

POLICY & RESOURCES CABINET BOARD

27TH MARCH, 2014

FINANCE & CORPORATE SERVICES

REPORT OF THE HEAD OF FINANCIAL SERVICES – D. REES

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SECTION A – MATTERS FOR DECISION

ITEM 1

Review of Council Tax Single Person Discount

1. Purpose of report

- 1.1 This report is to ask members to approve a new procedure for reviewing Single Person Discount awards using data matching, rather than the current method of postal review. The proposed review will be undertaken by Capita.

2. Introduction

- 2.1 A Single Person Discount (SPD) which allows for a 25% reduction in a taxpayers Council Tax bill can be awarded to anyone living alone under the statutory scheme. There are currently 23,078 households in receipt of SPD in the borough.
- 2.2 The Audit Commission has predicted that up to 6% of households in receipt of SPD could be making fraudulent claims, costing councils millions each year. Local Authorities are obliged to carry out a review of Single Person Discount on a regular basis to ensure the discount is being awarded correctly.

3. Historical Method of Review

- 3.1 In order to ensure continuing correct entitlement to Single Person Discount, the Council Tax section would issue a review form to said recipients requesting that they confirm that there are no changes in circumstances and that the discount was still applicable. Once the review form was returned, if there were no changes reported Council tax staff would update the records and continue the discount. No further checks were undertaken to validate the information. In circumstances where the Council Tax section was notified of a change of circumstances, the records would be amended and the appropriate bills issued.
- 3.2 Not all review forms are returned and in those instances a reminder letter was issued to the customer. When the last review was carried out, over 1,653 reminder letters were issued. If the reminder review form was not returned and we failed to contact the customer by telephone to confirm the discount status, the Single Person Discount

was cancelled and the customer re-billed. This usually prompted customers to contact the Council Tax section to ascertain why their discount has been cancelled, although some customers did not make contact until their account was subject to recovery action.

- 3.3 The above method is not only resource intensive but relies entirely on the honesty of the Council Tax payer and their understanding of the rules regarding entitlement to the discount.

4. Proposed Method of Review

- 4.1 Many local authorities are now procuring their Single Person Discount reviews from third party providers, who have access to much more data matching information. Capita provides a service to handle the entire process from data analysis to managing all customer correspondence and updating records. Capita use technology to effectively review and validate SPD entitlement and identify potential fraudulent claims to discount.

- 4.2 The process involves a file being provided to Capita of all accounts that are in receipt of Single Person Discount. Capita will process this information against different datasets, e.g. credit card records, phone records, other financial records etc. The output will be presented on a risk basis and only those cases which suggest that there is a possibility that discount should not be awarded will be investigated further. The cases where no risk is identified will not receive any form of postal review and their discount will be continued automatically, thus reducing costs on printing, postage, staff time and customer contact.

- 4.3 In cases where a risk is identified as high or medium, the Council Tax payer will be sent a review form by Capita asking them to confirm if they are still the sole resident in order for the discount to continue. The review form will be issued on Council headed notepaper but will clearly state that Capita are undertaking an independent review of SPD on behalf of the Council. Capita has advised that at this point they expect, based on experience with other authorities, that 30% of review forms will be returned confirming a second adult at the property. The remaining 70% that fall into the high risk category, who fail to declare a change in their entitlement to SPD will be investigated further. This may include Capita using voice-pattern recognition technology and behavioural analysis over the phone to pick up on potential fraud.

- 4.4 In circumstances where it is identified that the discount is no longer applicable, the Council Tax system will be updated by Capita staff to reflect the change and the appropriate bill(s) issued.
- 4.5 If the Council Tax payer does not return a review form or refuses to take part in the telephone review, the Single Person Discount will be cancelled and the appropriate Council Tax bill issued. In order for the discount to be re-instated, the Council Tax payer will be questioned further on information obtained by Capita from their work. Should the contacted person be deemed to be vulnerable the account will be referred back to the Council for follow up.
- 4.6 As far as discount being cancelled and extra monies being raised, the grid in appendix one details the estimated extra gross income that would be generated per case, per Band for the financial year 2014/15. Officers are unable to estimate what the likely number of discount cancellations will be. At the end of the exercise, statistics will be provided which will give a breakdown of the discounts cancelled and the extra revenue generated along with the cost of fees for this exercise.
- 4.7 It is important that taxpayers in the borough are advised of the impending review in order to give them the opportunity of cancelling their SPD prior to its commencement. To that end there will be a publicity campaign prior to the review to encourage customers to check if they are incorrectly in receipt of SPD.

5. Data Protection

- 5.1 The Council Tax Regulations (Regulation 12 of the Local Authorities (Contracting Out of Tax Billing, Collection and Enforcement Functions) Order 1996) allow the contracting out of this process.
- 5.2 The data will be processed securely and in compliance with the principles of the Data Protection Act 1998 and is used under s29 (1)(a) – the prevention and detection of crime and s29 (1)(c) - the assessment or collection of any tax or duty or of any imposition of a similar nature.

6. Financial Implication and Conclusion

- 6.1 The current process of reviewing SPD is time consuming and inefficient, as in the vast majority of cases there is no change to

report. The Audit Commission have stated that the area is open to fraud and abuse and that data matching techniques provide the best opportunity to find discrepancies. Issues relating to data security, procedural aspects and charging arrangements have all been considered and there is nothing to deter this aspect of work being undertaken by Capita. Capita operate a risk free solution on a “payments by results” basis. Capita will charge £20.66 per SPD cancelled which remains cancelled for a period of 3 months or more. The funding of this work will be covered by additional Council Tax income which will require a budget virement transfer as part of the in-year budget monitoring arrangements.

7. Recommendation

- 7.1 It is recommended that the Single Person Discount review for 2014/15 be undertaken by Capita and an appropriate press release made in advance.

Reason for Proposed Decision

To decide on the method for carrying out a Single Person Discount Review.

List of Background Papers

The Council Tax Regulations (Regulation 12 of the Local Authorities (Contracting Out of Tax Billing, Collection and Enforcement Functions) Order 1996)
Local Government Finance Act 1992

Wards Affected

All

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COMPLIANCE STATEMENT

Single Person Discount Review

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	Positive
Education and Lifelong Learning	No impact
Better Health and Well Being	No impact
Environment and Transport	No impact
Crime and Disorder	No impact

Other Impacts:

Welsh Language	No impact
Sustainable Development	No impact
Equalities	Positive
Social Inclusion	Positive

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

Average Council Tax Single Person Discount per Parish

Parish Name	A	B	C	D	E	F	G	H	I
BRITON FERRY	£261.25	£304.79	£348.33	£391.87	£478.96	£566.04	£653.12	£783.75	£914.37
NEATH - NORTH	£259.15	£302.34	£345.54	£388.73	£475.11	£561.49	£647.88	£777.45	£907.03
NEATH - SOUTH	£259.15	£302.34	£345.54	£388.73	£475.11	£561.49	£647.88	£777.45	£907.03
BLAENGWRACH	£267.32	£311.87	£356.42	£400.97	£490.08	£579.19	£668.29	£801.95	£935.60
BLAENHONDDAN	£258.58	£301.68	£344.78	£387.87	£474.07	£560.26	£646.45	£775.74	£905.03
CLYNE AND MELINCOURT	£261.38	£304.94	£348.51	£392.07	£479.20	£566.32	£653.45	£784.14	£914.83
COEDFFRANC	£267.79	£312.42	£357.06	£401.69	£490.95	£580.21	£669.48	£803.37	£937.27
CRYNANT	£260.60	£304.04	£347.47	£390.90	£477.77	£564.64	£651.51	£781.81	£912.11
DYFFRYN CLYDACH	£257.35	£300.24	£343.14	£386.03	£471.81	£557.59	£643.38	£772.05	£900.73
GLYNNEATH	£266.06	£310.41	£354.75	£399.10	£487.78	£576.47	£665.16	£798.19	£931.22
ONLLWYN	£259.86	£303.17	£346.48	£389.79	£476.41	£563.03	£649.65	£779.58	£909.51
PELENNA	£264.36	£308.42	£352.48	£396.54	£484.67	£572.79	£660.91	£793.09	£925.27
RESOLVEN	£260.05	£303.39	£346.73	£390.07	£476.75	£563.43	£650.11	£780.14	£910.16
SEVEN SISTERS	£263.01	£306.84	£350.68	£394.51	£482.18	£569.85	£657.52	£789.03	£920.53
TONNA	£255.54	£298.13	£340.72	£383.31	£468.49	£553.67	£638.85	£766.62	£894.39
GWAUN CAE GURWEN	£258.34	£301.40	£344.46	£387.51	£473.63	£559.74	£645.86	£775.03	£904.20
CWMLLYNFELL	£263.59	£307.52	£351.46	£395.39	£483.25	£571.12	£658.98	£790.78	£922.57
YSTALYFERA	£256.83	£299.64	£342.44	£385.25	£470.86	£556.47	£642.08	£770.49	£898.91
PONTARDAWE	£261.83	£305.46	£349.10	£392.74	£480.01	£567.29	£654.56	£785.48	£916.39
CILYBEBYLL	£258.34	£301.40	£344.46	£387.51	£473.63	£559.74	£645.85	£775.02	£904.19
PORT TALBOT	£250.49	£292.24	£333.99	£375.74	£459.23	£542.73	£626.23	£751.47	£876.72

MATTERS FOR INFORMATION

ITEM 2

TREASURY MANAGEMENT MONITORING 2013/14

1. Purpose of Report

1.1 This report sets out treasury management action and information since the previous report.

2. Rates of Interest

2.1 Bank base rates continue to be at an all time low of 0.5% (since 5th March 2009) and detailed below are the changes in the bank base rate since April 2008.

Effective Date	Bank Rate
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009 to date	0.50%

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 3rd February 2014.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 30 Jan 14	Current 03 Mar 14	Previous 30 Jan 14	Current 03 Mar 14	Previous 30 Jan 14	Current 03 Mar 14
	%	%	%	%	%	%
5-5.5 years	1.87	1.84	1.88	1.85	2.70	2.65
10-10.5 years	2.70	2.65	2.75	2.69	3.64	3.58
20-20.5 years	3.64	3.58	3.75	3.68	4.22	4.15
35-35.5 years	4.15	4.08	4.24	4.17	4.29	4.23
49.5-50 years	4.29	4.22	4.30	4.24	4.25	4.19

3. General Fund Treasury Management Budget

- 3.1 The following table sets out the treasury management budget for 2013/14 and consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.
- 3.2 The rate of return on investments has reduced considerably in 13/14 due to schemes introduced by Central Government (Funding for Lending, Help to Buy); therefore we have had to reduce our income target for investments by £350k. There is no overall change to the debt charges budget as expenditure has reduced in line with income.

	2013/14 Original Budget £'000	2013/14 Revised Budget £'000
Debt Charges	17,466	17,166
Investment Income		
- Total	(1,250)	(900)
- less allocated to other funds	210	160
- General Fund (net)	(1,040)	(740)
Net General Fund	16,426	16,426

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

- 4.1 No borrowing has been carried out since the last report.

5. Investment Income

- 5.1 In line with the Council's Investment Strategy, the 2013/14 Revised Budget for investment income is £900k; treasury management investment income to the end of February totals £782k.
- 5.2 Members should note that the majority of investments are classified as 'specified' i.e. up to 12 months and are currently with the major banks including Barclays, Lloyds Group, Bank Santander, Clydesdale, RBS and Nationwide BS.

- 5.3 The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made.
- 5.4 No additional long term investments have been carried out since the last report. The Council currently has £10m invested for periods in excess of 12 months:

Counterparty	Value £'000	Period	Maturity	Rate %
Eastbourne Borough Council	4,000	4.5 Years	June 18	2.2
Peterborough City Council	6,000	5 Years	Dec 18	2.1

- 5.5 Icelandic Bank Update
- 5.6 Members should note the following position in relation to the recovery of monies from investments in Icelandic related banks.
- 5.7 There have been no further dividends received since the last report. The tables below show the amounts outstanding.

Table 1 – Original Investments

Bank	Original Investment	Amount of Principal Repaid	Current Outstanding Investment
	£'000	£'000	£'000
Glitnir	2,000	2,000	0
Heritable	9,000	8,597	403
KSF	3,000	2,516	484
	14,000	13,113	887

- 5.8 As members are aware a final settlement was received from Landsbanki on 3rd February. Some of the proceeds were received in different currencies i.e. Dollars, Euros, Sterling and Icelandic Kroner. As a result of this there have been exchange rate variations, following the Icelandic Court decision, which will impact on the actual cash proceeds physically received.

- 5.9 In addition to the amounts listed above, an additional £50k was received in relation to the Glitnir Bank settlement. This £50k was in respect of interest due on the original investment.

Table 2 – Investments Held in Escrow Accounts – Icelandic Kroner

Bank	Investment (Sterling Equivalent) £'000	Amount Repaid £'000	Outstanding Investment £'000
New Glitnir	387	0	387

- 5.10 Some of the investments matured by the old Glitnir have resulted in cash being held in the form of Icelandic Kroner. In line with Icelandic law, the Kroner is not tradable and can only be spent within Iceland. The Local Government Association is pursuing ways of transferring these investments to realise repayments into Sterling. These new investments with the new bank are held in an Escrow Account in the name of the local authority and generating interest in excess of 4%.

List of Background Papers

Treasury Management Files
PWLB Notice Number 086/14

Wards Affected

All

Officer Contact

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