

## ***Report to the Cabinet***

***Report reference: C-036-2014/15***  
***Date of meeting: 3 November 2014***



**Epping Forest  
District Council**

**Portfolio: Finance**

**Subject: Council Tax and Local Council Tax Support Compliance**

**Responsible Officer: Janet Twinn (01992 564215).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

**(1) The Cabinet note the progress made regarding partnership working across Essex to increase compliance with respect to Council Tax discounts and exemptions; and**

**(2) The Cabinet authorises the Director of Resources in consultation with the Finance Portfolio holder, to negotiate an agreement with other agencies and authorities as set out in the report, and to report back to Cabinet once the cost benefit of setting up the arrangements is known.**

### **Executive Summary:**

This report is to brief Cabinet on progress being made by the Pan Essex partnership of local authorities in respect of a business case to increase Council Tax discount compliance. The business case is an excellent example of partnership working across Essex and seeks to build on the success of the discounts and exemptions business case that has been in place since April 2013. Approval is sought from Cabinet to delegate authority for making decisions regarding the fine detail of the business case to the Director of Resources in consultation with the Finance Portfolio Holder.

### **Reasons for Proposed Decision:**

The Compliance business case should generate additional income for the Council through increased Council Tax income. Negotiations regarding the sharing of any additional revenue are fast-moving and taking place in the arena of the Essex Strategic Leaders Forum, hence the proposal that Cabinet delegates decision-making on this matter to the Director of Resources who attends that forum, in consultation with the Finance Portfolio Holder.

### **Other Options for Action:**

Cabinet notes progress on the compliance business case and approves or does not approve delegated authority to the Director of Resources to agree the sharing of financial benefits.

## **Report:**

1. In 2012, the Benefits Managers of all the Essex District and Unitary authorities began to meet regularly to manage and implement the transition from the national Council Tax Benefit scheme to a local Tax Support scheme. The major preceptors were included in these meetings. From these meetings, a business case was developed whereby the Essex Districts, Essex County Council, Essex Police and Essex Fire Service, agreed that additional resources would be required by the Districts to maintain Council Tax collection levels following the introduction of Local Council Tax Support. The preceptors agreed to provide funding for the additional resource in proportion to their shares of the precept.

2. The Section 151 Officers of the Districts built on this agreement by bringing in changes to Council Tax discounts and exemptions relating to empty homes from April 2013, which created additional Council Tax income. A sharing agreement was negotiated with the preceptors in relation to the additional income. Ordinarily, any additional Council Tax collected would be shared out amongst the preceptors in accordance with their share of the precept. However, it was agreed that the additional income raised by altering empty home discounts and exemptions is to be shared out in such a way that the districts are being repaid an amount equivalent to 35% of the additional revenue collected in relation to these items. The additional resources and the income sharing agreement is a three year arrangement due to be re-negotiated in time for 2016/17. Year one of this arrangement has shown that the income for all the parties has far exceeded the investment. An additional £322,000 income from Council Tax has been generated for Epping Forest that would not have been achieved if this arrangement was not put into place. In addition, the Council Tax collection rate was anticipated to reduce to 96.6% but in fact 97.62% was achieved. Although this collection rate is a lower percentage than in 2012/13 which was before Local Council Tax Support was introduced, the overall amount of Council Tax collected was greater than the amount collected in 2012/13.

3. Following the success of this initial partnership arrangement, the Benefit Managers in association with their Council Tax colleagues, have been preparing a business case based on sharing data between all Essex authorities, including Essex County Council, to identify discrepancies in any Council Tax discounts and exemptions that are being claimed.

4. By granting Council Tax discounts in accordance with either statute or local decisions, precepting authorities forego income because the amount of Council Tax to be collected is reduced. Local Council Tax Support is a discount rather than a centrally funded national benefit, and this accounts for £7.1million in 2014/15. Aside from Local Council Tax Support, Single Person discounts are the largest single relief granted by Epping Forest totalling £6.5million annually. However, the Council has no discretion over the award of this discount. Other exemptions, such as empty properties, total £2.9million annually. Inevitably, some of these discounts and exemptions are claimed incorrectly or claimed for longer than they should have been. Any work undertaken to reduce fraud and error in this area will increase income from Council Tax and therefore it will directly benefit Epping Forest and the other preceptors, rather than central government.

### The Compliance Business Case

5. The purpose of the compliance business case is to make sure that Single Person Discounts and Local Council Tax Support awards are correct and that we do not award, or continue to award, discounts which a person is not entitled to. The intention is that the Essex districts and the County share data on a regular basis to identify inconsistencies. This is the first joint initiative of this kind across a County area to be undertaken anywhere in the Country.

6. Previous small scale data matching exercises have already shown that the returns that will be generated greatly exceed the investment required. Currently an annual review of Single Person Discounts is undertaken which matches data regarding recipients of that discount with financial credit records. Addresses which show recent financial activity by a person other than the Council Taxpayer are queried and the Council Taxpayer is asked to confirm whether the Single Person Discount is still applicable. Tendring Council have also undertaken an exercise where they visited every property claiming a discount within a short period. Although it was resource intensive, the number of incorrectly claimed discounts within that short period showed that there are significant savings on discounts that can be made, thereby increasing the Council Tax income for the authority.

7. The compliance business case developed by the Essex Benefit and Revenues Managers in conjunction with the preceptors is built on extending the principles of data matching. It proposes the regular comparison of a variety of data sets held by all the Essex districts, unitaries and the County Council to identify potential discrepancies in any of the discounts and exemptions awarded.

8. Neither the Essex authorities nor the preceptors have the expertise to compare the datasets that will be required. The business case proposes the procurement of an outside company to collate the datasets and produce the results in a specified manner. This procurement is large enough to fall under OJEU rules and will require careful co-ordination, probably through the Essex Procurement Hub.

9. The compliance business case requires investment from districts and preceptors to purchase the software and to supply additional staff resource to investigate the discrepancies that are identified. The return on this investment is expected to be significant. Epping Forest has conservatively estimated that 3% of all discounts and exemptions are being claimed incorrectly. This equates to c £500,000 in additional Council Tax income. The estimated savings across Essex are in the region of £4million per year.

10. As with the sharing agreement mentioned in paragraph 2, the intention is that any additional Council Tax raised by implementing data sharing should be shared out in such a manner as to reward the Districts for the additional work that they will be carrying out, rather than simply passing increased receipts on to the preceptors in accordance with their shares of the precepts. At present, negotiations are ongoing with respect to an appropriate sharing arrangement.

11. The business case has already received positive support from the East of England Local Government Association who are providing the equivalent of £20,000 in specialist support to assist with the development of the tender specification and procurement. In addition, on 6 August 2014, confirmation was received from the Department for Communities and Local Government (DCLG) that they wanted the partnership to submit a formal bid for £1.5million from the 2015/16 Transformation Challenge funding. Chelmsford is acting as the lead authority for the submission of this bid. The partnership has also submitted a bid for £850,000 from the DCLG's Fraud Initiatives funding, for which Tendring is the lead authority. Both those bids are based around the compliance business case.

12. The outcome of the procurement process and the amount of funding from the bid applications will ultimately determine whether or not this project can be delivered. Cabinet will be kept informed of progress.

## **Resource Implications:**

Procurement will be at OJEU level. The Director of Resources must be satisfied that the benefits are realistic and achievable. Additional resources will be required to check discounts are correctly granted and to investigate data mismatches.

**Legal and Governance Implications:**

Any contract signed with an external supplier must meet Epping Forest's corporate requirements

**Safer, Cleaner and Greener Implications:**

There are no specific implications.

**Consultation Undertaken:**

Essex Strategic Leaders Forum, Finance Directors of all Essex authorities including Essex County Council, Essex Police and Essex Fire Service

**Risk Management:**

That the cost of procurement and associated development costs outweigh the benefits obtained.

**Background Papers:**

None.

# Due Regard Record

Name of policy or activity:

**What this record is for:** By law the Council must, in the course of its service delivery and decision making, think about and see if it can eliminate unlawful discrimination, advance equality of opportunity, and foster good relations. This active consideration is known as, 'paying due regard', and it must be recorded as evidence. We pay due regard by undertaking equality analysis and using what we learn through this analysis in our service delivery and decision making. The purpose of this form is as a log of evidence of due regard.

**When do I use this record?** Every time you complete equality analysis on a policy or activity this record must be updated. Due regard must be paid, and therefore equality analysis undertaken, at 'formative stages' of policies and activities including proposed changes to or withdrawal of services. This record must be included as an appendix to any report to decision making bodies. Agenda Planning Groups will not accept any report which does not include evidence of due regard being paid via completion of an Equality Analysis Report.

**How do I use this record:** When you next undertake equality analysis open a Due Regard Record. Use it to record a summary of your analysis, including the reason for the analysis, the evidence considered, what the evidence told you about the protected groups, and the key findings from the analysis. This will be key information from Steps 1-7 of the Equality Analysis process set out in the Toolkit, and your Equality Analysis Report. This Due Regard Record is Step 8 of that process.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
3 October 2014 Janet Twinn	The compliance business case to ensure that Council Tax discounts and exemptions are correctly awarded, and the delegated authority for decision making regarding the fine detail of the business case to the Director of Resources, in consultation with the Finance Portfolio Holder, do not raise any equality issues at this time. The incorrect award of discounts and exemptions reduces the income that the Council has to spend on services.