

Key Decision Required:	YES	In the Forward Plan:	YES
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CABINET

25 JANUARY 2012

REPORT OF BENEFITS AND REVENUES PORTFOLIO HOLDER

A.2 REVIEW OF THE COUNCIL’S CASH COLLECTION SERVICE

(Report prepared by Jill Coleshaw)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To ascertain the preferred method of providing the Council’s cash collection service.

EXECUTIVE SUMMARY

In order to determine the best way forward it was necessary to carry out a fundamental review of the cashier service. In doing so officers considered the possibility of recognising the requirements of our customers while still making some savings.

A summary of the alternatives to the current cash collection provision which have been investigated is set out as **Appendix A**.

One option identified will provide a win, win scenario for our customers and the Council. The option is based on using an outsourced bill pay service to take cash payments on our behalf instead of providing the current cash office facility in only 4 locations. The proposal would meet customer aspirations for longer opening hours and shorter queues by enabling them to pay council bills at over 40 participating outlets in the district. (**See Appendix B** for locations where payment would be possible.)

In order to bring about a smooth transition it is desirable to implement a phased closure of the cash offices. This will provide time to explain to current cash office customers not only the new payment possibilities but how and where to direct any enquiries in respect of Council services. It will also help to protect the Council from a fall in collection rates caused by any confusion over the change. The period of dual running means that in year 1 an initial cost (including the upfront investment) of approximately £20,000 will be needed. However, savings thereafter are estimated at £75,000 per annum.

In calculating potential savings it is necessary to make some assumptions about customer behaviour as a result of introducing change. Consequently it is not possible to be precise about the financial implications but all calculations are realistic as they are based on current payment trends in Tendring and past experience of other organisations introducing this type of change.

In summary the recommended option will have three advantages:-

- After the initial implementation costs the Council will make annual savings estimated at £75,000
- The scheme will help to support the many participating shops and post offices in the district by

increasing their foot fall at a time when businesses are struggling, many of which are a vital asset to our communities.

- Tendring residents will have greater flexibility over when and where to pay monies owing to the Council.

RECOMMENDATION

That

- a) **The Council's cash collection service is transferred from the Council's 4 cash offices to an outsourced bill pay service offering significant numbers of outlets distributed in the district.**
- b) **That the necessary implementation plan allows for a phased closure of the cash offices which will incur an estimated cost of £20,000 in year one.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

In a period of austerity the Council must ensure that it is focussing scarce resources on delivering its priorities. Any actions or reviews to find savings must therefore be mindful of this as part of the determination as to where savings could be found.

FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

In calculating potential savings it is necessary to make some assumptions about customer behaviour as a result of introducing change. Consequently it is not possible to be precise about the financial implications of certain changes but all calculations are realistic.

Potential savings have been calculated based on reduced staffing levels associated with each option, together with any associated accommodation costs. Recharges, insurances and asset values have been ignored at this stage.

Detailed estimates have been obtained for bill payment services which charge on a transaction basis, after the initial set up costs. Estimated charges have been based on current payment trends in Tendring and past experience of other organisations introducing this type of change. The figures are not included here because if this option is chosen a detailed implementation report will be required by the Benefits & Revenues portfolio holder.

Risk

There is a risk that the bill payment service becomes so popular that customers who currently pay by Direct Debit decide to swap to the bill payment service which is more expensive for the Council. Our projections have assumed a fairly high take up of the bill payment service in order to minimise this risk. Conversely, savings could exceed the forecast.

LEGAL

The face to face cash office service is discretionary. However, if the Council refuses to take legal tender i.e. cash in settlement of the exact amount owed, the debtor has good defence in law if he is subsequently sued for non-payment of the debt.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any

significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities /Area or Ward affected / Consultation/Public Engagement.

Equality and Diversity

An impact assessment has been carried out which identified that the access to services could be greatly improved by providing district wide pay points rather than the 4 options at present. There are already many channels available to make enquiries of the Council.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

On 16 June 2010 the Cabinet resolved that:

That a team of Officers be established to commence work on consideration of longer term actions to be included in the Austerity Plan including setting out a range of options for reducing the Council's overall budget. (Minute 24(a))

Subsequently the Council's Spending Review Delivery Plan identified that a potential saving of £70,000 could be achieved by amending the cash collection service operated through 4 cash offices. The saving of £70,000 was calculated simplistically on the basis of the closure of rural cash offices but retaining the Clacton office in order to provide a facility for cash payments.

However, having undertaken a thorough review of the service officers have now identified a way of not only making savings but providing a cash collection service with a much wider distribution.

OUTCOME OF THE REVIEW OF CASH COLLECTION SERVICE

1. Facts about the Current Cash Collection Service

Opening Times

At present there are 4 cash offices open to the public as follows:

1. **Clacton** – open 5 ½ days per week (inc lunchtimes) @ at the Council Tax Office
2. **Frinton on Sea** - open 5 days per week (exc. lunchtimes) @ at Frinton Triangle
3. **Harwich** – open 5 days per week (exc. lunchtimes) @ at Waddesdon Road
4. **Weeley** - open Mon & Thurs am only @ at Council offices

Cash office Functions

Essential:

- Maintain detailed records of allocation of £290 million received by the Council each year.

Discretionary:

- Encourage the payment of monies owed to the Council, in respect of any of its services, via 4 collection points which are free for our customers to use.
- Provide easier access for the public to engage in face to face enquiries in relation to the Council, its services and any resulting issues.
- Administer the national concessionary rail fare scheme.
- Administer the national free bus travel scheme until 31/03/2012. (This is now an ECC function.)

- Provide a location for certain surgeries when “experts” are available to deal with customers on a one to one basis.

Levels of Activity

Use of the cash offices is falling because the Council offers alternative methods of payment but there are still significant numbers of customers paying Council bills by cash, the most frequent being payment of Council tax bills. In the last financial year the Council collected over £4.6 million Council tax in cash. It is also worth noting that the cash offices deal with enquiries and not surprisingly the majority are linked to payment issues. However, over 8.5% relate to non Council business. **See Appendix C** for trend analysis data.

2. Customer Feedback

The results of a customer survey undertaken at all cash offices last summer showed that of the 1270 customers completing the survey 93% are regular users of the facility. 84.3% said the reason for visiting was in connection with Council tax, 4.6% housing rents, 2.8% to obtain a parking permit and 2.1% for a rail card the remaining 6.2% were for various reasons. Over 66% were of pension age and 96% were satisfied with the service. However when asked how the service could be improved there was a significant request for longer opening hours and or more staff because the queues are too long at busy times.

Research has been undertaken into the possibility of recognising the requirements of our customers while still making some savings.

3. Alternative Cash Collection Service

It is advisable to strike a balance between making savings from our current revenue budgets and being successful in collecting monies owed to the Council. Good collection is best achieved by providing services which suit our customers' needs. In other words if we make it less convenient for people to pay, especially in times of recession, we are less likely to collect the money owed.

The Council offers many methods of payment and currently the face to face cash office service is the only method by which we accept cash payments free of charge (with the exception of some specifics such as leisure). Although the face to face service offered by the cash offices is discretionary, if the Council refuses to take legal tender i.e. cash in settlement of the exact amount owed, the debtor has good defence in law if he is subsequently sued for non-payment of the debt. It therefore is very unwise not to provide a free cash collection service.

It is worth noting that customers may pay now at other locations but they will usually be required to pay a fee for doing so. In the case of the Post Office the fee is £2.60 per transaction using the Giro system.

Officers have considered many options for cash collection and **Appendix A** is a summary of the alternatives to the current cash collection provision which have been investigated. Set out below is the option which officers believe will provide a win, win scenario for our customers and the Council.

The option is based on using a bill pay service to take cash payments on our behalf instead of providing the current cash office facility in only 4 locations. The advantage is that customers are able to pay bills, free of charge, at the many outlets throughout the district which actually makes it easier for them to pay. This would meet their aspirations in requesting longer opening hours and shorter queues. Additionally, parts of the district would be covered where there is currently

no convenient Cash Office, e.g. Manningtree, Brightlingsea and St Osyth to name a few. (See **appendix B** for locations where payment would be possible.)

When successfully implemented the Council would be able to close the public facing aspect of the cash office service. There will be some issues associated with the closure of the cash offices and these are outlined in section 7 below.

4. How Does A Bill Payment Service Work?

There are three main established bill payment services operating in the area in and all operate similarly in that customers will receive their bills directly from the Council in the usual way. However, our Council tax bills/ rent cards/ sundry debtor accounts /parking fines etc will require **a bar code** which enables the bill payment service to identify all relevant details such as the customer, the bill details and the relevant Council account. The customer is able to present the bill at any outlet operating within the adopted scheme and pay the bill. A receipt or transaction number is given to the customer as proof of the transaction. The transaction details are processed overnight and payment files are available for the Council to download via the cash receipting system. From then on the process is as it is now. After the initial set up costs the Council pays for each customer payment transaction and the customer has no fee.

The estimated cost of using this method is based upon the number of cash transactions currently undertaken at our cash office facilities and allows some contingency for expansion. These figures have been compared with established trends based on similar implementations. When calculating potential cost of transactions it is necessary to make some assumptions about customer behaviour as a result of introducing any change. Consequently it is not possible to be precise about the financial implications but all calculations are realistic.

5. How Does This Save Money?

The savings only occur if the Council closes the existing cash offices. Potential savings have been calculated based on the staff savings associated with the closure of the 4 cash offices together with the associated accommodation costs. Recharges, insurances and asset values have been ignored at this stage. There is still a need to provide the essential back office cashier function to properly account for and allocate the monies received by the Council through the many payment methods on offer (including a bill pay service).

Projections show that in year 1 of the recommended option there is an estimated COST of £20,000 but the savings thereafter are estimated at £75,000 per annum.

6. Implementing Change

It is recommended that, if members are minded to utilise a bill pay service instead of the 4 cash offices, a phased implementation is adopted as this is the best way to protect collection of debt. An awareness campaign via the cash offices, aimed directly at those using that service together with a phased reduction in opening hours will smooth the transition and protect collection figures. If the cash offices are closed too quickly it is extremely likely that any early savings could easily be exceeded by loss of income if customers do not embrace the change or spend their funds on other demands if the alternative method of payment available is unclear.

The financial implications expressed in this note are all based on a short period of dual running of the cash offices and bill pay service to facilitate the change.

7. Additional Issues To Consider

Face to Face Enquiries

All options which involve closure of the cash office(s) assume that:-

- Customers will need to make enquiries of the Council direct to the responsible service, by phone, internet or by face to face at the relevant service enquiry office. This issue is likely to be reviewed later as part of the scoping project for developing a Civic Hub for Tendring.
- Local surgeries, currently undertaken at cash offices, can be transferred to the Library service (which is very willing to accommodate this requirement).
- Many enquiries currently made at the cash offices relate to payments actually being made. The bill pay service will **NOT** be able to answer these questions or provide advice.

Buildings

The cash offices are all situated in buildings owned by the Council. Clacton and Weeley are within larger Council offices and their closure to the public does not pose any significant accommodation issues. The Harwich office at Waddesdon Road is a purpose built cash office which currently has no other function. It is located in a housing area but its current use is designated as office space. Use/disposal of this asset would need to be considered. The cash office at Frinton is shared with the Frinton Town Council and it should be possible for TDC to re-let the space which we currently occupy without adversely impacting on the Town Council.

Staffing

If members opt for total closure of the cash offices it is unlikely that the necessary staff changes will be made without placing some staff at the risk of redundancy, despite the fact that the service currently has 4 vacant posts and outstanding requests for voluntary redundancy. However, in accordance with Council policy we will seek to offer suitable alternative employment to any employee whose job is redundant and compulsory redundancy will only be instigated once all reasonable alternatives have been explored.

8. The Way Forward

If the Cabinet decides to change from the current policy of providing a free cash collection service via its 4 cash offices, a detailed project plan will be necessary to ensure a smooth transition. This report does not seek to set out any plans for any transition but only to obtain the policy decision about the required method of cash collection. The decisions required to bring about any required change will fall to the Benefits & Revenues Portfolio Holder and will be the subject of subsequent report(s).

If a transfer to an alternative bill pay service is required there is a significant amount of work involved to enable the chosen bill pay service to take all of the different types of bill issued by the Council and feed back information which relates to the relevant customer. The creation of the relevant interfaces will take a **minimum** of three months **after** contracts are agreed. The project will be measured in months rather than weeks.

BACKGROUND PAPERS FOR THE DECISION

Customer Survey

APPENDICES

Appendix A Summary Of Other Cash Collection Alternatives Considered

Appendix B Potential Bill Pay Locations

Appendix C Transaction Trends Over The Past 5 Years

APPENDIX A SUMMARY OF OTHER CASH COLLECTION ALTERNATIVES CONSIDERED

1. Enhance Cash Office service provision to provide better value for money
 - a) Officers were unable to find a solution within existing budgets. There were also no ideas of merit even if expansion was considered.

2. Existing cash offices to remain open but for reduced hours
 - a) **(Estimated savings per annum = £52,000)**
 - b) Clearly there are many combinations here. The above figures are based upon Frinton & Harwich each open for half a week but at different times and Clacton on weekdays (not Saturday). Weeley status quo.

3. Retain current opening times but reduce staff to absolute minimum.
 - a) **(Estimated savings per annum = £64,000)**
 - b) This saving is achieved by removing the contingency staffing levels. It will cause excessive queues at busy times and leaves insufficient cover for holidays and sickness, resulting in some office closure at short notice. Building in the desired contingency returns the situation to status quo.

4. Close rural cash offices but leave Clacton to deal with cash transactions.
 - a) **(Estimated savings per annum = £70,000)**
 - b) This provides the £70K projected savings and the ability to take cash payments. As Clacton is not a central point this is likely to have an adverse effect on collection and increase queuing.

5. Close all cash offices and make no direct provision for paying by cash.
 - a) **(Estimated savings per annum = £140,000)**

This is the easiest and most obvious way to make savings but is likely to have a serious detrimental impact on the ability to collect monies owed to the Council. Refusing to accept cash if the correct sum is offered may make it impossible to take action for non payment. Note: despite many campaigns to encourage payment by direct debit, the Council still collects over £4.6 million Council tax **in cash** (2010/2011figure).

6. Close all cash offices and provide cash payment machines

The use of machines to collect cash was found to be too complex and expensive to be worthy of consideration as suitable alternative.

**APPENDIX B POTENTIAL BILL PAY LOCATIONS OFFERED BY : PAYPOINT
ALLPAY USES THE SAME LOCATIONS PLUS POST OFFICES
PAYZONE OFFERS SIMILAR OUTLETS**

Fascia	Address	District	Town	Postcode
Co-Op - Ipswich & Norwich	21-25 Station Road	Brightlingsea	Colchester	CO7 0BT
Co-Op Brightlingsea	Samsons Road	Brightlingsea	Colchester	CO7 0RN
Co-Op Dedham	High Street	Dedham	Colchester	CO7 6DE
Spar - Tates	Colchester Road	Elmstead	Colchester	CO 7 7EE
Alresford PO & Stores	55 Station Road	Alresford	Colchester	CO 7 8BX
Co-Op - Ipswich & Norwich	2 The Avenue	Wivenhoe	Colchester	CO 7 9AH
One Stop	1-5 Vine Parade	Wivenhoe	Colchester	CO 7 9HA
Co-Op Manningtree	Riverside Avenue East	Lawford	Manningtree	CO11 1US
That's the Spirit	24 Kingsway		Harwich	CO12 3AB
Harwich Convenience Store	8 Market Street		Harwich	CO12 3DY
Co-Op - Ipswich & Norwich	296 High Street	Dovercourt	Harwich	CO12 3PD
Haldanes	270 High Street		Harwich	CO12 3PD
Beach Road Stores	Beach Road	Dovercourt	Harwich	CO12 3RP
Co-Op - Ipswich & Norwich	465 Main Road		Harwich	CO12 4HT
Newsagents	673 Main Road		Harwich	CO12 4LZ
C & D Nelders	11 Walton Road		Frinton-on-Sea	CO13 0AA
Co-Op Frinton	Triangle Shopping Centre		Frinton-on-Sea	CO13 0AU
One Stop	30 Frinton Road	Kirby Cross	Frinton-on-Sea	CO13 0LE
Co-Op	102-104 Connaught Avenue		Frinton-on-Sea	CO13 9PT
Spar	18-20 Connaught Avenue		Frinton-on-Sea	CO13 9PW
Co-Op - Ipswich & Norwich	74 High Street		Walton on the Naze	CO14 8AF
Naze Park Stores	116 Hall Lane		Walton on the Naze	CO14 8HW
Jackson Road Stores	33 Jackson Road		Clacton-on-Sea	CO15 1JA
Rujal News	4 Station Road		Clacton-on-Sea	CO15 1TB
Co-Op - Ipswich & Norwich	77 Coopers Lane		Clacton-on-Sea	CO15 2BX
Dots of Jaywick Ltd	6-8 Broadway	Jaywick	Clacton-on-Sea	CO15 2EB
Jaywick Post Office	63 Beach Way	Jaywick	Clacton-on-Sea	CO15 2HJ
Mace Stores	4 Tudor Parade	Jaywick	Clacton-on-Sea	CO15 2PL
Co-Op	164 Old Road		Clacton-on-Sea	CO15 3AY
Best One	68 St. Osyth Road		Clacton-on-Sea	CO15 3BT
DJ Corner Shop	148 St. Osyth Road		Clacton-on-Sea	CO15 3ES
Co-op Variety Box Ltd	61-63 Coppins Road		Clacton-on-Sea	CO15 3HT
Bootleggers Wines	137-139 Wellesley Road		Clacton-on-Sea	CO15 3QD
Miller Motor Group	2-10 London Road		Clacton-On-Sea	CO15 3SN
Co-Op Clacton	Bull Hill Road		Clacton-on-Sea	CO15 4AU
The Co-op	30 North Road	Clacton Hall	Clacton-On-Sea	CO15 4DD
Burrsville Store	250 Burrs Road		Clacton-on-Sea	CO15 4LN
Woodlands Stores	93-95 Woodlands Close		Clacton-on-Sea	CO15 4RY
Co-Op Holland	53 Frinton Road	Holland-on-Sea	Clacton-on-Sea	CO15 5UH
McColls	102-104 Frinton Road	Holland-on-Sea	Clacton-on-Sea	CO15 5UR
Budgens	354 St Johns Road		Clacton-on-Sea	CO16 8DS
The Stores	151 Point Clear Road	St. Osyth	Clacton-on-Sea	CO16 8JB
Londis	20 Clacton Road	St. Osyth	Clacton-on-Sea	CO16 8PA
Spar	1 Spring Road	St. Osyth	Clacton-on-Sea	CO16 8RN
Malthurst Fuels Ltd	Colchester Road	Weeley	Clacton-on-Sea	CO16 9JP
McColls	35 The Street	Little Clacton	Clacton-on-Sea	CO16 9LD
Harwich Road Stores	18 Harwich Road	Little Clacton	Clacton-on-Sea	CO16 9ND

APPENDIX C: TRANSACTION TRENDS OVER THE PAST 5 YEARS

TABLE 1: PAYMENTS BY LOCATION

Table 1 shows the total volume of payment transactions at each cash office. In addition to the face to face service available at Clacton referred to below as “counter” there is the core function of the cash service to receive and account for all monies including automated payments such as BACS transfers. This function is referred to as “back office”

There is an overall 27% swing from payments being made “over the counter” to those via automated means.

Location	2006/07	2007/08	2008/09	2009/10	2010/11	% Change over 5 years	Actual Change 5 Years
Clacton - counter	86226	82193	77015	68424	59823	-31%	-26403
Frinton	21937	21123	20160	18937	18231	-17%	-3706
Harwich	26871	26087	24890	23138	22074	-18%	-4797
Weeley	10106	9582	8609	7279	6617	-35%	-3489
Clacton – Back office	125288	131830	143728	151074	159432*	27%	34144*
Grand Total	270428	270815	274402	268852	266177	-2%	-4251

* An automated payment schedule received in the back office counts as one transaction even though it may contain hundreds of payments.

TABLE 2: TREND OF PAYMENT METHODS

Table 2 shows the swing of payment types away from cash to other methods. However, counter cash represents 25% of payments transactions. This figure is unavoidably skewed by the automated payment count. (See note* below.)

Total Transaction types across all cash offices	2006/07	2007/08	2008/09	2009/10	2010/11	% Change over 5 years	Actual Change over 5 years	% of payments by this method 2110/11
Counter Cash	87,938	86,553	82,980	74,266	67,925	-23%	-20,013	25.5%
Counter Cheque	56,412	51,513	46,700	39,507	32,275	-43%	-24,137	12.1%
Post Cheque	45,182	40,611	35,274	29,884	26,889	-40%	-18,293	10.1%
Debit/Credit Card	21,835	31,811	35,766	45,328	55,856	156%	34,021	21%
Back Office/Other	59,061	60,327	73,682	79,867	83,232*	41%	24,171	31.3%*
Grand Total	270,428	270,815	274,402	268,852	266,177	-2%	-4,251	

* An automated payment schedule received in the back office counts as one transaction even though it may contain hundreds of payments.

ENQUIRIES AT CASH OFFICES

The cash office service also acts as a first point of contact for enquiries in respect of Council services. The volume of these has been falling but must be catered for when considering change. In the past 5 years enquiries have fallen by 20%. There are still a significant number with on average 3,000 a month across all 4 offices. Statistical information shows that the majority of enquiries relate to Council tax and housing benefits followed by housing rents. (It is worth noting that over 8.5% relate to non Council business.)