

## AUDIT COMMITTEE

25 SEPTEMBER 2012

### REPORT OF HEAD OF RESOURCE MANAGEMENT

#### A.1 - THE LOCAL COUNCIL TAX SUPPORT SCHEME - PROJECT RISK ANALYSIS

(Report prepared by Harry Bates and Keith Jacobs)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To report on the potential risks of the project to replace Council Tax Benefit with a Local Council Tax Support Scheme (LCTS).

##### EXECUTIVE SUMMARY

As part of the major changes to the welfare benefits the current system of Council Tax Benefit will end on 31 March 2013. It will be replaced by Local Council Tax Support Schemes from 1 April 2013. Individual billing authorities must agree their local schemes by 31<sup>st</sup> January 2013. If a local scheme is not agreed by that date then the national default scheme will apply. As part of the changes, Government funding for council tax support is being reduced by 10%. Local schemes are being designed to meet this reduction in funding. The default scheme does not provide to meet the reduction in funding and therefore if the default scheme was to be introduced the cost would have to be met from that council's own funds or from council tax payers.

At the meeting of the Audit Committee held on 28 June 2012, a report was requested to be submitted to the next meeting regarding the risk management of issues arising from the localisation of council tax support.

The pan Essex LCTS project group comprising of all the billing authorities and the unitary authorities in Essex was created in January 2012 to devise a module type model upon which all authorities could base their local schemes according to local needs.

The project is managed by the benefits managers under guidance from the Essex Finance Officers Association (EFOA). The pan Essex LCTS project has created a project risk register that is regularly reviewed at the bi-monthly project meetings to monitor risks of failure of the project. The risk rating matrix is shown in Appendix A. The risks for the project are categorised under 7 headings as follows

- Timescale
- Legislation
- Governance
- Implementation
- Service Delivery
- Transition
- Finance

##### RECOMMENDATION

**That the Committee note the actions being taken to manage and mitigate risks associated with the implementation of LCTS schemes across Essex.**

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

Monitoring and management of the identified risks help to ensure that the LCTSS can be delivered in a timely and cost effective manner.

### FINANCE, OTHER RESOURCES AND RISK

#### Finance and Other Resources

As set out above, Government funding for local council tax support has been reduced by 10%. The pan Essex group is working with the principle that the new local scheme will be cost neutral. New burdens funding of £84,000 has been provided by Government to support the implementation of the new scheme.

#### Risk

The risks are set out in the body of the report.

### LEGAL

The Local Government Finance Bill contains the relevant legislative changes to enable the introduction local Council Tax Support Schemes. The draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations and draft Council Tax Reduction Scheme (Default Scheme) Regulations were issued on 17 July 2012.

### OTHER IMPLICATIONS

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

#### Equality and Diversity

Consideration is being given to restricting access to council tax support to those resident in the area as at 1 April 2013. An equality and diversity assessment is being undertaken.

#### Consultation

Each billing authority must in the following order:-

- consult with the major precepting authorities (County, Fire and Police);
- publish a draft scheme in such manner as it sees fit;
- consult other such persons as it considers are likely to have an interest in the operation of the scheme;

A six week consultation period commenced on 1 August. A pan Essex approach to consultation is being taken. A press release with pan Essex wording has been released which directed the public to a generic questionnaire as well as a framework scheme document for each authority.

Those that will be affected have also been written to individually.

### SUMMARY OF RISKS

At the meeting of the Audit Committee on 28 June 2012 it was resolved:

*That a report be submitted to the next meeting of the Committee in respect of the proposed localisation of Council Tax support in order to enable Members to investigate whether there are any risk management issues arising from such areas as fraud management, staffing resources and information technology resources.*

Further detail in relation to the 7 risk areas associated with the pan Essex LCTS project is as follows:-

### **Timescale**

- ***LCTS scheme is not delivered on time***

If the LCTS scheme is not delivered on time the Government default scheme would be imposed which would mean that the Council, along with its preceptors would have to fund the 10% deficit. This is not deemed to be a sensible financial option and should be avoided.

This has been given a medium risk score by the pan Essex LCTS project group because the establishment of the Essex LCTS project group and the creation of a comprehensive project plan will ensure that all areas of the project are scoped, analysed and executed. This group began preparations with the EFOA approving a consultant to work with the Essex Benefit Manager Group in February 2012 and the first project meeting was held 8 February to begin preparation to bring in the LCTS scheme across all billing authorities including the unitary authorities. The precepting authorities (Essex County Council, Fire, and Police) were invited to participate shortly afterwards in order to keep them involved and informed of the discussions and preparations for bringing in LCTS.

For Tendring, the consultation process has commenced on schedule and it is hoped to bring the final scheme to council for approval in November.

### **Legislation**

- ***Failure to meet legislative requirements***

This has been given a low risk level because full legislative analysis is being undertaken at regular intervals within the project. DCLG approach is not being heavily prescriptive. Draft regulations were published in July.

### **Governance**

- ***Governance model fails to deliver project objectives***

The governance model has been designed to ensure all relevant parties are engaged. This has been given a low risk score because the proposed governance structure has allocated clear responsibilities and has the flexibility to focus on delivering specific objectives. These principles were agreed with EFOA, all participating members of the Pan Essex LCTS group and the major preceptors.

- ***Individual member authorities may vary from framework***

Since this has been given a medium risk score the pan Essex project group have kept members and senior officers informed of progress and scheme design throughout the project along with the major preceptors.

All interested groups have the open invitation to attend at any meeting and minutes of each meeting sets out the progress of the project at that time. The minutes highlight the issues that have to be addressed, and the group receives briefings on latest developments from the Department of Communities and Local Government (DCLG) from the consultant.

The issues and project has frequently been discussed at Essex wide meetings for Leaders, Chief Executives and Chief Finance Officers.

### **Implementation**

- ***Failure by DCLG to deliver legislation/admin grant and main grant within timescale***

This has been given a medium risk level because there is pressure on DCLG to deliver all

within timeframe (assurances from DCLG stating that provisional / draft documents will be made available and finance will be decided on time). To date DCLG have kept to their timetable in broad terms with the latest draft regulations published in July.

- ***Failure to go live within each local authority***

This has been given a medium risk level because the project team and project support will work with all the billing authorities to ensure that full support is given up to and including the go live date. There is considerable experience within the benefit project team to support and give advice on issues raised by any project member.

- ***Project team is not sufficiently resourced and skilled***

This has been given a low risk level, although there is robust monitoring by the Project Group to identify the need to supplement skills and redirect resource to manage skills shortage issues, the potential impact of a shortfall is high.

- ***Failure to reach political agreement on scheme - County Council, Fire and Police***

This has been given a medium risk level because the project team is keeping each of these authorities informed and their respective finance officers have agreed the terms of reference in Position Statement of the project. Each of these authorities representatives are regularly briefed on the project.

- ***Changes to CT Base will affect parish finances detrimentally***

This was given a medium risk level. DCLG are currently considering the question of Parish finances. They have stated that they will take account of the implications for the calculation of Council Tax, and the administrative consequences. One of the current options being considered is believed to be a separate unadjusted Tax Base for Parishes which will not take into account any residents receiving Council Tax Benefit. If introduced this would mean that billing authorities would carry the financial risk. The other option would be that TDC fund the Parishes from any Government funding received.

- ***Late consultation delaying implementation***

This was given a medium risk level however the consultation process is now underway and should be taken down to a low risk because the issuing of the consultation within the time framework has been achieved. The responses from the public consultation are ongoing until the 16th September end date.

#### **Service Delivery**

- ***Disruption to public facing services caused by poor planning / implementation of changes***

This has been given a medium risk. There is analysis of any potential effects to services through the life of the project with action being taken as appropriate.

- ***Failure to deliver a scheme that meets the needs of the customers, including vulnerable groups***

This has been given a medium risk level as there is continuous analysis of the scheme throughout the life of the project both in procedural and financial terms.

- ***Failure to deliver IT changes on time***

This has been given a medium risk level as although project governance and early communication has ensured software suppliers are aware of requirements, the allowed timeframe is short.

#### **Transition**

- ***Ineffective change management transition planning / training***

This has been given a low risk score because there is a robust project plan in place with group responsibility to deliver an appropriate approach to transition.

- ***Loss of existing service whilst resources (technology and human) are diverted to prepare the new scheme.***

The project plan will document dependencies and resource requirements which will identify resource requirements throughout the project.

#### **Finance**

- ***Unexpected costs of project***

This has been given a low risk score because strong financial controls are in place and the project was agreed with the consultant on a fixed costs basis to work with the benefit manager group. Over 20 days were agreed as being part of the project plan. The consultant has agreed to two additional meetings with the EFOA at no extra cost to field technical questions relating to funding arrangements and business case development.

There has been additional funding awarded for implementing a LCTS of which the majority of the fund will go towards the cost of writing the software.

- ***Scheme fails to deliver required financial outcomes***

This has been given a medium risk score because although robust financial modelling has been undertaken throughout the project and detailed analysis of the caseload and impacts have been made with our IT suppliers modelling tool kit, the caseload is variable. It is intended that the final scheme will be designed to be cost neutral.

The risks set out above focus on those that are deemed to be associated with the implementation of the LCTS scheme. Once the final scheme has been agreed an assessment will need to be made of risks related to the ongoing running of the scheme.

#### **BACKGROUND PAPERS**

None

#### **APPENDICES**

Appendix A: Project Risk Register

Pan Essex LSCT Project Risk Register

The matrix used to assess the level of likelihood and impact is provided for information.

Risks are recorded as HIGH, MEDIUM or LOW

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
		Impact					

RISK IDENTIFICATION			RISK ASSESSMENT/MANAGEMENT							
Risk Categorisation	Risk Ref	Risk Description	GROSS Risk Assessment (Prior to the influence of treatment)			Mitigation / Controls	RESIDUAL Risk Assessment (After the influence of treatment)			
			Probability	Impact	Risk Score		Risk Ref	Probability	Impact	Risk Score
Timescale	R01	LSCT Scheme is not delivered on time	3	5	15	The Establishment of the Essex Group and the creation of a comprehensive project plan will ensure that all areas of the project are scoped, analysed and executed.	R01	2	5	10
Legislation	R02	Failure to meet legislative requirements	2	4	8	Full legislative analysis to be undertaken at regular intervals within the project. DCLG approach is not likely to be heavily prescriptive	R02	1	4	4
Governance	R03	Governance model fails to deliver project objectives.	2	3	6	The proposed governance structure has clear responsibilities and has the flexibility to focus on delivering specific objectives.	R03	2	3	6
Governance	R04	Individual member authorities may vary from framework etc	4	5	20	Responsibility for group to keep members and officers informed of progress and scheme design throughout the project	R04	2	5	10
Implementation	R05	Failure by CG to deliver legislation/admin grant and main grant within timescale	3	4	12	Pressure on DCLG to deliver all within timeframe (assurances from DCLG stating that provisional / draft documents will be made available and finance will be decided on time)	R05	2	4	8
Implementation	R06	Failure to go live within each local authority	3	5	15	Project team and project support will work with all LAs to ensure that full support is given	R06	2	4	8
Implementation	R07	Project team is not sufficiently resourced and skilled.	2	5	10	Robust monitoring by the Project Group will identify the need to supplement skills and redirect resource to manage skills shortage issues.	R07	1	5	5
Implementation	R08	Failure to reach political agreement on scheme - County Council	3	5	15	Project team to keep authority members informed and engaged throughout the process	R08	2	5	10
Implementation	R09	Failure to reach political agreement on scheme - Police Authority	3	5	15	Project team to keep authority members informed and engaged throughout the process	R09	2	5	10
Implementation	R10	Failure to reach political agreement on scheme - Fire Authority	3	5	15	Project team to keep authority members informed and engaged throughout the process	R10	2	5	10
Implementation	R11	Changes to CT Base will affect parish finances detrimentally	3	3	9	DCLG working on approach now	R11	3	3	9
Implementation	R12	Late consultation delaying implementation	3	5	15	Project team will work with major preceptors throughout to ensure that consultation is undertaken on an ongoing basis. The Public and other stakeholders will be consulted once the initial scheme is designed	R12	2	5	10
	R13	Disruption to public facing services caused by poor planning / implementation of changes.	3	5	15	Analysis of potential effects to services through the life of the project with action being taken as appropriate	R13	2	5	10

RISK IDENTIFICATION			RISK ASSESSMENT/MANAGEMENT							
Risk Categorisation	Risk Ref	Risk Description	GROSS Risk Assessment (Prior to the influence of treatment)			Mitigation / Controls	Risk Ref	RESIDUAL Risk Assessment (After the influence of treatment)		
			Probability	Impact	Risk Score			Probability	Impact	Risk Score
Service Delivery	R14	Failure to deliver a scheme that meets the needs of customers including vulnerable groups	3	5	15	Effective analysis of scheme both in financial and procedural terms	R14	2	5	10
Service Delivery	R15	Failure to deliver IT changes on time (by 1st December )	3	5	15	Project Governance and Communication will ensure all of software suppliers are aware of requirements. Failures will be identified early and alternative approaches developed where necessary	R15	2	5	10
Transition	R16	Ineffective change management / transition planning / training	3	3	9	Robust project plan and group responsibility to deliver an appropriate approach to transition	R16	2	2	4
Transition	R17	Loss of existing service whilst resources (technology and human) are diverted to preparing the new scheme	3	5	15	The Project plan will document dependencies and resource requirements which will identify resource requirements throughout the project.	R17	2	5	10
Finance	R18	Unexpected costs of project	3	4	12	Strong financial controls with the Project (fixed costs)	R18	1	4	4
Finance	R19	Scheme fails to deliver required financial outcomes	3	5	15	Robust financial modelling will be undertaken throughout the project	R19	2	5	10