

Report to Audit Committee

10 April 2019

By the Director of Corporate Resources

INFORMATION REPORT



Not Exempt

Historic issue with the Council Tax Reduction Scheme

1. Executive Summary

This report tells the Committee about how the revenues and benefits service did not implement a Council decision in 2015. This issue was reported to Cabinet in January. It explains the reasons the Council's assurance framework did not pick up the error and the actions officers are taking to improve Horsham District Council's governance.

2. Recommendations

This report is for information only.

Background Papers

Report of the Cabinet Member for Finance and Assets to Council on 9 December 2015 on Changes to the Council Tax Reduction scheme and Council Tax discounts

Wards affected: all

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Background Information

1. Introduction and Background

- 1.1. Under 3.2.1 (j) of the Constitution the Director of Corporate Resources in her role as the statutory s151 officer for the Council has the authority to bring matters to the attention of the Audit Committee.
- 1.2. The Council's assurance framework, attached at appendix A, outlines how the Council controls risks in its services.
- 1.3. On 5 November 2018 the Operations Manager for Revenues and Benefits at Horsham District Council, an employee of our partner LGSS, presented her proposals for the 2019/20 Council Tax Reduction Scheme to the Senior Leadership Team. During this discussion it became clear the current Scheme operated by LGSS, and previously operated by the CenSus Partnership, was applying a different parameter for minimum contribution than that the Director understood to be the Council's policy.
- 1.4. The Director and Operations Manager investigated this difference. A decision reached by Council on 9 December 2015 was for the following changes:
 - (ii) That all non-protected Council Taxpayers entitled to Council Tax Reduction be required to pay at least 20% of their Council Tax bill, commencing on 1 April 2016.
 - (iii) That the Council Tax discounts for uninhabitable property and unfurnished and vacant properties be removed, with effect from 1 April 2016.
- 1.5. Recommendation (i) was for Council to note the outcome of the public consultation and is not relevant to this report.
- 1.6. The Operations Manager confirmed the minimum contribution in the Revenues and Benefits computer system is set at 10%. This means officers did not implement recommendation (ii) from Council. She also confirmed the uninhabitable property and unfurnished and vacant properties discounts no longer existed. This means officers did implement recommendation (iii).
- 1.7. This report looks at the controls detailed in our Assurance Framework (appendix A) and where the Council would expect them to have prevented or corrected this mistake.

2. Relevant Council policy

This report concerns the implementation of the Council's Council Tax Reduction Scheme. Council approved this scheme on 9 December 2015 for implementation from 1 April 2016. The scheme remained the same for 2017/18 and 2018/19. The Finance & Assets Policy Development Advisory Group discussed the policy on 5 November 2018 and advised the Cabinet Lead the policy should stay the same for 2019/20. Following Council on 24 January 2019, Council approved the 2019/20 policy at their meeting on 13 February 2019.

3. Details

3.1. First line of defence

3.1.1. Management Controls

The first line of defence in our Assurance Framework is Management Controls and Internal Control Measures within the relevant service. Responsibility for these controls lies with the Head of Service.

The Head of Finance wrote the report for Council in 2015. Because implementation needed a change to parameters in the background of the Revenues and Benefits IT system on 10 December 2015 the Head of Finance wrote to the Head of Revenues and Benefits (CenSus) and confirmed Council's decision. Responsibility then lay with the Head of Revenues and Benefits (CenSus) to make, and maintain, the changes.

At our request Mid Sussex District Council reviewed what happened on receipt of the email from Horsham District Council's Head of Finance. Because the managers from 2015 no longer work in the Council, Mid Sussex cannot tell how the error happened but said they assume it was human error by an employee of the CenSus Revenues and Benefits partnership.

3.1.2. Service Manager Assurance Statements

Under the Council's Assurance Framework for the first line of defence the Head of Revenues and Benefits should have submitted a "Service Manager Assurance Statement" as part of preparing the Annual Governance Statement. The Head of Revenues and Benefits (CenSus) declared he knew of no control failures in 2016/17 and his successor, the Business Unit Leader for Mid-Sussex, declared the only failure he knew of in 2017/18 was an issue around housing benefit subsidy.

3.2. Second line of defence

The second line of defence is individuals or groups that could have intervened if a decision was not implemented:

3.2.1. S151 officer

The s151 officer oversaw the delivery of the Revenues and Benefits Service from Director level. She undertook this work through a monthly one to one with the Head of Revenues and Benefits (CenSus). The s151 officer who oversaw the decision in December 2015 left Horsham District Council on 31 January 2016. The s151 officer of Mid Sussex District Council took over the role until the start of the next permanent s151 officer on 29 March 2016.

Annual billing took place in early March 2016. The normal second line of defence check from the s151 officer would be likely to be a reminder in a one to one meeting in February to confirm the change had taken place. However, the interim s151 did not hold monthly one to one meetings during his period of overseeing the service.

3.2.2. Finance

Finance manage the Collection Fund account. The Council report expected the change to increase Council Tax collected by £155,100 a year. The 2016/17 Collection Fund account shows £89.9m of Council Tax collected in year. £155,100 is 0.17% of the total collected. Given the values involved a check by Finance would be very unlikely to pick up this scale of variance.

3.2.3. Risk management

The Director of Corporate Resources reported the Corporate Risk Register to Audit Committee on 6 January 2016. This register included CRR005 a risk that managers are responsible for “controls to mitigate risks are consistently applied” and “officers are either unaware of expected controls or do not comply with control procedures”. The control action was to incorporate risk management into performance management and officer training. The evaluation of this risk was “low”. However, had the evaluation of the risk been higher there is nothing to suggest it could have prevented this oversight occurring.

One of any organisation’s solutions to risk is transferring the risk to others through insurance. Paragraph 7.4 of the Shared Services agreement covering CenSus Revenues and Benefits at the crucial period in January and February 2016 states:

“The Host Authority shall use its reasonable endeavours to effect policies of insurance with an insurer of repute against all such risks connected with the Shared Service Functions and the employment of staff in connection therewith as it is usual for a local authority to insure against upon such terms as the Joint Committee shall agree... and so far as possible shall procure in the interests of all Participating Authorities in relation to that Part of this agreement are noted on such policies.”

Mid Sussex District Council let their insurance as part of a joint procurement with Horsham District Council in 2013. Both Councils’ insurance contracts started on 1 April 2014 and expire on 31 March 2019. The agreement contains “officials’ indemnity” for “negligent or accidental acts or omissions.” However, it excluded cover for partnership relationships.

3.2.4. Performance Management

The CenSus Shared Services’ agreement states the Joint Committee would agree service levels on an annual business plan and include national indicators and local performance improvement indicators. The nationally reported indicators of 2011, the date of the last CenSus agreement, were in-year council tax and business rate collection and housing benefit processing times for new claims and changes in circumstances. Of these only in year council tax collection could have detected this issue but sums involved were too small to make detection likely.

3.3. Third line of defence: Internal Audit

There were no internal audits of the Council Tax Reduction Scheme during the 3- year period from the decision to date. Horsham District Council’s “internal audit universe” includes council tax and business rate collection and recovery and housing benefit but does not include the Council Tax Reduction Scheme separate to these areas. The Chief Internal Auditor says the Council Tax Reduction Scheme was normally included in an audit of housing benefit. During this period most internal audits of housing benefit focussed on

the losses of housing benefit subsidy due to high error rates in working age working claims initially reported at the end of November 2015 and the end of November 2016.

3.4. External Audit

External Audit do not audit the Council Tax Reduction Scheme.

3.5. Regulators, Inspectors and Government Ombudsmen

There are no Government regulators or inspectors for the Council Tax Reduction Scheme. There were no complaints to the Government Ombudsman about Council Tax Reduction during the period.

4. Next Steps

4.1. The Head of Paid Service will:

- Avoid the use of other Councils' statutory officers on a part-time basis during interregnums between one statutory officer and the next.
- When there is no handover period between one senior officer and another, ask the exiting senior officer to prepare detailed handover notes for the next post holder.

4.2. The Director of Corporate Resources has:

- Increased the risk impact for human errors from level 3 to level 4, due to the potential size of this loss.

5. Outcome of Consultations

5.1. The Monitoring Officer, Head of Finance, Chief Internal Auditor and officers from Mid Sussex District Council have helped establish the facts of this situation.

6. Other Courses of Action Considered but Rejected

6.1. Because this report covers an issue from 2015 there are no options to consider.

7. Resource & Legal Consequences

7.1. This is an information not a decision report. There are, therefore, no legal or resource consequences arising from it. However, there could be higher costs in the interregnums between statutory officers if the Head of Paid Service uses alternatives to neighbouring Councils' statutory officers during interregnums.

8. Risk Assessment

8.1. This report does not contain any decisions and therefore there is no additional risk.

9. Other Considerations

9.1. The residents not billed for the increase in Council Tax, based on a district mean Council Tax of £1,700, received a financial gain of around £500 across the 3 years. Management does not intend to invoice residents for these sums because of the financial situation of the customers involved and because this was a Council error.