

CLACKMANNANSHIRE COUNCIL

Report to Scrutiny Committee of 19th June 2008

Subject: Incentives to pay Council Tax

Prepared by: Brian Jeffrey, Revenue Services Manager

1.0 SUMMARY

- 1.1. Scrutiny committee of 14 February 2008 asked that a report be presented outlining the discretion available to Council to offer Council Taxpayers a reduction or discount if paying by lump sum or by instalment not using cash.

2.0 RECOMMENDATIONS

- 2.1. It is recommended that Committee do not recommend that Council resolve to offer financial reductions to Council Taxpayers who either wish to pay by advance lump sum or pay instalments by automated means (Direct Debit).
- 2.2. It is however recommended that Committee resolve to authorise Finance (Revenue Services) to take steps to continue to improve the take up of Direct Debit by:
- Implementing further targeted take up campaigns.
 - Implementing more effective publicity promoting Direct Debit as the Council's preferred payment method.
 - Implementing paperless Direct Debit
 - Examining the possibility of more variable payment arrangements by Direct Debit such as weekly payments.

3.0 BACKGROUND

- 3.1. The statutory provisions contained within The Council Tax (Administration and Enforcement)(Scotland) Regulations 1992 are that Council can resolve to:
- Offer a discount or reduction to all taxpayers if they pay by lump sum (in advance) where they otherwise had to pay by instalment.
 - Offer a discount or reduction to all taxpayers who pay by instalment using a payment method other than cash.

- 3.2 In relation to reductions for lump sum payments only 2 Councils in Scotland offer this facility and in both these Council areas the level of reduction is 3.5% where payment is made in full for the tax year before 1st April.
- 3.3 In relation to reductions for instalment payment by non cash means this is generally held to mean payment by Direct Debit and there are no Councils in Scotland who offer such a reduction. There are however many examples of Councils throughout Scotland who have offered incentives to taxpayers to sign up to pay by Direct Debit. These incentives vary from prize draws to offering more flexible payment dates and instalment profiles to those taxpayers who elect to pay by Direct Debit.
- 3.4 Clackmannanshire taxpayers who elect to pay by Direct Debit are already offered more flexible payment dates whereby they can elect to pay on the 1st, 15th or the 28th of the month and can elect to pay over 10 or 12 months.
- 3.5 This has proved to be a success in that just over 55% of all households in the Clackmannanshire area pay by automated means (Direct Debit, Employee Deduction or Standing Order). In monetary terms almost 69% of Council Tax charged each year is received from the above automated payment methods.

4.0 CONCLUSIONS

- 4.1. It is clear that the vast majority of Council Taxpayers need to pay by instalment and are unlikely to have the means to pay by lump sum in advance.
- 4.2. Offering a reduction to taxpayers to pay by lump sum could depending on the level of take up improve short term cash-flow but ultimately would have limited effect on the overall collection rates as those taxpayers who would take advantage of the scheme are likely to have already been prompt and reliable payers.
- 4.3. In addition offering a reduction to pay by lump sum could be seen to be favouring those taxpayers who have the ability to pay at the expense of those who do not.
- 4.4. Offering a reduction to taxpayers who pay their instalments by automated means could encourage more taxpayers to pay by preferably Direct Debit however experience across Scotland seems to be that increasing take up is more effective by offering more flexible payment dates and instalment profiles to those who pay by Direct Debit.
- 4.5. In addition offering a reduction to taxpayers who pay by Direct Debit could be viewed as favouring those taxpayers who have the ability to obtain a bank account that is capable of supporting Direct Debit payments at the expense of those who may not have the financial standing to obtain such an account from a bank or building society.

5.0 SUSTAINABILITY IMPLICATIONS

5.1. None

6.0 FINANCIAL IMPLICATIONS

6.1. The cost of further take up campaigns and improved publicity can be offset by the benefits from reduced administration costs by reducing non automated payments and potential improvements to cash flow and collection rates. Subject to negotiation Scottish Water may also contribute to these costs as they have done for previous take up campaigns.

6.2. The Council Tax computer software to support paperless Direct Debit has already been secured from the supplier however there will be further cost in terms of system and process development and implementation together with staff training. These costs remain to be quantified however it is anticipated that the benefits from increased Direct Debit take up will compensate for these.

6.3. Implementing weekly Direct Debits will mean an increase in back office administration and income system control work and any additional staffing resource required in this area will need to be quantified.

6.2. Declarations

(1) The recommendations contained within this report support or implement Corporate Priorities, Council Policies and/or the Community Plan:

- **Corporate Priorities (Key Themes)** (Please tick)

Achieving Potential

Maximising Quality of Life

Securing Prosperity

Enhancing the Environment

Maintaining an Effective Organisation

- **Council Policies** (Please detail)

Corporate Debt Recovery Policy in terms of the following agreed collection objectives:

- Provide a wide variety of cost effective and accessible payment facilities.
- Actively promote the use of automated and electronic payment methods including Direct Debit, Internet payments and payment by phone.

• **Community Plan (Themes)** (Please tick)

- Community Safety
- Economic Development
- Environment and Sustainability
- Health Improvement

(2) In adopting the recommendations contained in this report, the Council is acting within its legal powers. (Please tick) √

(3) The full financial implications of the recommendations contained in this report are set out in the report. This includes a reference to full life cycle costs where appropriate. (Please tick) √

Head of Service

Director

Report to Scrutiny Committee

To accompany all Reports to Scrutiny Committee

To: Head of Administration And Legal Services

Author: Brian Jeffrey, Revenue Services Manager	Date: 11 April 2008
Service: Corporate Development Services	
Date of Meeting: 19 th June 2008	
Title of Report: Incentives to pay Council Tax	

Recommendation that the attached report be:

1. Given unrestricted circulation	<input checked="" type="checkbox"/>	
2. Taken in private	<input type="checkbox"/>	

(tick appropriate box)

By virtue of paragraph ____ of schedule 7A, Local Government (Scotland) Act 1973.

Appendices attached to this report (if none, state "none")

1. None
- 2.
- 3.
- 4.

List of Background Papers (if none, state "none")

1. Sustainability implications checklist
- 2.
- 3.
- 4.

Note: All documents specified must be kept available by the author for public inspection for four years from the date of the meeting at which the report is considered.

