

REPORT TO CABINET

REPORT OF: Director of Operational Services and Revenues Manager

REPORT NO.: DOS 295

DATE: 5 December 2005

TITLE:	Moving to a cashless office
FORWARD PLAN ITEM:	Cash Collection: Review of cash payments in Council Offices
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	1, July 2005
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	Access and Engagement Portfolio holder – Paul Carpenter Resources and Assets Portfolio holder – Terl Bryant
CORPORATE PRIORITY:	Improving Access
CRIME AND DISORDER IMPLICATIONS:	None
FREEDOM OF INFORMATION ACT IMPLICATIONS:	None
BACKGROUND PAPERS:	May 2005 - Cash Payments Discussion Paper 16.5.05 Private Cabinet 8.6.05 Minutes of the E-government working Group 17.11.05 Engagement Development Scrutiny Panel minutes 24.11.05 Resources Development Scrutiny Panel minutes

1. INTRODUCTION

1.1 In May 2005, a cash payment discussion paper was presented to the e-Government Steering Group outlining the current position on cash payments at South Kesteven District Council. It was agreed the E-government Working Group (EWG) should be asked to develop and bring back an appropriate strategy for payments in the future.

1.2 Investigations have included:

- accurate analysis of cash payment costs at present
- alternatives for car park revenue collection
- alternatives to cash payments at Council offices
- increased number of direct debit payment dates
- cost benefit analysis.

1.3 In November 2005, the E-government working group presented their findings and recommendations to the engagement development and scrutiny panel (17.11.05) and the resources development scrutiny panel (24.11.05). Their report is found in appendix 1.

1.4 The Engagement Development Scrutiny Panel came to the following conclusion.

To support the recommendations of the working group:

- cash payments stop before the opening of the customer services centre;
- an 'allpay' type service be introduced, as a matter of priority, and direct debit payment dates be increased;
- a full Council decision be made on this by mid-December 2005.

1.5 The Resources Development Scrutiny Panel feedback will be given during the Cabinet meeting. Alternatively this can be accessed on line.

1.6 The results of the cash collection consultation referred to in the report are now available in appendix 2.

1.7 We have a statutory duty to consult with tenants on service changes. We have yet to consult on the recommendations of this report therefore it is recommended that a decision is made subject to consultation with the tenant compacts.

2. RECOMMENDATIONS

It is recommended that, subject to consultation with tenant compacts:

- cash payments stop before the opening of the Customer Services Centre; and
- allpay be introduced and direct debit payment dates be increased.

3. COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

I have been consulted on and agree with the recommendations of this report.

4. COMMENTS OF CORPORATE MANAGER, DEMOCRATIC AND LEGAL SERVICES (MONITORING OFFICER)

No comments, as it is noted that full consultation will be carried out in respect of the proposals.

5. COMMENTS OF THE DIRECTOR OF OPERATIONAL SERVICES (MODERNISATION AGENDA PROGRAMME MANAGER)

The outsourcing of the payments service will enable the same level of customer service to be provided at the area offices as will be provided at Grantham. This is an important criteria in delivering our access priority service.

6. CONTACT OFFICER

Ian Yates 6201
Kevin Legg 6424

Appendix 1: Report from the E-government Working Group to the engagement development and scrutiny panel (17.11.05) and the resources development scrutiny panel (24.11.05)

Moving Towards a Cashless Office **Paper by the E Gov. Working Group**

The E Gov. Working Group have studied the above subject and have produced the attached report for further consultation.

Their meeting of the 12th October made the following recommendations:

(1) To recommend to the Engagement DSP that they recommend to Cabinet that:

- **Cash payments stop before the opening of the Customer Services Centre;**
- **Allpay be introduced and direct debit payment dates be increased;**
- **A Council decision be made on this by mid December 2005.**

(2) This recommendation be presented by the Working Group to the DSP at its meeting on 17 November 2005.

(3) The Resources and Assets Portfolio Holder be involved in the preparation of this recommendation when final Gershon savings are calculated.

(4) The Corporate Director of Communications and the Communications Manager be invited to the next meeting of the Working Group to consider potential consultation and communication requirements.

MOVING TOWARDS A CASHLESS OFFICE

Paper by the E Government Working Group:

Councillor John Kirkman

Councillor Mike Williams

Councillor Mano Nadarajah

Councillor John Wilks

Moving towards a cashless office

1. Introduction

- 1.1 In May 2005, a cash payment discussion paper was presented to the e-Government Steering Group outlining the current position on cash payments at South Kesteven District Council. It was agreed the E-government Working Group (EWG) should be asked to develop and bring back an appropriate strategy for payments in the future.
- 1.2 In July 2005 the EWG and officers visited High Peak Borough Council and Derbyshire Dales District Council, two Councils who have moved to a cashless office. Appendix 1 includes notes from that meeting.
- 1.3 Investigations have included:
 - accurate analysis of cash payment costs at present
 - alternatives for car park revenue collection
 - alternatives to cash payments at Council offices
 - increased number of direct debit payment dates
 - cost benefit analysis.

2. Current position

- 2.1 Currently the Council provides a number of methods for the payment of council tax, rent, business rates and other associated income. These include direct debit, standing order, debit / credit card and bank giro, automated telephone payment, on-line payment and cash payment.
- 2.2 Approximately £22 million (cash and cheques) is collected and processed by our cash payment facilities at Grantham, Bourne, Stamford and Market Deeping. This represents:
 - 115,000 Council Tax and Business Rate payments
 - 61,000 Rent payments
 - about 18% out of a total revenue of approximately £90 million.
- 2.3 Automated telephone and on line payments were introduced in March 2004. £1.1 million was paid by these methods for the financial year 2004/2005.
- 2.4 Currently 33,000 customers pay their council tax, business rates and rent by direct debit. For council tax this represents nearly 65.2% of those customers who pay council tax (certain customers do not pay due to benefits and exemptions). For business rates 43.4% is paid by direct debit and 17.8% for rent.

3. Alternatives available

Car Parking

- 3.1 Currently South Kesteven District Council staff empty car park tins at the 12 car park sites in Grantham and Stamford. 6,240 tins are emptied each year. Two quotes have been received for collecting car park cash but both would result in higher costs than currently incurred – at least an extra £15,000 per annum. Quotes can be found in Appendix 2.
- 3.2 An alternative method to reduce the amount of cash being handled would be to introduce machines that would accept debit / credit cards. These cost £3,000 each and therefore to introduce these to all our car parks would cost £72,000. This has been included in the service plan for car parks and the car parking manager will investigate the feasibility and demand for such a change.

Advantages	Disadvantages
▪ Reduced health and safety liability ▪ More secure ▪ Staff time saved could be better deployed in more productive enforcement activities	▪ More expensive.

- 3.3 Should we stop cash payments at Council offices, it would be advisable to contract out car park cash collection. The security contract could then be cancelled.

Cash Payments

- 3.4 In 2004/05 across the four offices we received on average 2,662 cash payments and 1,561 cheque payments per week. **Based on 2004/05 figures transactions cost £1.90 for Council Tax and £1.89 for rent.** These costings include variable and fixed costs.
- 3.5 Alternative methods in place to encourage customers to pay their bills without cash include:
- Internet payments – 24 hours –uptake has increased by 264% over last year
 - touch telephone – 24 hours – uptake has increased by 228% over last year
 - postal payments by cheque
 - direct Debit – current performance detailed in paragraph 3.10 (undertaking take up campaign to increase awareness of this payment method)

- standing Order.
- 3.6 Some customers will want to pay cash. These customers could make payments using a service such as **allpay**. They would require a separate card for council tax and rents. Transaction costs are 45p for council tax (based on volumes of 50,000 to 100,000 per annum) and 45p for rents (based on volumes of 50,000 to 100,000 transactions per annum).
- 3.7 In 2004/05 only 972 cash payments were made for business rates. Therefore, there is not a business case to issue **allpay** cards for payment of business rates. This is likely to affect less than 100 businesses who will be asked to pay by direct debit, cheque or credit card.
- 3.7 Based on this the likely set up costs will be £4,500 for council tax and £2,600 for rents. A new or replacement card would cost 72p and the cards last for between three years.
- 3.8 **allpay** make their money by holding payments for ten working days. However, the day after the customer has made the payment at their local shop or Post Office a file is transmitted to the Council so records can be updated.
- 3.9 If all cash payers moved to paying by **allpay** there would be a significant savings. These are detailed in paragraph 7 onwards.

Advantages	Disadvantages
▪ Numerous outlets for customers to pay their bills – approximately 40,000 across the country (within South Kesteven 70 outlets) ▪ Longer opening hours ▪ Payments can be made on holiday in the UK ▪ Cheaper costs per transaction ▪ Customers can pay all their bills at one outlet ▪ Miscellaneous payments can be made using barcode technology ▪ Quick and easy ▪ Staff time saved could be better deployed in more customer services activities	▪ Potential reconciliation issues ▪ Less flexible in terms of issuing bills ▪ Potential staff redundancies

Direct Debit – additional dates

- 3.10 Direct Debit is the cheapest method of collecting council tax. Our current direct debit rate is 65.2%. Our neighbours, North Kesteven, have a direct debit rate of 71.6% and four payment dates. If we increased our direct debit payers by 6.4% (3,152 taxpayers) this would equate to over 31,000 transactions.
- 3.11 Currently we have one payment date (1st of each month). The vast majority of East Midlands Councils have more than one payment date. In the case of Lincoln City Council they offer five payment dates.
- 3.12 We believe it is unlikely that current direct debit payers will move to the alternative dates offered. The following calculations give an indication of the interest that would be lost should council tax payers move to alternative dates. Although there is a risk current direct debit payers may move to a later date in the month we do not believe this will be significant; is it more likely new direct debit payers will opt for these new dates.

No of Council Tax payers	Monthly Council Tax	Payment date	Lost interest per annum
500	£100	15 th	£1,036
500	£100	25 th	£1,775
1,000	£100	15 th	£2,071
1,000	£100	25 th	£3,551
1,500	£100	15 th	£3,107
1,500	£100	25 th	£5,326
2,000	£100	15 th	£4,143
2,000	£100	25 th	£7,101
3,000	£100	15 th	£6,214
3,000	£100	25 th	£10,652

- 3.13 Should 3,152 taxpayers move from cash / cheque to direct debit payments a marginal saving of £44,000 per annum would be made when comparing our existing transactional costs of £1.90 and £0.50 respectively.
- 3.14 The advantages and disadvantages of increasing the number of direct debit payment dates are detailed below.

Advantages	Disadvantages
▪ Increase number of direct debit payers ▪ Improve flexibility for customers / customer service ▪ Increase collection rates ▪ Reduce number of cash payers	▪ Risk of loss of interest (should current direct debit payers move from 1st of the month)

- | | |
|---------------------------|--|
| ▪ Lower transaction costs | |
|---------------------------|--|

4. Sundry Debtors

- 4.1 An alternative to using **allpay** cards is to print a bar code on invoices, which can then be presented at **allpay** outlets with payments.
5. Cheques and card payments could still be accepted at Council offices.
6. Small amounts of cash payments (under £5) may be still required for sundry items such as photocopying.
7. A large amount of time is spent on selling green bags in the cash offices. There is no minimum quantity and these are sold at rural shops and post offices. It is suggested that these are sold in minimum quantities of ten and alternative outlets advertised.

5. Consultation

- 5.1 During the first two weeks in October we will be consulting with existing banking hall and area office users. A questionnaire has been handed out to each customer after they have made a payment. This included questions about alternative methods of payments they can use. The results will be available shortly.
- 5.2 If the Council would like to move to **allpay** we may need to consult with each secure tenant before a decision is made.

6. Human Resources implications

- 6.1 Currently six full time equivalent members of staff work on cashier related duties in the Grantham office. Should we move to all cash payments through **allpay**, a human resource strategy would be required to manage the staff implications in respect of such a change. Consultations with staff and the Unison are already taking place.
- 6.2 It is assumed area office personal would be assimilated into customer service advisors positions due to geographical reasons but this would be subject to further negotiation.

7. Cost benefit analysis

- 7.1 The total costs for cash collection & banking hall activities in 2004/05 was £617,000. The allocation of these costs is as follows:

	Actual £	%
Employees	366,000	59
Premises	126,000	20.5
Transport	3,000	0.5
Supplies & Services	68,000	11.0
Support	54,000	9.0

- 7.2 The table below shows the changes in the key cost drivers both for the option to outsource all cash, cheque and car parking collections (option1) and for the option to only outsource the cash payments (option2).

	Option1 £	Option 2 £
Employees	247,000	208,000
Premises	0	0
Transport	3,000	0
Supplies & Services	25,000	5,000
Support	0	0
Total reduction	275,000	213,000

- 7.3 Based on current transactions, the costs for moving to alternative methods of payment collection are summarised in the table below.

	Option1 £	Option2 £
<i>Allpay</i>	50,000	50,000
Car park cash collection	45,000	0
Cheque processing	53,000	0
Admin Contingency	15,000	15,000
Lost interest	6,000	6,000
Total cost	169,000	71,000
Total reduction	275,000	213,000
Net Cashable saving	106,000	142,000

- 7.4 The above analysis indicates that moving to a cashless office would generate cashable savings of over £100,000 per annum. There are however other real benefits that this move would be generated in terms of non-cashable efficiency savings.

7.5 The move to expand the level and quality of customer services at the area offices will require new and larger premises specifically at Stamford. These are estimated at an additional cost of £30,000 per annum. Also an extra 6 members of staff would be required at a cost of over £120,000. The move to a cashless office removes the need for the additional accommodation and allows for the overall savings to be re-invested in improved front line services. Likewise the provision of the new customer service centre in Grantham is being provided on the area currently occupied by the Banking Hall. The move to outsource cash payments results in a smaller requirement in physical build costs of around £90,000 (est). Careful consideration needs to be given to exactly how these non-cashable savings are calculated but in any event they are substantial.

7.6 This leads us to re-state the benefits and drawbacks of changing payment options for our customers:

- increased payment outlets across district and nationwide
- longer opening hours for customers to make payments
- increased convenience because customers can pay all their bills at one outlet
- increased focus on Council's main business activities (less queuing at peaks)
- enhanced customer services centres across the district rather than cash offices in the South
- potentially increase council tax collection rates (direct debit)
- reduce Council liabilities on health and safety
- improved security on car park collection
- resistance to change
- customers may feel they haven't got the same level of confidentiality in shops

8. The way forward

We have three options for cash payments:

- stay as we are – however our new Customer Services Centre would require careful re-designing.
- accept cash payments at our offices and introduce **allpay**. This would duplicate processes and some costs.
- plan to stop cash payments before the opening of the customer services centre. **allpay** would need to be introduced and direct debit payment dates increased. To deliver this a Council decision will be required by mid December 2005. Move to 3 options of payment date for Council Tax direct debit payments

9. Conclusion

This study has highlighted alternatives to accepting cash at our own offices. This was looked at due to the introduction of the new customer services centre however potential savings of over £100,000 have been found as a result of this.

Officer contacts

Kevin Legg – Revenues Manager extension 6224

Marion Fox – Best Value Officer extension 6577

27 September 2005

Notes of visits to Derbyshire authorities

High Peak Borough Council – Population 90,000

1. Same service level a three offices: Buxton, Chapel-en-le-frith, Glossop
2. 75% of demand = Telephone
3. Call centre opened March 2003, Cash Office Closed March 2004.
4. Widened number of places where cash payments could be made.
5. Housing managed by High Peak Community Housing (ALMO), although telephone calls are taken by the Council's Customer Services Centre.
6. Customer Advisors advised customers of the changes in payment arrangements and the alternatives they were offering (on the customer side). This included helping customers complete direct debit forms.
7. Competitions/draws were used to encourage people to move to direct debit.
8. Sold benefits – for example: you don't have to come in...
9. Use Paypoint and Payzones – customer has a swipe card and is given a receipt. Customers can call in/telephone to obtain their balance
10. Cheques go to processing centre.
11. The only people who were upset were those that pay yearly as they missed the campaign detailing the changes. In hindsight, they could have been sent a letter.
12. Do take credit cards and petty cash up to £5 at customer services desks for services such as photocopies of plans.
13. Changed parking tickets and fines to make clear to customers cash not taken at Council offices.
14. Initially they had a few problems reconciling payments.
15. Changes have led to them having more time for recovery.
16. Issue rent payers with a payment calendar.
17. Generally, smooth transition to cashless office.
18. Opening times 8 – 8 from November 2005.
19. Customer Services deal with 80% of calls without referral.
20. CRM – Lynx Very customer friendly.

Derbyshire Dales District Council – Population 70, 000

1. 12 satellite points
2. In 2002 disposed of council houses - transactions reduced by 55%
3. Allpay introduced – available in over 130 outlets.
4. Stopped cash payments from April 2005.
5. 62% customers on direct debit - in May 2005 increased by 4%.
6. Have 3 payment dates 1, 15, 25th of each month.
7. No redundancies – natural reductions.
8. Allpay – people pay in village shops etc. Allpay charge the Council a flat rate per transaction (about 50p). Takes approx 10 days for money to be credited to relevant account.
9. No complaints.
10. Car park collection - done by Security Plus. Have 48 locations - charge £4 per box to empty. Company launder money (all used change) and money credited to council next day and notes recycled also. Asked for innovation proposals from potential contractors. Also collect from satellite points.
11. Cheques and notes also processed by Security Plus.
12. Saved £17k per annum including reduced insurance premiums.
13. No longer use local bank branch - cuts down their costs.
14. Rise in rent arrears at first. However, now they are lower than before.
15. Statement sent to tenants each year.
16. Rent paid fortnightly. Council Tax paid monthly.
17. Bills have barcodes on them, which can be scanned at payment points (shops etc).
18. Paperwork returned from satellite points two times per week – reconciled with bank statements.
19. Keeps local shops open.
20. Consulted with OAPs, community groups. Workshops and drop in sessions. Customer contact team, citizens' panel.

21. Transactions through area office: June 2004: 6000, June 05: 2500

22. Fear of change/unknown – communication starts in house.

23. PR very important. Didn't use incentives

Appendix 2 of working group report

Details of quotes received and comparison with current costs

G4S Cash Services (UK) Ltd £10.93 per tin	Annual cost	£68,000
Securitas £9.60 per tin	Annual cost	£60,000
South Kesteven District Council staff (figure includes potential lost revenue from fines).	Annual cost	£45,000

Costing Summary

Appendix 3 of working group report

Current Situation

Table to show Number of Payment by Type and Account

	Rent	Council Tax	Total
Cash	51,968	53,626	105,594
Cheque	9,474	55,504	64,978
Credit Card	148	2,160	2,308
Debit Card	1,482	5,284	6,766
Total	63,072	116,574	179,646

Proposal

Table to show estimated costs per annum for proposed cheque and car parking handling

£	Outsource	In-house
		-
Cheque	53,000	40,000
Car parking	60,000	45,000
Total	113,000	85,000

Appendix 2: Payments Survey 2005

1. A payments survey was undertaken at each of the cash offices during October 2005. Over 1100 responses were received.
2. Responses were received from each of the area offices ~ Bourne, The Deepings, Grantham and Stamford. This is illustrated in the table below.

Which office do the responses come from?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bourne	437	37.8	37.8	37.8
	Deepings	199	17.2	17.2	55.0
	Grantham	422	36.5	36.5	91.5
	Stamford	98	8.5	8.5	100.0
	Total	1156	100.0	100.0	

3. When asked how often do you come to this cash office to make a payment, just under a third of respondents visit weekly, with just under two thirds visiting once a month.
4. There is overwhelming support for the current opening hours, with 96% stating that they agree with these and over 97% of respondents are satisfied with the payment service they get there.
5. People do not appear to travel far to get to the cash office. Half the respondents travelled up to a mile to get to the cash office, with a remaining third travelling between 1 and 3 miles. Less than 10% travelled more than 5 miles.
6. The majority of respondents use the cash office to pay their Council Tax. 990 respondents paid their Council Tax, 433 paid their rent, 22 paid business rates, 1 person paid a fine and 65 paid for something else.
7. Over half of the respondents paid in cash. This is illustrated in the table overleaf.

How did you pay today?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	cash	649	56.1	56.5	56.5
	cheque	373	32.3	32.5	89.0
	credit card	46	4.0	4.0	93.0
	debit card	80	6.9	7.0	100.0
	Total	1148	99.3	100.0	
Missing	System	8	.7		
Total		1156	100.0		

8. When asked to describe why they paid in this way, the most popular explanations were:
- I like to know it has been paid~ chosen by 73% of respondents
 - I was in town anyway ~ chosen by 54% of respondents
9. Over 90% of respondents have a bank account and just over a quarter of respondents have access to the internet.
10. When asked if they would consider paying
- By cheque ~ over half agreed
 - Through direct debit ~ 17% agreed
 - Through the internet ~ 7% said they would
 - By telephone ~ 9%
11. Over 90% of respondents stated that they preferred to pay at their local council office. Most respondents (74%) were aware that they could pay using the internet.
12. Respondents were then asked if they would if they would consider making
- Direct debit payments ~ 148 respondents said yes
 - Telephone payments ~ 71 respondents said yes
 - Internet payments ~ 62 respondents said yes
13. 42 people would like assistance in arranging one of the above methods of payment.
14. The demographic characteristics of this survey were as follows:

Which age band do you fall into?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	under 18	1	.1	.1	.1
	18 to 24	35	3.0	3.2	3.3
	25 to 34	73	6.3	6.6	9.9
	35 to 44	160	13.8	14.5	24.5
	45-54	166	14.4	15.1	39.5
	55-64	205	17.7	18.6	58.2
	65-74	246	21.3	22.4	80.5
	75+	214	18.5	19.5	100.0
	Total	1100	95.2	100.0	
Missing	System	56	4.8		
Total		1156	100.0		

What gender are you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	391	33.8	37.9	37.9
	female	640	55.4	62.1	100.0
	Total	1031	89.2	100.0	
Missing	System	125	10.8		
Total		1156	100.0		

Please detail your ethnic group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	white British	733	63.4	97.1	97.1
	white Irish	2	.2	.3	97.4
	any other white background	12	1.0	1.6	98.9
	black or black British - Caribbean	1	.1	.1	99.1
	black or black British - African	1	.1	.1	99.2
	any other black background	1	.1	.1	99.3
	Asian or Asian British - Indian	2	.2	.3	99.6
	Asian or Asian British - Pakistani	1	.1	.1	99.7
	Chinese	2	.2	.3	100.0
	Total	755	65.3	100.0	
Missing	System	401	34.7		
Total		1156	100.0		

postcode summarised at sector level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	356	30.8	30.8	30.8
`	1	.1	.1	30.9
NG23	3	.3	.3	31.1
NG31	235	20.3	20.3	51.5
NG32	24	2.1	2.1	53.5
NG33	33	2.9	2.9	56.4
NG34	12	1.0	1.0	57.4
PE04	1	.1	.1	57.5
PE06	146	12.6	12.6	70.2
PE09	82	7.1	7.1	77.2
PE10	260	22.5	22.5	99.7
PE6	2	.2	.2	99.9
PE9	1	.1	.1	100.0
Total	1156	100.0	100.0	