

Appendix 10

Project/Item	Introduction of a transaction fee for the use of credit cards when paying for Council Tax and other Council services.
Date	26 th January 2011
Brief Description	<p>The Council currently collects over £2.5m of its income electronically by phone and the internet with customers using their credit/debit cards, of which credit cards were £432k.</p> <p>The Council is charged for this collection at a flat rate fee for debit cards and on a percentage of value for credit cards. The higher charges are all relating to credit cards, rising to a total cost over the last 12 months of £7.5k.</p> <p>The proposal now is to charge for the use of <u>credit cards</u> (not debit cards). The Council is within its statutory rights to recover such costs and has a choice as follows:</p> <ol style="list-style-type: none"> 1. <u>A set fee of £2.50 per transaction</u> which would have recovered £6.8k over the last 12 months. <ul style="list-style-type: none"> • The draw-back here is that even smaller payments, such as those for pest control or bulk waste, would incur the same fee as a monthly Council Tax instalment of over £100 though it gives the customer certainty as to the final fee. 2. <u>Percentage charge set at 1.8%</u> which is the average of the various rates charged to the Council. This option would have recovered £7.8k over the last 12 months. <ul style="list-style-type: none"> • The draw-back is that the customer may find it difficult to work out how much they will be charged, being a percentage of the original fee though lower fees payments incur a relatively smaller fees (and vice-versa). <p>Implementing this charge may discouraging personal debt on credit cards and hence reduce the fees the Council pays; or it will help the Council to offset increasing bank charges.</p> <p>In order not to adversely impact on collection rates, Officers will make every effort to encourage customers to take up direct debit or make debit card payments instead.</p>

	<p>Communication of the introduction of this charge will be important via:</p> <ul style="list-style-type: none"> • the automated telephone payments line, • the website and • staff as they take manual telephone payments. <p>All messages will all need to be updated before the charge becomes effective.</p> <p>A warning of potential charges has already printed on the backs of Council Tax and NNDR bills for the last 2 years, but this would need to be introduced ahead of the new bills being issued so that it comes into force before customers begin to make their first payments in late March.</p>
Recommendation	<p>Introduce Credit card fees based on a percentage of 1.8% for each credit card transaction.</p> <p>Delegate any changes in future rates to the Head of Finance in consultation with the Portfolio Holder for Finance & Resources.</p>
Identify Risk	<ul style="list-style-type: none"> • Negative publicity – communicate the reasons, both cost reduction and concern for levels of customer debt with high-interest credit cards. • Potential drop in collection rates - £432k was collected through this method over the last 12 months, being 1% of the £43m collected overall in a year for Council Tax, NNDR and other services.