ANNEXE 4

REVIEW OF PAYMENT RECEIPTING SERVICE
ALTERNATIVE METHOD OF PROVIDING SERVICE -
A: TRANSCASH

Overview

1. Customers can currently elect to pay the Council using Transcash at Post Office counters but have to fill in the necessary documentation themselves and pay a handling charge of £2.35.
2. The Council, if it wished, could enter into a contract with Alliance & Leicester to pay the handling charge itself (an average of approximately £1.00 per transaction) and provide its customers with pre-printed completed payment slips.
3. Although Transcash would work well for services where bills or invoices are raised (council tax, rent, NNDR, sundry debtors) it will be necessary to retain a minimum receipting service at each of the Council's offices to handle miscellaneous payments. In addition resource would also be required to handle back-office payments (including postal remittances) at Godalming.

Advantages/Disadvantages

For the customer	
Advantages	**Disadvantages**
Greater number of outlets (approx 30) Can pay by cash, cheque, credit/debit card or postal order. No upper limit on value of payment. Can make multiple payments (e.g. council tax and rents can be paid in one transaction).	Cannot make miscellaneous payments or pay for car park fines or permits. Service limited to post office opening times. Cannot make payments if have lost pre-printed Transcash documents. Customers will not have the privacy or the assurance of Waverley receiving the payment direct. Cannot obtain details of account balance or information about council services at POs. Would not have payment history on single document (e.g. rent card, council tax bill). Some post offices are already busy and have significant queues at peak times.

For Waverley Borough Council	
Advantages	**Disadvantages**
Reduced costs. No start up costs other than stationery costs. Opportunity to make better use of Council's property portfolio with removal of requirement to maintain secure environment. With removal of cash handling there may be the scope to increase service provision and the flexibility to offer the enquiry service at other locations. Supports local communities throughout the borough. Assists the Council in making the case for supporting local Post Offices.	Would need to retain residual "back-of-office" cash receipting service at Godalming. Delayed cash flow – 7 working days. Three-day delay in payment details being posted to customers' accounts. Possible detrimental impact on collection rates and increased recovery rates. Future closure of some rural Post Offices. Uncertainty over receipt of payment in advance of Court Cases. Administrative overhead of providing and replacing Transcash documents.

Resource implications

4. In summary the resource implications of introducing Transcash are:

- The capital investment required to enable customers to pay using Transcash would be approximately £7,500 to create the necessary stationery;
- The annual total of transaction and bank charges and the loss of interest due to the delayed cashflow would be an estimated £139,000;
- The total annual cost, including staffing, would be £320,850.

ANNEXE 5

REVIEW OF PAYMENT RECEIPTING SERVICE
ALTERNATIVE METHOD OF PROVIDING SERVICE -
B: THIRD PARTY PAYMENT COLLECTION SERVICE

Overview

1. A method of receiving payments that is being used increasingly by councils is to enter into a contract with a third party payment collection service to receive payments for rent, council tax etc. at post offices and retail outlets. Customers would be provided with either bar-coded bills or payment cards enabling them to make these payments. Payments made in this way would not incur any additional cost to the customer.
2. Entering into such an arrangement would enable Waverley's customers to make payments to the Council at up to 60 post offices and nominated retail outlets in the Borough or, in fact, at any post office or nominated retail outlet in the UK.
3. Although payment cards/bar-coding work well for services where bills or invoices are raised (council tax, rent, NNDR, sundry debtors) it will be necessary to retain a minimum receipting service at each of the Council's offices to handle miscellaneous payments. In addition resource would also be required to handle back-office payments (including postal remittances) at Godalming.

Advantages/Disadvantages- Bar-coded Bills and Invoices

For the customer	
Advantages	**Disadvantages**
Greater number of outlets (approx 60) Possibility of late night and weekend opening at some outlets. Many "cash" paying customers already use Paypoint/Payzone etc. for making other payments, e.g. utilities, or regularly visit post offices, therefore, increased convenience. Can make multiple payments (e.g. council tax and rents can be paid in one transaction). Post Offices accept cash, cheque and debit card payments up to a value of £999.99.	Unlike Post Offices, retail outlets only accept cash payments Upper limit on value of payment of £200 at Paypoint/Payzone outlets. Cannot make miscellaneous payments or pay for car park fines or permits. Cannot make payments if have lost card or bar-coded bill. Customers will not have the privacy or the assurance of Waverley receiving the payment direct. Cannot obtain details of account balance or information about council services at POs and retail outlets. Would not have payment history on single document (e.g. rent card, council tax bill). Some post offices are already busy and have significant queues at peak times

	have significant queues at peak times.
For Waverley Borough Council	
Advantages	**Disadvantages**
Reduced costs. Opportunity to make better use of Council's property portfolio with removal of requirement to maintain secure environment. With removal of cash handling there may be the scope to increase service provision and the flexibility to offer the enquiry service at other locations. Supports local communities throughout the borough. Assists the Council in making the case for supporting local Post Offices. Could use bar-code on sundry debtor invoices.	Would need to retain residual "back-of-office" cash receipting service at Godalming. Delayed cash flow – 3 to 7 working days. Takes between 30 to 48 hours for payment details to be posted to customers' accounts. Cost of amending other software packages to generate barcodes in the necessary format. Possible detrimental impact on collection rates and increased recovery rates. Future closure of some rural Post Offices. Exposure to possible commercial risk, e.g. Paypoint/Payzone decides to put up charges or does not renew contract with the council's chosen third party payment collection service. Uncertainty over receipt of payment in advance of Court Cases.

Advantages/Disadvantages- Plastic Payment Cards

4. The use of plastic cards is, in effect, a special case of bar-coding where the bar-codes are printed on plastic cards as well as bills or invoices. The following advantages and disadvantages are therefore in addition to those listed above for bar-coding:

For the customer	
Advantages	**Disadvantages**
Convenient, hard-wearing card that can be kept in a wallet or purse.	
For Waverley Borough Council	
Advantages	**Disadvantages**
	Not suitable for all services – see note below. Considerable administrative overhead of

	issuing and replacing payment cards or, alternatively, high costs of engaging an agency to issue the cards on the Council's behalf.

5. Note: Because of the relatively high volume of rent cards re-issued to tenants in the course of the year, each of which could include a barcode, the Housing service does not see any benefit in incurring the administrative overheads and costs of issuing cards. Also, as the majority of invoices are "one-offs" there would be not advantage in issuing payment cards for sundry debts.

Advantages/Disadvantages- Pop-out Payment Cards

6. As with plastic cards, the use of pop-out cards is, in effect, a special case of bar-coding where the bar-codes are printed on pre-printed, laminated, die-cut stationary. The advantages and disadvantages are therefore similar to those set out at para.4 above for plastic cards except that the administrative overheads and additional costs are significantly less.

Other councils' experiences

7. A number of local authorities that had introduced payment cards or bar-coded bills within the past five years. All reported that the transition had gone smoothly and had been successful. The following comments were made:

   - All sites had introduced payment cards/bar-coded bills to coincide with the closure of their cash counters. (Several sites reported an increase in direct debit take-up of up to 5% and an initial increase of the number of postal payments following the closure of the cash counters);
   - The new method of payment was well received by the customers of all but one council (which gave only three months notice of the change). Two other sites reported some initial complaints but these were very few – "one letter, five phone calls".
   - All councils emphasised the importance of keeping customers informed of the transition to the new methods of making payments;
   - No sites reported any impact on their collection rates; and
   - The majority of sites had opted for bar-coded bills, primarily on the grounds of cost. One site had piloted the use of payment cards but had abandoned them in favour of bar-coded bills because of issues with the card suppliers. All sites reported an administrative overhead in the service departments with respect to issuing replacement cards or bills if customers lost the originals.

8. It should be noted that only two of the authorities contacted had previously operated more that one cash counter. All the others had previously provided a payments receipting service at only their main offices. None of them operated their cash counters of Saturdays.

Resource implications

5. In summary:-

   Bar-coding

   The resource implications of introducing bar-coding on bills and invoices are:

- The capital investment required would be approximately £23,500;
- The annual total of transaction and bank charges and the loss of interest due to the delayed cashflow would be an estimated £62,000; and
- The total annual cost, including staffing, would be £243,850.

Plastic payment cards

The resource implications of introducing plastic payment cards are:

- The capital investment required would be approximately £26,500;
- The annual total of transaction and bank charges, loss of interest due to delayed cashflow and the ongoing cost of issuing plastic cards would be an estimated £79,000; and
- The total annual cost, including staffing, would be £260,850.

Pop-out payment cards

The resource implications of introducing plastic payment cards are:

- The capital investment required would be approximately £25,300;
- The annual total of transaction and bank charges, loss of interest due to delayed cashflow and the ongoing purchase of special stationery would be an estimated £63,500; and
- The total annual cost, including staffing, would be £245,350.

ALTERNATIVE METHOD OF PROVIDING SERVICE – SUMMARY OF COST IMPLICATIONS OF EACH OPTION NOTE 1

	Current Arrangements	Plastic Payment Cards	Pop-out Payment Cards	Barcoded Bills	Transcash
Capital					
Link to payment network		2,500	2,500	2,500	
Bar-coding software NOTE 2:		18,500	18,500	18,500	
Initial issue of cards NOTE 3		3,000	1,800		
Publicity and promotion		1,500	1,500	1,500	1,500
Deposit boxes in reception		1,000	1,000	1,000	1,000
Hardware / stationery	NOTE 4 10,000				NOTE 5 5,000
Total capital (£)	**10,000**	**26,500**	**25,300**	**23,500**	**7,500**
Revenue					
Costs of new service					
Maintenance, transaction charges, cash flow etc. NOTE 6		62,000	62,000	62,000	139,000
Ongoing issue of cards		NOTE 7 17,000	NOTE 8 1,500		
		79,000	63,500	62,000	139,000
Recharges to the payments receipting service					
Staffing – cash receipting NOTE 9	222,000	61,000	61,000	61,000	61,000
Staffing – LO enquiry service NOTE 10	134,000	141,000	141,000	141,000	141,000
Secure cash collection service	28,000				
Bank charges for cash handling	2,000				
Total revenue (£) –Receipting and current LO service	**386,000**	**281,000**	**265,500**	**264,000**	**341,000**
Potential revenue saving (difference between cost of current arrangements and the alternatives) (£) NOTE 11		**105,000**	**120,500**	**122,000**	**45,000**
Additional staffing required for viable LO service **(£)** NOTE 12		41,000	41,000	41,000	41,000
Total revenue (£) –Receipting and viable LO service	**386,000**	**322,000**	**306,500**	**305,000**	**382,000**
Revenue saving (£)		**64,000**	**79,500**	**81,000**	**4,000**

ANNEXE 6

Note 1: The costs shown above are intended to be indicative and are for comparative purposes. They are based upon various assumptions (explained in the footnotes below) and estimated prices received from suppliers of the services evaluated. These prices would be tested by going out to tender should an alternative method of receipting payments be adopted.

Note 2: This represents the estimated costs required to amend the council tax, NNDR, housing rents and sundry debtors systems in so that they can print barcodes in the required format on bills, invoices, plastic cards or pop-out cards.

Note 3: This assumes that an agency service would be used for the initial bulk issue of payment cards to those Council Tax payers who currently pay by cash.

Note 4: If the Council decides to continue with its current cash receipting service it will be necessary to update the existing hardware.

Note 5: This represents the cost of amending current stationery to include Transcash paying-in slips.

Note 6: These figures are based on an estimated 130,000 payments per annum at post offices etc.

Note 7: This assumes that an agency service would be used for the ongoing issue of plastic payment cards for Council Tax payers.

Note 8: This assumes that Waverley would keep a stock of pre-printed stationery (including blank "pop-out" cards) and would overprint these with the appropriate bar codes as and when required.

Note 9: These costs represent the salary costs (salary, NI and superannuation) apportioned to the cash receipting function. In the case of the payment cards, bar-coded bills and Transcash options the costs are comprised of

Cashiering - Godalming - 2 F.T.E.s	55,000
Cashiering – Localities – 0.23 F.T.E.s	6,000

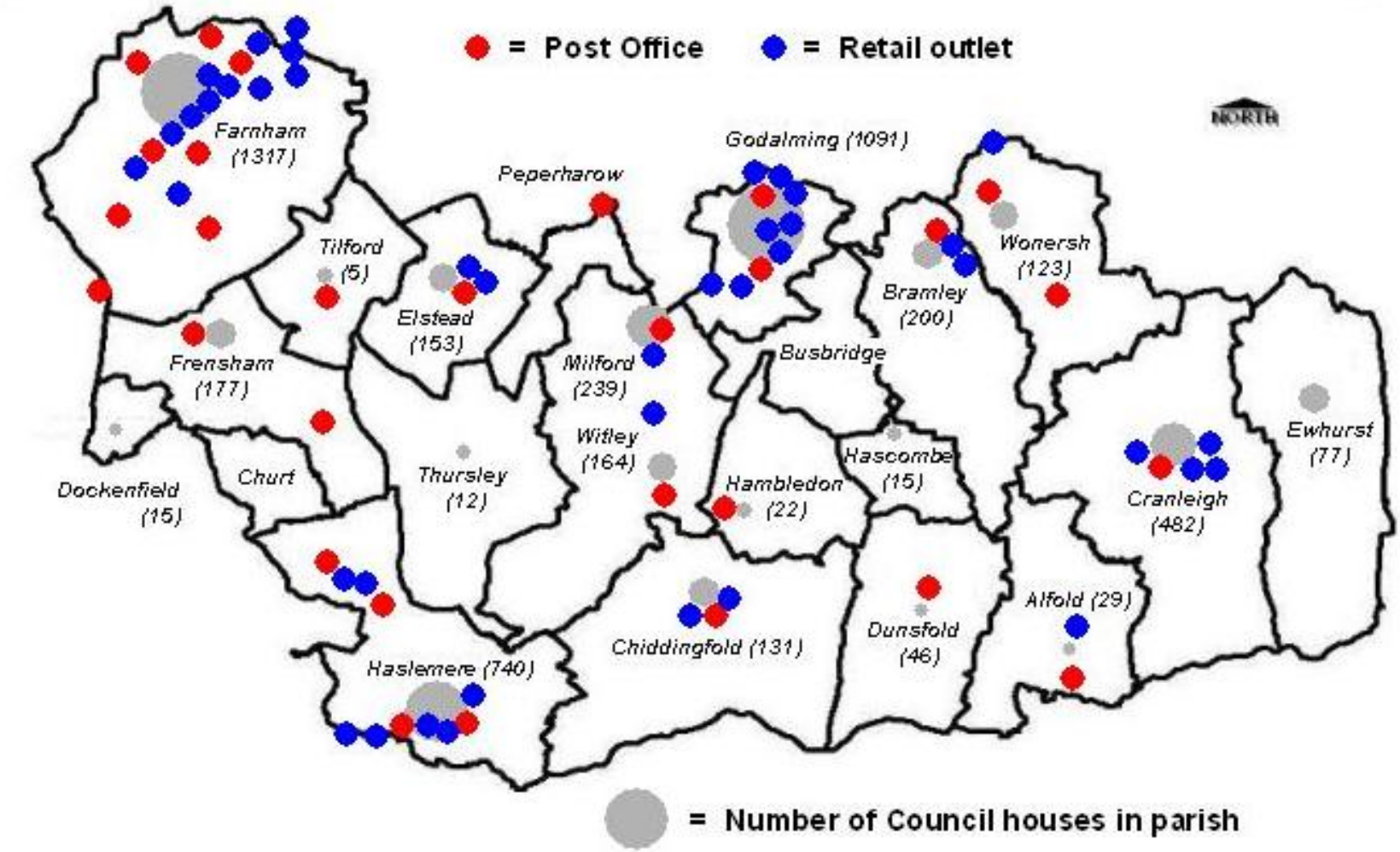
These costs include the withdrawal of payment receipting on Saturdays.

Note 10: These costs represent the salary costs (salary, NI and superannuation) apportioned to the locality office customer enquiry service.

Note 11: This represents the potential revenue saving if the staffing levels apportioned to the locality office customer enquiry service were kept at the current levels (4.07 F.T.E.s). However, it is unlikely that a viable locality office service could be delivered at this level of staffing after the closure of the cash counters (see Note 12).

Note 12: In order to maintain a viable locality office service a staffing level of 6.00 F.T.E.s would be required after the closure of the cash counters. It is estimated the 0.23 F.T.E.s would be required to receipt the residual cash transactions. The remaining 5.77 F.T.E.s would delivery the customer enquiry service, which represents an increase on the current staffing levels of 1.70 F.T.E.s (revenue cost approximately £41,000).

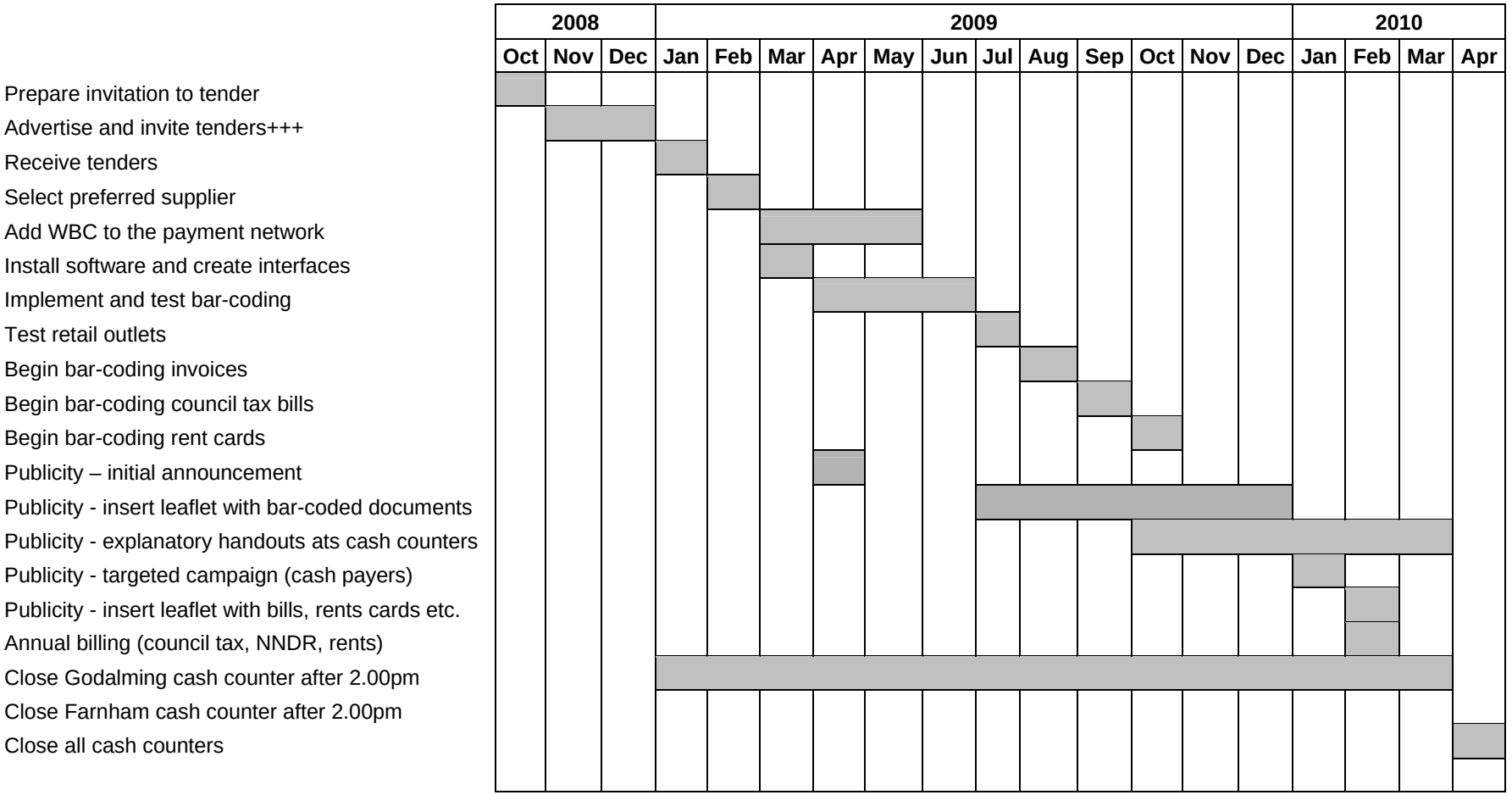
Potential payment locations in Waverley



N.B. This map shows all of the locations of all of the suppliers. No one supplier can offer them all. Actual locations would be post offices plus either Paypoint or Payzone or Paypoint and Woolworths depending upon supplier

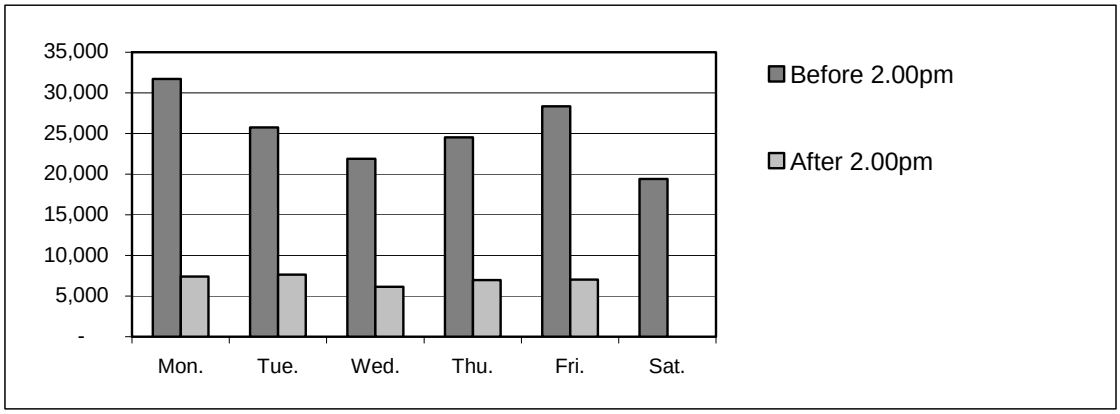
ANNEXE 7

PROPOSED TIMETABLE FOR THE IMPLEMENTATION OF THRD-PARTY PAYMENT COLLECTION SERVICE



ANNEXE 9

REVIEW OF PAYMENT RECEIPTING SERVICE - CURRENT PAYMENT RECEIPTING TRANSACTION LEVELS AT EACH OF WAVERLEY'S FOUR CASH COUNTERS



Analysis of payment transactions at all offices between 01/04/2007 and 31/03/2008

Number of payment transactions each day before and after 2.00pm

	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Total
Before 2.00pm	26,068	22,077	18,363	20,254	23,081	15,681	125,524
After 2.00pm	6,305	6,422	5,098	5,652	5,782	-	29,259
Total	**32,373**	**28,499**	**23,461**	**25,906**	**28,863**	**15,681**	**154,783**

Percentage transactions each day before and after 2.00pm

	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Total
Before 2.00pm	80.5%	77.5%	78.3%	78.2%	80.0%	100.0%	81.1%
After 2.00pm	19.5%	22.5%	21.7%	21.8%	20.0%	0.0%	18.9%

Percentage of week's transactions processed each day:

	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Total
All	20.9%	18.4%	15.2%	16.7%	18.6%	10.1%	100%
Cranleigh	27.9%	17.3%	12.1%	21.1%	10.5%	11.1%	100%
Farnham	14.5%	21.3%	13.2%	15.5%	22.0%	13.5%	100%
Godalming	21.2%	17.7%	17.1%	16.5%	20.4%	7.1%	100%
Haslemere	24.3%	17.5%	12.7%	15.2%	12.2%	18.0%	100%

Percentage of all transactions processed by each office:

	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Total
Cranleigh	3.4%	2.1%	1.5%	2.6%	1.3%	1.4%	12.3%
Farnham	3.2%	4.6%	2.9%	3.4%	4.8%	2.9%	21.7%
Godalming	11.7%	9.8%	9.4%	9.1%	11.2%	3.9%	55.1%
Haslemere	2.6%	1.9%	1.4%	1.7%	1.3%	2.0%	10.9%