of circumstances claim. This has been built using historical local authority data and its performance validated across a number of local authorities.

6.   The estimated level of risk framework which is embedded in the IT solution is shown below:

Risk Score	Risk Group	Approximate percentage of claims in the risk group
1		
2	HIGH	20%
3		
4		
5	MEDIUM	25%
6		
7		
8		
9		
10		
11		
12	LOW	55%
13		
14		
15		
This score will be calculated based on the claim details put forward for RBV	The risk group is determined by the risk score – the level of local verification required on the reported details is derived from the risk group	This is the expected percentage of claims that will fall into each risk group

7.   Upon receipt of a change in circumstance reported by a customer staff will apply different procedures with regards to verification based on the risk group returned on a case by case basis.

8. The council's operational procedures will be amended to facilitate these different processes.

Highlighting efficiency

9. In addition to effectively targeting fraud and error (particularly in the high risk category) there are significant processing efficiencies for low risk claims of which an estimated 55% of change of circumstance claims received fall into.

10. The overall cost benefit to the authority is in the form of incentive payments made by the DWP, based upon the level of fraud and error recorded which results in a reduction in its subsidy grant.

Required process changes in support of the risk score

Low risk claims

11. On the basis of the risk algorithm outlined in the table above, circa 55% of FERIS interventions received will be low risk. In this instance only essential checks will be made. There is in the region of a 3% chance that fraud and error could enter the system, this is deemed to be acceptable in line with DWP guidelines. Low risk claims will be fast-tracked to calculation and claimant notification.

Medium risk claims

12. On the basis of the risk algorithm outlined in the table above, circa 25% of FERIS interventions will be deemed to be medium risk. In this instance these claims will be verified in the same way as they are currently. There is in the region of an 11% chance in this risk category that fraud and error could enter the system at this point.

High risk claims

13. On the basis of the risk algorithm outlined in the table above, circa 20% of FERIS interventions will be deemed to be high risk. In this instance these claims will require additional checks to be made over and above the normal checks currently undertaken. There is in the region of a 27% chance in this risk category that fraud and error could enter the system. This action should lead to fraud and error being identified minimising subsequent overpayments and collection costs.

14. These additional checks may involve, but are not limited to:

- Telephone interviews
- Visits
- Credit reference agency checks

15. Each member of staff responsible for processing FERIS interventions (Checks of existing housing benefit claims for correct income figures) will be trained in the use of the RBV solution and the subsequent process change that will need to be implemented to support this policy.

Checks and balances

16. The RBV IT solution will automatically select 5% of cases that will be deemed to be a 'blind sample'. The blind sample will, without the knowledge of the claim processor present this randomly selected group of claims as having a higher level of risk than that calculated by the risk model itself.

Performance reporting implications

17. The RBV supplier will provide monthly performance reports so that we can ensure the effectiveness of the approach. The report will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each. The report will also outline how much fraud and error has been detected in blind sample cases.

18. It is the council's responsibility to ensure that all staff follow the RBV procedures to ensure that the policy is suitably enacted on a case by case basis.

Policy Sign Off

This RBV policy is signed off by:

Lead Member of Audit and Risk Committee	**Section 151 Officer**
Name:	Name:
Signature:	Signature:
Date:	Date: