

# Report to Overview and Scrutiny Committee

26 November 2018

By the CenSus Revenues and Benefits Task and Finish Group



**Horsham  
District  
Council**

Not Exempt

## **Final Report of the CenSus Revenues and Benefits Task and Finish Group**

### **Summary**

In 2004 Horsham District Council (HDC) entered into a partnership with Mid-Sussex District Council (MSDC) and Arun District Council known as the CenSus Joint Committee (CJC) which would provide for joint technology procurement and shared resources. In 2005 the JCC agreed to add Revenue and Benefits (R&B) services to its remit with MSDC having administrative responsibility for delivering those services for the three authorities.

The partnership was formed to reduce costs for the partners through economies of scale and by sharing management overhead and its costs. Until 2012/13 CJC's Revenues & Benefits operations did not attract any adverse comment from the Department of Work and Pensions (DWP) however since that time DWP has withheld subsidies due to all three authorities because of errors and administrative delays.

In March 2017 HDC gave notice to withdraw from the CJC partnership and between April and July 2018 there was a phased handover of HDC's R&B services from CJC to the specialist contractor LGSS appointed by HDC to carry out this work..

At its 5<sup>th</sup> June 2017 meeting the Overview and Scrutiny Committee (O&S) decided to set up a Task and Finish Group (T&FG) to continue the work recently commenced by its dissolved Finance and Performance Sub Committee (F&P) in reviewing the circumstances that caused the DWP to withhold subsidies from HDC of circa £475,000 due to the errors by the CJC in dealing with its R&B services between 2013/14 and 2015/16.

The T&FG's members were agreed to be Councillors Nigel Jupp (Chairman) Tim Lloyd, Brian O'Connell, Michael Willett together with Councillors Leonard Crosbie and David Coldwell as ex-officio members.

At the first meeting of the T&FG on the 18th September 2017 the following terms of reference were agreed:

1. to continue the work of the F&P on CenSus Revenues and Benefits from March 2017 on the Housing Subsidy Audit, and
2. review the working practices of CenSus following on from the officers' measures to mitigate the situation.

The T&FG met a further four times between February and July 2018. At those meetings the T&FG received evidence from HDC's former Chief Executive, the Director of Corporate Services and Chief Internal Auditor. The T&FG also had the benefit of the evidence provided at the F&P meeting on the 24<sup>th</sup> March 2017 by Councillors Gordon Lindsay and Brian Donnelly who were members of the JCC from 2013/14 to 2015/16 and 2014/15 to 2015/16 respectively.

HDC's Director of Corporate Services in March 2018 informed the T&FG that the forecasted cost to HDC for external consultants to "clean up" the R&B database due to errors made by CJC in benefits assessments was £120,000. In addition on 6<sup>th</sup> April the T&FG received confirmation that even though HDC had withdrawn from the CJC in March 2018 as at April 2018 a total provision of circa £660,000 had then been made for any future loss of subsidies for the years between 2018/19 and 2021/22 due to past errors and suspect database. Those provisions have been reassessed since LGSS's appointment in April and in October the T&FG were advised that the expectation of losses is now around £200,000 which only relates to the uncertainty about the years 2017/18 and 2018/19 following the reduced error rate since LGSS took over.

As the DWP withheld subsidies of £1,100 in relation to 2016/17, the total subsidies withheld over the four years between 2013/14 and 2016/17 are circa £476,100 which when added to the forecasted cost of cleaning the partnership's database of £120,000 results in a cost known to date of circa £600,000 to HDC for errors.

## **Recommendations**

The T&FG's recommendations are:

Due to the potential risks inherent in joint ventures, partnerships etc between HDC and the public and private sector, when HDC enters into such arrangements with third parties there should be provision in the relevant documentation setting out the terms and conditions of the arrangement for monitoring arrangements by HDC.

The Overview and Scrutiny Committee should be mindful of the Forward Plan as it can call in any Cabinet decision and ask for pre-scrutiny which provides the ability to comment on the business cases for any such arrangement before the Council is legally committed.

## Terms of Reference

The following terms of reference were agreed at the first meeting of the Task and Finish Group:

1. To continue the work of the Finance and Performance Sub Committee on CenSus Revenues and Benefits from March 2017 on the Housing Subsidy Audit
2. Review the working practices of CenSus following on from the officers measures to mitigate the situation

## Report

At its February 2018 meeting T&FG received evidence from HDC's Chief Internal Auditor. Members asked questions on the HDC's internal audit work in relation to the monitoring of the CJC operations. They had noted that the September 2014 internal audit quarterly update report had referred to the risk of the partnership's Revenues & Benefits services being given a qualified audit by the DWP as undertaken by the external auditor. Subsequent quarterly update reports had given a "limited assurance" rating. The T&FG also heard from the Director of Corporate Resources at this meeting.

Some key points which arose at the meeting:

- The figures for subsidy reductions for the period since 2012/13 and that the loss for the 2016/17 claim was considerably lower than in the previous two years.
- The officers were hoping to completely reduce the outstanding amount of lost subsidy from 2016/17.
- Members noted that the exercise to clear up CJC's dirty data in 2016/17 was anticipated to have been successful, however, the figures for 2017/18 would not be available until November 2018 and once the latest figures were available officers could identify whether the clean-up had been completely successful or whether the reduced losses in 2016/17 were due to sampling.
- The CJC services had been audited in turn by the internal audit functions of Horsham, Mid-Sussex and Adur councils.
- Horsham's internal auditors had given "limited assurance" of the Benefits service in March 2017.
- In February 2015 external auditors initially made five recommendations in respect of the 2013/14 grant certification report and by March 2017 HDC was reported to have made progress in implementing those recommendations.
- Transfer of the service over to the LGSS would take place on 1st April 2018. The LGSS would carry out future internal audits of the service.

At its meeting on the 12<sup>th</sup> March the T&FG sought clarification from HDC's former Chief Executive on a number of matters as until 2014 he had regularly attended the CJC's quarterly meetings.

In relation to those CJC quarterly meetings it was noted that their published minutes did not contain any references to the DWP withholding subsidies from HDC, MSDC or Arun DC due to CJC's errors and administrative delays, nor actions that were to be taken to avoid any future withholding of the DWP's subsidies. .

The T&FG sought the former Chief Executive's view on the reason for CJC's operation continuing to result in the DWP withholding subsidies for the three years following the DWP withholding subsidies in November 2014 following their audit of 2013/14.

He explained that when problems were first identified in November 2014, following the publication of the DWP audit results, MSDC reported to the CJC in March 2015 details of an action plan, outlining the measures they proposed to rectify the problems. Following this, after a more substantial problems emerged in the results of the DWP audit of 2014/15 in November 2015, MSDC's officers and Members attended a meeting with Members of the F&P and HDC's officers on March 22<sup>nd</sup> 2016 at which they explained the reason for the continuing problems and gave detailed reassurances about the steps they were taking to improve performance. However despite these reassurances, the DWP audit of 2015/16 published in November 2016 revealed that the situation had deteriorated further with a larger financial impact. It was at this point that HDC began researching the process for leaving the CJC.

The former Chief Executive explained that the nature of the problems ( errors made by the partnership in the calculation of housing benefit payments and administrative delays ) had not manifested themselves during the relevant years and only became evident at the annual DWP audits. On each occasion it had happened he had raised his concerns with MSDC and asked about what steps were being taken to resolve the problem. .

The T&FG was interested in the former Chief Executive's advice that CJC partnership was governed by Local Government legislation and that the partnership agreement did not provide for recovery of losses from MSDC as the authority responsible for administration of the Revenues and Benefits service. .

### **The Task and Finish Group's comments**

MSDC was the lead authority for administrating HDC's Revenues and Benefits services and HDC could reasonably expect that MSDC would provide an efficient operation complying with all relevant regulations and standards.

Despite HDC's Cabinet Members and senior officers attending the CJC's quarterly meetings and receiving reports on the performance of the CJC's work it was not obvious to them that significant errors had been made in processing benefits claims that would result in DWP withholding subsidies.

In this regard it was noted that the minutes of the CJC's quarterly meetings do not record the existence and scale of the errors that occurred between 2013/14 and 2016/17 which has led to HDC losing circa £487,500 in subsidies from the DWP and is anticipated to incur costs of circa £120,000 in cleaning up the partnership's database so as to minimise

the risk of having subsidies withheld in future years. In addition HDC is currently making provisions for £200,000 of lost subsidies for 2017/18 and 2018/19.

The scrutiny of the MSDC's operations on behalf of the CJC for HDC was carried out by a third party, the DWP which withheld subsidies from HDC due to the partnership's errors and administrative delays.

The creation of the CJC may be considered unusual in that the partnership of the three authorities was subject to audits by a third party which had the power to levy fines on HDC if those audits are qualified.

Whilst HDC's former Chief Executive regularly raised concerns about the DWP qualifying its audits of CJC's operations from 2013/14 onwards with MSDC the errors and delays by MSDC's operatives continued.

HDC's Chief Executive and Cabinet Members sitting on the CJC between 2013/14 and 2016/17 consider that the problems experienced were the result of management failings at MSDC.

**Councillor Nigel Jupp**  
**Chairman of the CenSus Revenues and Benefits Task and Finish Group**

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