

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 19 NOVEMBER 2003

REPORT OF THE REVENUES MANAGER

COUNCIL TAX & NON DOMESTIC RATE INSTALMENT DATES

This matter is the responsibility of Executive Councillor T Hall (Portfolio Holder for Resources)

EXECUTIVE SUMMARY

Taunton Deane currently operate a payment schedule for local taxation (Council Tax & Non Domestic Rates) that is out of sync with our neighbouring authorities. We have an opportunity to reschedule this, which could, dependant on the option chosen, have positive cashflow implications for the Council.

The report details various options for changing the instalment dates and seeks a decision from members upon whether or not to pursue such a change.

1. PURPOSE OF REPORT

- 1.1. To provide members with details of the current local taxation payment schedules and to offer suggestions for rescheduling these to bring Taunton Deane in line with other local authorities.

2. BACKGROUND

- 2.1. The Revenues Best Value Review identified the need to review the Council's instalment dates for Council Tax and Non Domestic Rates and consequently contained a commitment to do so.
- 2.2. Taunton Deane has traditionally required 'cash' instalments (all non-direct debit instalments) for Council Tax and Non Domestic Rates to be paid on the twentieth of the month commencing in April of each year. Direct debit payments are largely paid on the first of each month commencing in May. In the Council Tax system the twentieth of the month is also offered as a payment date for direct debit, although only a minority pay on this date. (Detailed below are the number and approximate annual value of the different methods of payment and instalment dates).

Payment date & type	Council Tax		Non Domestic Rates	
	No. of cases	Percentage	No. of cases	Percentage
CASH - 20 th monthly	19,798	43.4	1,530	43.6
DD – 20 th monthly	7,312	16.0	N/A	-
DD – 1 st monthly	17,199	37.7	1,572	44.8
Salary – 22nd	162	0.4	N/A	-
Zero bill accounts	1,142	2.5	405	11.5

- 2.3. When compared with the other Somerset authorities and authorities nationally Taunton Deane has one of the latest set of payment dates. This results in a potential

loss in income and impacts upon collection rates. The instalment dates for the Somerset authorities are set out below

Authority	Council Tax		Non Domestic Rates	
	Cash	Direct Debit	Cash	Direct Debit
Bath & N E Somerset	1 Apr	1 Apr	1 Apr	1 Apr
Mendip	1 Apr	1 Apr	1 Apr	1 Apr
North Somerset	1, 15 & 22 Apr	1, 15 & 22 Apr	8 Apr	8 Apr
Sedgemoor *	10 Apr	1, 10 & 21 Apr	10 Apr	1, 10 & 21 Apr
South Somerset	1 Apr	1 & 25 Apr	1 Apr	1 Apr
Taunton Deane	20 Apr	20 Apr & 1 May	20 Apr	1 May
West Somerset	1 Apr	1 Apr	1 Apr	1 Apr

(* Sedgemoor intend to bring their cash payment date forward to 1 April from next year).

- 2.4. A recent analysis of our instalment payment dates indicates that bringing them forward to the first of April could produce substantial additional income through cashflow advantages for the Authority. This additional income would result from the investment income we could obtain by having received and invested the bulk of the payments three to four weeks earlier each month than we currently do.
- 2.5. Additionally, in the long-term bringing the instalment date forward will improve our ability to recover debt more quickly and enhance collection rates. This will also enable us to identify and commence action against bad payers far earlier in the financial year.

3. OPTIONS

- 3.1. There are three alternative options that should be considered:

3.2. **Option 1 – Phased Introduction of New Instalment Date**

- 3.2.1. The twentieth of April payment date for 'cash' payers would move to the first of April with effect from next year. The date for the first of May direct debit payers would not change until the following year. The payment date for the twentieth of April direct debit payers would remain the same.
- 3.2.2. The estimated additional income in the first year with this option is £31k based on this year's figures. This would rise to £121k in the second year when the 1 May direct debit payment date was brought forward.
- 3.2.3. The advantages of this option:
 - Provides for a phased approach and limits the impact to roughly 50% of chargepayers in the first year.
 - Enables us to incentivise direct debit in the first year.
- 3.2.4. The disadvantage of this option is that it prevents us from maximising the potential additional income

3.3. **Option 2 – Limited Move to New Date Retaining Direct Debit Flexibility**

- 3.3.1. This option entails moving the cash instalment date (20 April) and the first of May direct debit instalment date to first April from next year. The twentieth of April direct

debit instalment date would remain and be supplemented with the addition of a tenth of April direct debit instalment date.

3.3.2. This would generate estimated additional income of £121k per annum based on this year's figures.

3.3.3. The advantages of this option:

- Provides for significant additional income from the start.
- Retains and enhances the flexibility of the direct debit system, which in the long-term should result in a greater take-up of this method of payment.
- Enables us to still incentivise direct debit by offering alternative payment dates.

3.3.4. The disadvantages of this option:

- This may result in our initially losing some first of the month direct debit payers who are unhappy with the decision and opt to pay by cash instead.
- This will effect virtually all chargepayers and consequently there will potentially be a greater degree of disruption.

3.4. Option 3 – Moving ALL Payments to 1 April

3.4.1. That the instalment dates for ALL payment methods moves to the first of April with effect from next year. This includes the twentieth of the month direct debit payers.

3.4.2. This would generate estimated additional income of £151k per annum based on this year's figures.

3.4.3. However, this option has the major disadvantage that it would potentially cause us to lose direct debit payers by being less flexible with regard to payment dates. This would impact upon collection rates with more payments being made late. In time this would act to reduce the additional income being received through investment.

4. INTRODUCING ANY CHANGE

4.1. The key to successfully introducing any change to the instalment dates with minimal effect upon collection rates is in effectively publicising the change.

4.2. However, even with effective publicity, it must be understood that any such change is inevitably going to cause some short-term discontentment and misunderstanding with a consequent effect on collection rates, cashflow and payment trends during the first year.

4.3. Our intention would be to issue a mailshot to all affected chargepayers in January 2004. This mailshot would advise them of the forthcoming change to the payment date and clearly explain the reasons for doing so. Additionally, the mailshot would include a direct debit instruction and an invitation to move over to electronic billing via e-mail. The cost of this would be approximately £10,000, which can be met from existing budgets.

4.4. In addition we would investigate the potential for a poster campaign in local Post Offices together with explanations clearly set out in the Council Tax leaflet and in local newspapers.

5. CONCLUSIONS

- 5.1. Rescheduling our local taxation instalment dates would bring us into line with other local authorities, improve cashflow and consequently income.
- 5.2. The third option for change outlined above, whilst theoretically generating the largest amount of additional income, would actually in the long-term make direct debit a less flexible method of payment. This would potentially act to reduce the number of people making payment by direct debit and would consequently increase the cost of collecting payment by other methods. This option, should, therefore be discounted.
- 5.3. The decision as to whether to implement the first or second option is around determining whether we wish to make this change in one hit (option 2) or more gradually over the period of two financial years (option 1).

6. IMPACT UPON THE CORPORATE PRIORITIES

- 6.1. Making this change will assist the Council in maximising income and consequently its ability to deliver services.

7. RECOMMENDATIONS

- 7.1. That Option 2 be agreed, implemented with effect from 1 April 2004 and kept under review.

BACKGROUND PAPERS

Resources Review Panel 13 Feb 2003 - Revenues Best Value Review

Richard Sealy
Revenues Manager

Contact officer: Richard Sealy
Telephone: (01823) 356567 (Ext. 2500)
E-mail: r.sealy@tauntondeane.gov.uk