

**REPORT TO:** FINANCE COMMITTEE – 16 APRIL 2007

**REPORT ON:** IMPROVING COUNCIL TAX PAYMENT - DIRECT DEBIT UPTAKE

**REPORT BY:** DEPUTE CHIEF EXECUTIVE (FINANCE)

**REPORT NO:** 238-2007

## **1.0 PURPOSE OF REPORT**

- 1.1 To seek the Council's authorisation to implement the changes detailed in section 7 to improve the uptake of Direct Debit as a payment method for Council Tax.

## **2.0 RECOMMENDATIONS**

- 2.1 That the Depute Chief Executive (Finance) be authorised to implement an additional payment date for Council Tax direct debit payers as detailed in section 7.3
- 2.2 That the Depute Chief Executive (Finance) be authorised to develop and run direct debit campaigns as outlined in Appendix A.
- 2.3 That the Depute Chief Executive (Finance) be authorised to seek sponsorship and prizes for the 'Prize Draw' campaign as outlined in Appendix A.
- 2.4 That the Depute Chief Executive (Finance) be authorised to implement other procedural changes that may help in improving the level of Direct Debit payers.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The cost of the Direct Debit campaigns as outlined in Appendix A is estimated at £15,537 for 2007/08. As Scottish Water have previously contributed to such initiatives a contribution will be sought for this.
- 3.2 There will be an annual saving to the Council in payment transactions costs by converting cash payers to Direct Debit as detailed in section 6.2 which would be used to offset the costs detailed in 3.1.

## **4.0 SUSTAINABILITY POLICY IMPLICATIONS**

- 4.1 The increased use of Direct Debit to pay Council Tax will reduce fuel consumption due to a reduction in customers travelling to payment offices, Council and others.

## **5.0 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 Making it easier for those persons who presently have difficulty in travelling to pay their Council Tax.

## **6.0 BACKGROUND**

- 6.1 In line with the principle that prevention is better than cure, a key success factor in the collection of Council Tax appears to be direct debit uptake and like many other authorities Dundee strives to implement ways to improve their level of direct debit payers which during 2006/07 was 33%. The % of Direct Debit payers varies considerably across the Scottish councils from the lowest of 27% to the highest of 68% so we have considerable scope for improvement.
- 6.2 Direct Debit is the most efficient and cost effective way to administer Council Tax payments. estimates on the cost range from 0.01p to 0.05p per Direct Debit payment. For each monthly payer converted to Direct Debit from one of the other payment methods there are estimated annual savings of approx. £5.40 per payer. Once you convert a council tax payer to paying my Direct Debit only a very small percentage will change their payment method again in the

future unless their circumstances alter dramatically.

- 6.3 As an advertising campaign was run in the month of January 2007 to advise the citizens of Dundee regarding the replacement of their payment cards and transfer of providers to the Coop Bank, it was decided to run a small scale Direct Debit campaign in conjunction with this. This resulted in over 800 council tax payers converting from paying by cash at various outlets to moving to Direct Debit.

## **7.0 MAIN TEXT**

- 7.1 As a result of the success of the January campaign, a review of Direct Debit administration was undertaken with plans drawn up to actively increase the uptake of Direct Debits by undertaking the following changes detailed in 7.2 to 7.5 during 2007/08.
- 7.2 The Revenues Division will implement software by 30 June 2007 to allow paperless Direct Debits to be set up and administered. This makes the processing of Direct Debit more streamlined reducing time lags created when paper mandates are issued between the various parties involved.
- 7.3 Once the paperless Direct Debit process has bedded down an additional payment date of 18th of each month (for Direct Debit payers only) will be implemented from October 2007. This date has been chosen to encourage employees of several large organisations who are paid mid month to convert to Direct Debit and provides scope for further dates to be considered in the future.

The implementation of additional dates later than 1st of the month may give cause for concern if current payers transfer from 1st to 18th of the month. Other authorities who have several payment dates for Direct Debit payers have been contacted regarding this concern and all advised that there was no large scale movement from the 1st of the month to the other dates offered. The other dates offered merely increased the number of Direct Debit payers as these dates were more compatible with payers salaries being paid thus encouraged them to set up a Direct Debit to pay their Council Tax.

- 7.4 Run Direct Debit advertising campaigns as outlined in Appendix A to continue to promote Direct Debit as the simplest way to pay Council Tax and increase the uptake further. 'Prize Draw' campaigns have been used by other local authorities in Scotland with varying success. Feedback from various authorities and their customers indicate that a 'prize' that has a monetary value to the customer, such as free Council Tax for a year has resulted in the largest uptake increases. One such authority reported a 8.5% increase in Direct Debit payers as a result of such a campaign.
- 7.5 In addition to those listed above procedural changes have already been implemented with all Revenues staff being briefed to actively 'sell' the benefits to both the customer and the Council of paying by Direct Debit.
- 7.6 Further improvements will be considered for 2008/09 such as:-
- a) Implementation of further Direct Debit payment dates or frequencies
  - b) Rolling out the use of paperless Direct Debits to other Revenues areas such as Non Domestic Rates and Debt Management.

- 7.7 Although all efforts are being made to convert and improve the numbers of council tax payers making payment by Direct Debit the Council will continue to review the other payment methods available. Where possible it will implement improvements to make these other methods simpler especially for those citizens who are unable to pay their Council Tax by Direct Debit.

## **8.0 CONSULTATION**

The Chief Executive, Depute Chief Executive (Support Services) and Director of Housing have been consulted in the preparation of this report.

## **9.0 BACKGROUND PAPERS**

None

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David K Dorward  
Depute Chief Executive (Finance)

**DIRECT DEBIT ADVERTISING CAMPAIGNS FOR 2007/08 & ASSOCIATED COSTS****General Campaign – running from April to October**

- Make Life Simpler posters – in Council Offices throughout Dundee (incl around Tayside House)
- Adverts on Radio – March, May, July, September (1 week per month)

**Prize Draw Campaign – running November to 31 January (incl new DD payment dates also)**

- Main Prize - ideas & sponsorship being sought for prizes
- Prize Draw Posters – in Council Offices throughout Dundee (incl around Tayside House)
- Adverts on Buses – December (4 weeks)
- Adverts on Radio – November, December & January (1 week per month)
- Prize Draw advert Courier – January (1 day)

***Cost of Campaign - General in £***

Posters	185	(50 cost £92.50)
Local Press	0	
Radio	4,600	
Buses	0	
TV	0	
<b>Total</b>	<b>4,785</b>	

***Cost of Campaign - Prize Draw in £***

Posters	185	(50 cost £92.50)
Local Press	1,910	
Radio	3,450	
Buses	4,130	
TV	0	
Prize	1,000	* see note 1
<b>Total</b>	<b>10,675</b>	

**EST TOTAL COST OF CAMPAIGNS                      15,460**

(Scottish Water may contribute to these campaign costs)

1. Sponsorship will be sought to cover the cost of prizes for the Prize Draw campaign, but the Council may still have to make a contribution towards this.