

## Appendix 3

### Council Tax, impact on collection

Costs of collection calculations are based on the following information:

- There are currently 11,616 working age claimants who will be required to make payment.
- This group of people are divided between 8019 who are in receipt of 100% maximum benefit and do not make any payment of Council Tax at present, and 3597 who currently receive an amount of benefit but must still make payment.
- Analysis of the payment behaviour of the existing 3597 cases indicates that there is a payment rate of 73% and a default rate of 27%.
- Of the 73% who do make payment, 54% receive at least 1 reminder notification.
- Calculations do not include any cost for responding to any customer enquiries.
- Calculations do not include any cost for the additional staff processing time required.

While calculations are based on the above default rate, it should be noted that a payment rate of 73% is in respect of the 8019 claimants who do not currently make any contribution.

#### (1) Billing

No additional costs will be incurred for billing.

#### (2) Payment Cards

8019 additional payment cards will be required.

Card /holder/paper/envelope	£0.63
Postage @ discounted rate	£0.44
	<b>£1.07</b>

£1.07 X 8019 = **Total Additional Cost** **£8,580.33**

**(3) Weekly Transaction Costs** (Based on payment being made at one of the following outlets – Post Office/Paypoint/Customer Services)

73% of 8019 making regular payment = 5854

Single transaction cost		£0.44
Over 48 weeks	X	48
		<b>£21.12</b>

£21.12 X 5854 = **Total Additional Transaction Cost** **£123,636.48**

**(4) Reminder Notification Costs** (Based on 54% default rate of 8019 caseload and an average of 2 reminders per case)

54% of 8019 = 4330

Paper & printing (double sided)	£0.04
Envelope	£0.02
Postage @ discounted rate	£0.44
	<b>£0.50</b>

£0.50 X 2873 X 2 = **Total Additional Reminder Cost** **£4,330.00**

**(5) Summons Notification Costs**

(Based on 27% default rate of 8019 caseload and an additional 27% from the remaining 73% of the 3597 caseload ). A summons notice is issued to each liable party in the household; calculated on existing data this is generally 30%.

27% of 8019 = 2165

27% of 2626 = 709

Total = **2874**

Paper & printing (2 x double sided)	£0.08
Envelope	£0.02
Postage @ discounted rate	£0.44
	<b>£0.54</b>

2874 + 30% = (3736) X £0.54 = £2,017.44

Plus an additional court fee £8,622.00

**Total Additional Summons Cost** **£10,639.44**

**(6) Liability Order Notification Costs**

Based on a 15% reduction between the summons being issued and the court hearing date.

85% of 2874 = 2443

Paper & printing (2x double sided)	£0.08
Schedule 5	£0.02
Envelope	£0.02
Postage @ discounted rate	£0.44
	<b>£0.56</b>

£0.56 X 2443 = **Total Additional Liability Order Cost** **£1,368.08**

**(7) Additional Transaction Costs**

(Based on 15% of those summonsed making a single payment at one of the following outlets - Post Office/Paypoint/Customer Services)

15% of 2874 = 431

Single transaction cost £0.44

£0.44 X 431 = **Total Additional Transaction Cost** £189.64

### **(8) Additional Enforcement Correspondence Costs**

Following court proceedings there are several routes of enforcement available which will incur additional print and postage costs to inform the debtors of the action being taken. Without extensive investigation it is difficult to determine the numbers involved. However, as the calculations are based on claimants currently in receipt of maximum benefit, it can be assumed that in the main a deductible benefit will be in payment. This calculation is based on correspondence being issued to commence deduction from benefit and a further notification once deductions conclude.

Paper & printing (double sided)	£0.04
Envelope	£0.02
Postage @ discounted rate	£0.44
	£0.50

£0.50 X 4886 = **Total enforcement correspondence costs** £2443.00

**TOTAL ADDITIONAL COSTS OF COLLECTION** £151,186.97

## **COLLECTION RATE CALCULATION**

1. Collection rate calculation based on 80% liability eligible for entitlement (Option 1 recommended scheme).

Total Council Tax liability to collect - £1,950,853

Based on a 27% default rate, the balance to collect will be £526,730.

In a best case scenario, where payment arrangements can be made or deductions to benefit applied (80% of cases), at the specified rate of £3.60 per week and assuming timely court action is taken, the maximum amount potentially to be collected in-year will be £211,032, i.e.:

£3.60 X 30 weeks X 1954 (80% of 2443) = £211,032

**This will result in a collection shortfall of £315,698.**

2. Collection rate calculation based on 91.5% liability eligible for entitlement (Option 2).

Total Council Tax liability to collect £855,145.

Based on a 27% default rate, the balance to collect will be £230,889.  
Again assuming a best case scenario of 80%, the level of deductions made in relation to the level of charge will potentially fulfil the charge in-year.

**The remaining 20%, amounting to £46,177, will be the resultant shortfall.**

In both scenarios the costs of collection will remain the same.