

Committee:	Executive	Agenda Item No.:	9.
Date:	6 th September 2010	Status	Open
Category	Decision within the functions of Executive		
Subject:	Single Persons Discount Review		
Report by:	Head of Finance and Revenues		
Other Officers Involved	Billing and Recovery Manager		
Director	Director Of Resources		
Relevant Portfolio Holder	Councillor Alan Hodkin, Portfolio Holder for Resources		

RELEVANT CORPORATE AIMS

CUSTOMER FOCUSED SERVICES – Providing excellent customer focused services

SOCIAL INCLUSION – Promoting fairness, equality and lifelong learning.

STRATEGIC ORGANISATIONAL DEVELOPMENT – Continually improving our organisation.

The review of Single Persons Discounts awarded by the Council usually results in discounts being cancelled as some claimants are no longer entitled to the discount. This generates a saving for the Council

TARGETS

The review will contribute towards the target of achieving our efficiency target

VALUE FOR MONEY

Reducing the number of Single Person Discount's awarded would result in an increase in the amount of Council Tax collected. This could be used to reduce Council Tax in future years.

THE REPORT

The Single Person Discount (SPD) scheme allows householders who meet the requirement of not living with any other residents aged 18 or above, a 25% reduction in their council tax bill. Nationally, 35% of households receive this discount.

The Audit Commission's paper 'Protecting the public purse: Local government fighting fraud' (September 2009) notes that, "in recent years, some councils have noticed a sharp increase in the number of people claiming SPD and have identified increasing numbers of fraudulent applications". Having reviewed the action taken by 11 councils to assess the likely cost and scale of SPD fraud, the Audit Commission concluded that the level of fraud varied between 1% and 11%, with most clustered between 4% and 6% of SPD claims. Assuming an estimate of 4% nationally, undetected SPD fraud could be costing taxpayers £90m each year, one result of which is that council tax levels are higher than they need to be. The Audit Commission concludes that "all councils ... should consider developing financial arrangements that provide better incentives to tackle SPD fraud".

Many councils review the SPD claims in their district by writing to their residents asking them to confirm their continued entitlement, and by cross-checking claims against records such as the Electoral Register. However, this is a labour-intensive and costly exercise which councils find difficult to carry out annually, and which often generates few results. The Audit Commission carries out a National Fraud Initiative every two years by performing similar data matching of council tax and electoral register data. Although this saves authorities some of the work, they still have to follow up on the results.

A more efficient and effective review method is to contract a third party to not only carry out the data matching but also to perform the administration tasks, such as sending out review letters and cancelling discounts. This has an additional benefit in that such organisations have access to a wider variety of databases, such as credit records, resulting in a greater potential to identify and target mismatches where potentially fraudulent activity is taking place. Such an exercise was carried out in all the local authorities in Nottinghamshire in 2009, and resulted in 6,168 cancelled discounts (5.66% of all claims) and cashable savings of £1.85 million. Many other local authorities have reported similar savings from this sort of exercise.

The eight district and borough councils in Derbyshire, together with Derby City Council, currently have over 150,000 SPDs in place. Assuming a 5% cancellation rate and an average saving of £300 per cancellation, the authorities would benefit from a total saving of £2.3m. The predicted net savings for Bolsover District Council are shown below:

Table 1: Estimated savings for Bolsover District Council

	£
Estimated savings @ 5%	161,400
Less: Cancellation Fee	(26,900)
Derbyshire County Council	(92,459)
Derbyshire Police Authority	(14,069)
Derbyshire Fire Authority	(5,770)
Net Annual Saving	22,112

The following authorities have signed a Statement of Intent confirming their participation in the Single Person Discount Review:

Amber Valley Borough Council
Bolsover District Council
Chesterfield Borough Council
Derby City Council
Derbyshire Dales District Council
Erewash Borough Council
High Peak Borough Council
North East Derbyshire District Council
South Derbyshire District Council

Derby City Council will undertake a formal tender process on behalf of the participating authorities which will result in the selection of a third party who will carry out a review for each authority and cancel council tax single person discounts that citizens are not entitled to. It is anticipated that a joint tender will be more cost effective than each authority tendering individually.

Funding has been approved by the East Midlands Improvement and Efficiency Partnership (EMIEP) but will not be available after 31st March 2011 and can only be claimed in arrears. Therefore, the exercise must be paid for and a claim made to the EMIEP before this date and ideally by the end of February 2011 to allow time for the claim to be processed.

Payment deferment will need to be taken into consideration. It is normal practice for third parties undertaking this sort of exercise to defer payment for up to three months in case any cancellation proves to be incorrect. The tender will specify an appropriate deferment period based on the likely completion date of the cancellations.

ISSUES/OPTIONS FOR CONSIDERATION

The information detailed in the report be noted.

IMPLICATIONS

Financial: The Authority is required to pay in advance for the services. All costs will be covered by RIEP grant funding and there will be no cost to the Council. The estimated payments required in advance of receiving the grant are shown below:

Table 2: Potential Costs of Single Persons Discount Review

	No. of SPDs	6%	Supplier A	Supplier B
Amber Valley	16,940	1016.4	£32,524.80	£35,065.80
Bolsover	10,960	657.6	£21,043.20	£22,687.20
Chesterfield	18,919	1135.14	£36,324.48	£39,162.33
Derby City	39,827	2389.62	£76,467.84	£82,441.89
Derbyshire Dales	9,837	590.22	£18,887.04	£20,362.59
Erewash	17,239	1034.34	£33,098.88	£35,684.73
High Peak	13,326	799.56	£25,585.92	£27,584.82
North East	13,951	837.06	£26,785.92	£28,878.57
South Derbyshire	11,876	712.56	£22,801.92	£24,583.32
TOTAL	152,875	9172.5	£293,520.00	£316,451.25

Legal: None
Human Resources: None

RECOMMENDATION

That Members note the report.

REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION

To improve the efficiency of the Council and to generate savings

ATTACHMENTS: N
FILE REFERENCE:
SOURCE DOCUMENT: Available in Financial Services