



Coventry City Council

6.2.1

Public report

Report to
Cabinet
Council

12 February 2008

19 February 2008

Report of
Chris West
Director of Finance and Legal Services

Title
Council Tax Payment Date changes

1. Purpose of the Report

The purpose of this is to seek approval from Cabinet to:

- 1.1 Change the payment dates on some council tax direct debits from 1st April 2008.
- 1.2 Seek approval to amend the payment dates on other council tax method of payments from 1 April 2009.

2. Recommendations

- 2.1 Cabinet is recommended to approve the proposals in this report to change council tax payment dates from April 2008 and April 2009 in order to improve cash flow.
- 2.2 Proposals from April 2008 are to:
 - a) Bring forward the payment date for direct debit payers who currently pay on the 1st May to the 1st April.
 - b) Communicate this change in a user friendly way with support from the corporate communications team and in conjunction with the other actions outlined in 4.5.2 of this report in order to limit the impact this change will have on current 1st May direct debit payers.
 - c) Introduce the actions outlined in 4.3.7 of this report to limit the impact of converting all cash payments to the 1st April to 1st January profile from April 2009.
- 2.3 Proposals from April 2009 are to:
 - a) Bring forward the payment date for all cash payment dates to the 1st April.
 - b) Only have alternative payment options by direct debit on 1st, 10th, 17th or 24th.
- 2.4 Refer this report to Council on the 19th February 2008 to be considered along with the report on Council Tax increase and the overall Budget for 2008/09.

3 Information / Background

- 3.1 Council Tax law requires council tax to be paid over 10 months and this is known as the statutory instalment profile. Local authorities have the choice as to when the 10 months starts and finishes and like many of the other local authorities Coventry agreed that this would be April to January.
- 3.2 However, an exception to this was made a few years ago when payment by salary deduction was no longer viable and it was replaced by a 1st May to 1st February direct debit option. 17,000 customers currently pay by this option and the rest pay April to January.
- 3.3 Council Tax payers are currently able to choose any payment date in the month for their council tax payments. Whilst this gives additional flexibility to the customer it has a serious impact on the cash flow for the city council.
- 3.4 In previous years the lengthy year-end process in order to produce annual council tax bills meant that it was nearly impossible to have a payment date of the 1st April due to the notice we are required to give customers and so payers opting for a 1st of the month payment date would pay from 1st May to 1st February.
- 3.5 However, with the implementation of Academy we are able to change this to the 1st April to 1st January and still give customers the required period of notice before the first payment is due.
- 3.6 Customers who experience financial difficulties and therefore may struggle to pay within the statutory instalment profile can contact council tax to discuss a repayment arrangement that is outside of the statutory scheme.

4 Proposals and other Options to be considered.

- 4.1 The object of this proposal is to have all council tax payers paying by the statutory 10 monthly instalment scheme of April to January by April 2008. Then by April 2009 to move all cash payers (that is non direct debit payers) to the 1st April to the 1st January statutory profile.
- 4.2 It is recommended that the proposals outlined in this report are considered in the Value for Money Review on the Exchequer Banking Cashiering Service to ascertain any potential impact on their service delivery. Because of this potential impact on the Exchequer Banking Cashiering Service and the potential for disruption to the service through such a significant change, it is not recommended to change all payment dates before 1st April 2008. Instead a phased introduction of the new instalment date should be considered.

4.3 Year 1: 1st April 2008 – 31st March 2009

- 4.3.1 Customers paying by direct debit have the choice of four payment dates in the month the 10, 17 and 24th of April and the 1st May.
- 4.3.2 Currently 17,000 customers pay by direct debit on the 1st of the month from May to February. These will be moved to a 1st April to 1st January instalment profile (from the current May to Feb).
- 4.3.3 All direct debit payments will continue to be in ten monthly instalments the change proposed is to bring forward these ten payments by one month, where payment is due on the 1st of the month." Direct debit payers paying later in the month the 10th, 17th and 24th will remain unchanged.

- 4.3.4 Obviously not all of the 17,000 customers will want to change and we estimate that about 10% (1700) will either want to change method or may have their first payment returned by the bank as unpaid.
- 4.3.5 Any direct debit payers affected who are not prepared to pay in this way will be given the option of changing their direct debit date (but not the month), or to pay by a cash method on 1st of the month. A strategy is also being prepared to deal with the unpaid April payments in a sensitive way for April.
- 4.3.6 This change alone would result in an estimated increase of over £75k in cash flow in 2008 this takes into consideration the 10% fall out.
- 4.3.7 In addition during 2008 implement the following actions to limit the impact of converting all cash payers to a 1st April to 1st January profile from April 2009:
- a) Any new accounts will be defaulted to give a 1st April to 1st Jan instalment profile.
 - b) Any cash payers wishing to change their payment date mid year will only be given the option of 1st for cash payments and 1st, 10th, 17th or 24th if they sign up for direct debit.
 - c) Review the recovery procedures within council tax and take a payer's ability to pay into consideration by using Mosaic Public Sector to estimate a household's ability to pay. Having one payment profile makes this work more achievable.
 - d) Include this change within the Value for Money Review on the Exchequer Banking Cashiering Service to ascertain any potential impact on their service delivery.

4.4 Year 2: 1st April 2009 – 31st March 2010

- 4.4.1 All cash payment dates will revert to a profile from 1st April to 1st January.
- 4.4.2 The only alternative options would be by direct debit on 1st, 10th, 17th or 24th.

4.5 Introducing the change

- 4.5.1 The key to successfully introducing such a change with minimal effect upon collection rates is effectively publicising the change. However even with effective publicity it must be understood that any such change may cause some short term discontentment and misunderstanding with a consequent effect on customer service resources and payment trends within the first year.
- 4.5.2 To try and limit the impact this change will have on customers the following action will be taken:-
- a) Corporate Communications will be involved in helping to design a mail shot that will be issued in February 2008 to all direct debit customers affected by the change. This mail shot will advise them of the change and the reasons behind it.
 - b) Staff will be advised to take a lenient approach in 2008 with customers that may financially struggle to budget for the change and to offer an arrangement to February 2009 but with a focus on full implementation from April 2009.
 - c) A one off strategy is being developed to deal specifically and sensitively with cases where the direct debit due on the 1st April 2008 may be returned by the bank as unpaid.

4.5.3 During 2008/ 09 further mail shots will be aimed at cash payers advising them of the change and encouraging them to select direct debit and particularly an invitation for electronic billing.

5. Other specific implications

	Implications (See below)	No Implications
Best Value		√
Children and Young People		√
Climate Change and Sustainable Development		√
Comparable Benchmark Data		√
Corporate Parenting		√
Coventry Community Plan		√
Crime and Disorder		√
Equal Opportunities		√
Finance	√	
Health and Safety		√
Human Resources		√
Human Rights Act		√
Impact on Partner Organisations		√
Information and Communications Technology		√
Legal Implications		√
Neighbourhood Management		√
Property Implications		√
Race Equality Scheme		√
Risk Management		√
Trade Union Consultation		√
Voluntary Sector – The Coventry Compact		√

5.1 Finance

5.1.1 Moving the current direct debit payers from the 1st May to the 1st April will generate an estimated £75k in 2008 in extra revenue.

5.1.2 The budget proposals for 2008/09 appearing in the Budget report elsewhere on your agenda assume that these savings have been made. .

5.1.3 The volumes of non direct-debit payers by payment due-date are currently as follows:

Date	Payers
7 th	281
14 th	32,626
18 th	10,092
22 nd	9,308
26 th	8,583
30 th	11,870

5.1.4 If all non direct-debit payments were received on 1st of each month it would represent an increase in revenue of £200k.

6 Monitoring

6.1 This would be done through performance monitoring arrangements on a quarterly basis

7 Timescale and expected outcomes

7.1 The outcomes will be reviewed and reported on a regular monthly basis by the Local Tax Manager to the Head of Service.

	Yes	No
Key Decision	√	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)		√
Council Consideration (if yes, date of Council meeting)	√ 190208	

List of background papers

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Papers open to Public Inspection

Description of paper	Location
Council Tax Payment Date Changes	2 nd Floor 42 New Union Street.