

Report of the Head of Internal Audit

AUDIT COMMITTEE – 20TH JANUARY 2015

REVIEW OF COUNCIL TAX SINGLE PERSONS DISCOUNT

1. Purpose of the Report

- 1.1 This report provides the Audit Committee with an update on the Council Tax Single Person's Discount review which is being carried out in conjunction with Datatank. The project formed part of the Council's successful counter fraud fund bid to the DCLG.

2. Recommendations

2.1 It is recommended that:-

- i. **The Audit Committee is asked to note the very positive outcomes from the work being undertaken by the Council to reduce the value of incorrectly claimed single person discount.**

3. Background Information

- 3.1 Internal Audit's Corporate Anti-Fraud Team and Benefits, Taxation and Income Section are currently undertaking an intelligence based review of the Council Tax Single Person's Discount (SPD) awarded to residents in the borough. This review is being carried out in conjunction with a third party provider, Datatank.
- 3.2 The Council's Single Person Discount database containing 37,722 records was verified against financial records held by a third party credit reference agency. The data match identified 6,942 (18.4%) discounts that required further follow up due to their classification by Datatank as moderate to high risk. This risk rating is due to a record of more than one person having a recorded financial activity at the property within the last three months.
- 3.3 Datatank issued single person discount review letters to the identified cases between 26th October 2015 and 17th November 2015 asking customers to declare their current household circumstances.
- 3.4 The review letters together with a prepaid and addressed envelope to ease the reply process for residents and a leaflet providing details of adults who may be disregarded for council tax purposes e.g. full-time students and apprentices.
- 3.5 Customers who failed to respond to this initial letter were issued with a reminder letter on 4th January 2016.

4. Outcomes to Date (4th January 2016)

4.1 The review letters issued for each band were:

Tax Band	Non CTR*	CTR*	Total	%
A	2,854	2,285	5,139	74.03
B	642	229	871	12.55
C	444	74	518	7.46
D	217	26	243	3.50
E	92	8	100	1.44
F	55	1	56	0.81
G	14	-	14	0.20
U (unbanded)	1	-	1	0.01
Total	4,319	2,623	6,942	100.00

* Council Tax Reduction

4.2 A total of 4,198 (60%) taxpayers have responded to review as at 4th January. The majority of these responses (41%) have been received via the Royal mail with the remaining 20% responses being received via Eforms.

4.3 Taxpayers have also provided the following information for correspondence purposes:

2,308 e-mail addresses;
3,341 telephone / mobile numbers;

4.4 As at 4th January 2016, a total of 655 taxpayers have requested e-billing and a further 219 have made requests to pay their council tax by direct debit.

4.5 The results from the review as at 4th January are:

- 2,744 (40%) taxpayers have not yet responded to the review letter;
- 4,198 (40%) taxpayers have completed and returned review forms.

Of the returned forms:

- 3,647 taxpayer responses are currently being processed by Datatank;
- 216 responses referred from Datatank for amendment/follow-up are waiting to be processed by the Council;
- 229 single person discounts have been removed following a declaration of a change in household circumstances by the customer;
- 106 accounts have been completed without any effect on the discount e.g. change of name, taxpayer vacated property.

4.6 The cancellations to date have resulted in an additional £65,516 Council Tax income being raised across the identified Council Tax accounts.

4.7 A number of taxpayers who responded to the review indicated that:

- a second person had 'only just' moved in to the property; and/or
- The previous address of the second person wasn't known.

CAFT have started to challenge such responses and twenty two taxpayers have subsequently confirmed that their declared date of change was incorrect. This has resulted in the discounts being removed from earlier dates and an increase of £5,519 Council Tax income being raised across the identified Council Tax accounts.

- 4.8 The review is not yet complete and additional outcomes will continue over the next few months. A further update report will be included in the CAFT Update Report in March 2016.

5. Financial Implications

- 5.1 Although the review is not yet complete, the cancellation of the discount in 229 cases to date has resulted in additional Council Tax payable of £65,516 for 2015/16 across the identified Council Tax accounts.
- 5.2 Reducing the number and value of SPD's has the effect of increasing the Council's Council Tax (CT) Base used in setting the Council Tax. The Council Tax (CT) Base is approved by Members as part of the Council's Annual Revenue Budget and Council Tax setting process in January each year.
- 5.3 The cost of employing Datatank to assist with the review process is £33,655; however the increase in Council Tax revenue as a result of the exercise has already exceeded this figure.

11. Risk Considerations

- 11.1 The Council tax collection rate may initially be adversely affected due to the cancelling of SPD's which will require a higher level of income to be collected by the Council. This risk will be mitigated through prompt and robust recovery action to minimise any potential future bad debts arising.

Contact Officer: Head of Internal Audit
Telephone: 01226 773241
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