

APPENDIX G

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 7 OCTOBER 2008

Title:

VALUE FOR MONEY REVIEW OF THE PAYMENT RECEIPTING SERVICE

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All]

Summary and purpose:

This report sets out the findings of the review of the Waverley's payment receipting service. The report recommends the replacement of the Council's cash counters with a payment collection service provided by a third party using bar-coded bills. The review evaluated the financial and staffing implications and the impact upon customer service of alternative methods of receipting payments.

The Executive is requested to:

- Consider the value for money achieved by the proposed change, in particular with respect to the impact on Waverley's customers;
- Consider the staffing and financial implications;
- Note the proposed timetable for the implementation of a new payment collection service

Environmental implications:

There are no direct environmental implications although the options being considered would remove the need for customers to travel to Waverley's offices to make payments.

Social / community implications:

Although the Council has sought to improve its facilities for the growing number of customers who wish to pay "electronically" (direct debit, internet, automated telephone) it is aware of the social impact of the "digital divide" and seeks to promote social inclusivity by continuing to offer a service to those customers who wish to continue to pay the Council using cash.

The options being considered in this report will improve choice for these customers and may help the viability of local businesses and post offices, particularly in rural areas.

E-Government implications:

In recent years, Waverley has invested in improving electronic payment methods for its customers, particularly using Waverley's website and automated telephone service. The Council also continues to promote direct debit as the most cost effective and efficient method of payment, for both the customer and the Council. However,

some customers still prefer to pay by cash and it is important that this review explores the technological solutions available for retaining this method of payment.

Resource/Value for money and legal implications:

This report has financial and HR implications. Table 1 in paragraph 28 shows that implementing an alternative payment receipting system would generate potential revenue cash savings in 2010/11. Until the contract was tendered, the precise figure would not be known but the saving would benefit both general fund and HRA. There are also capital implications. The Capital Programme has a budget of £8,000 in 2008/09. It is likely that further provision would be required in 2009/10.

Background

1. In January 2008, the Corporate Overview and Scrutiny Committee requested a review of Waverley's payment receipting service. At its meeting held on 23 June 2008 the Committee considered alternative ways of operating this service and requested officers to investigate further, the options of bar-coded bills using a third party payment facility available at post offices and a range of retail outlets, and Transcash enabling payments at just post offices. Both options would cover 'in-person' payments for council tax, housing rents, business rates and sundry debts. The review looked at the service provided at the main office in Godalming and at each of the Locality offices for the receipt of payments from customers. At the June meeting, Members of the Committee asked that officers give particular consideration to:
 - opportunities to address the impact on Waverley's more vulnerable citizens;
 - the potential to encourage customers to make payments to the Council in ways other than by cash;
 - the practicalities of handling residual miscellaneous cash payments;
 - the cost involved in setting up pay points; and
 - contact with other local authorities to identify alternative methods of receipting payments.
2. Members asked that, in parallel to the review of the payment receipting service, consideration also be given to Waverley's vision for customer service and the future role for its locality offices, in particular with respect to the Council's role in addressing social inclusiveness and providing support to its more vulnerable citizens.
3. Members are reminded that the drivers for undertaking a review of the payment receipting service are as follows:
 - Reducing numbers of customers choosing to make payments over the counter at Waverley's four cash counters due to the Council's investment in web and phone payment facilities and its drive to increase direct debit;
 - Cost savings – with significant pressure on the General Fund and HRA Budgets, handling cash is high risk and costly (for example the HRA was

recharged and estimated £160,000 in 2007/08 for the payments receipting service);

- Efficiency gains – free-up staff time to support improvements in other customer-facing services;
 - Customer choice – Are there better ways of offering more convenient local outlets for customers wishing to pay the Council by cash?;
 - Investment in electronic payment methods and changes to car park cash handling arrangements; and
 - Better use of assets – Cash desks require secure physical environments and take up large amounts of prime space in Waverley's offices. Could these assets be better utilised to improve customer access to services?
4. This report identifies the financial and staffing implications for the Council and the service delivery implications for its customers of replacing the cash counters with a payment collection service provided at the post office and other retail outlets and sets out a possible implementation timetable.

Alternative methods of providing a Payment Receipting service

5. The alternative methods of providing a payment receipting service that members have asked to be investigated in greater detail are summarised as follows. Both of these options would result in the closure of Waverley's four existing cash counters.
- A) Enable customers, at no cost to themselves, to make payments to the Council at post offices counters using Transcash. (Annexe 1); and
 - B) Provide payment cards to Waverley customers or include a bar-code on all bills and payment documents to enable payments to be made at a wide range of local outlets (e.g. post offices and nominated retail outlets). (Annexe 2)
6. As part of their further investigation officers have met with all three suppliers to Local Government of these services and supplemented their earlier survey of other local authorities by visiting two more councils, one of which initially used payment cards and the other used Transcash but both of which have subsequently changed over to using bar-coded bills, rent cards and invoices.

Transcash

7. Waverley's customers have always been able to pay the Council using Transcash at Post Office counters but have had to fill in the necessary documentation themselves and pay a handling charge of £2.35 per transaction.
8. The Council, if it wished, could enter into a contract with Transcash (which is operated by Alliance+Leicester) service, to pay the handling charge itself (an average of approximately £1.00 per transaction) and provide its customers with pre-printed completed payment slips.
9. The advantages and disadvantages of Transcash are set out at Annexe 1. In brief, Transcash would enable the Council's customers to make payments at the approximately 30 post offices in the Borough (see Annexe 4) at an initial capital

cost of £7,500 but relatively high annual maintenance and transaction costs of £139,000. (A comparison of the costs of each option under consideration is set out at Annexe 3).

Payment Cards / Bar-coding

10. Issuing payment cards to our customers or including bar-codes on our bills and invoices would enable payments to be made to the Council not only at post offices but also at a range of retail outlets via a third-party payment collection service (PCS). The advantages and disadvantages of using a third-party PCS are set out at Annexe 2.
11. There are currently three main suppliers of this service to Local Government, each of which has arrangements with different retail outlets. The suppliers are:
 - Alliance+Leicester (Post Offices, Payzone retail outlets)
 - AllPay (Post Offices, Paypoint retail outlets, Woolworths)
 - The Co-operative Bank (Post Offices, Paypoint retail outlets)
12. A map showing the locations of the post offices and retail outlets is attached at Annexe 4. It should be noted that payments to the Council would not be restricted to locations within the borough. Customers would be able to pay their rent, council tax etc. at any post office or appropriate retail outlet anywhere in the country.
13. Each supplier offers three technical solutions enabling customers to make payments at these locations:
 - Bar codes printed on the Council's existing stationery for bills, invoices and other appropriate correspondence (e.g. reminder letters);
 - Plastic Payment Cards (each customer is provided with a plastic card similar in appearance to a credit card); and
 - "Pop out" Payment Cards (bills and invoices are printed on special stationery which includes a "pop-out" laminated, die-cut payment card).
14. The advantages and disadvantages of each of these technical solutions are set out at Annexe 2 and the comparative costs itemised at Annexe 3.

Impact upon customer service of closing Waverley's cash counters and providing payment cards or bar-coded bills to customers wishing to continue to pay by cash

15. There are a number of benefits to customers of enabling them to make payments at Post Offices and retail outlets in the Borough including:
 - More convenient locations reducing the need to travel;
 - The ability to pay at locations outside of the Borough, for example where the customer works rather than where they live; and
 - Longer opening hours and week-end opening at certain retail outlets.

16. However, there are some limitations to the service that Post Offices and retail outlets can provide compared with the service currently delivered at the Council's cash counters. These impacts on customer service are set out at Table 1 below along with proposals on how they might be addressed:

<i>Impact on customer service</i>	<i>How the impact might be addressed</i>
Some retail outlets only accept payments made by cash and only to a value £200	Post Offices will accept payments up to a value of £999 made by either cheque, debit card or cash. Waverley will continue to encourage and promote more convenient electronic methods of payment
Customers would not be able to obtain details of account balances or have their payment history on a single document at the point of payment.	This service would continue to be provided by the locality offices and at the reception desk at Godalming or by phone to officers. Customers could be sent statements of their account on request.
Customers would not be able to make payments if they have lost their bar-coded bill or payment card. (Currently staff at the council's cash desks can find the customer's account number for them.)	Customers could be sent bar-coded bills or payment cards on request. Housing tenants are regularly sent revised rent cards throughout the year, each of which would include a bar-code. The staff at the locality offices and the reception desk at Godalming could continue to find customers' account numbers on request and provide a bar-coded document.
Customers will not have the privacy or the assurance of making their payment direct to the Council.	The Post Office is a trusted agency. Many customers will already pay their utility bills at Post Offices and retail outlets and thereby developed a level of trust.
Customers will not be able to make miscellaneous payments or pay their parking fines by cash.	These payments represent only 5% of over-the-counter transactions receipted by the Council each year and arrangements could be made to continue to accept them at the locality offices and the reception desk at Godalming. The option to pay car park fines with notes and coins would be reviewed.

Table 1: Impacts in customer service and how they might be addressed

17. As part of the initial review of the Council's payment receipting service, questionnaires were sent to 2,000 customers who have made one or more payments for housing rent or council tax over the counter at one of the Council's offices in the past year. Completed questionnaires were received from 697 customers (37% response rate).

18. This survey identified that, of Waverley's customers who currently pay over the counter at the Council's offices:

- 48% visit the Council's offices only for the purpose of making a payment;
- 56% responded that it would be acceptable to pay at post offices or retail outlets; and
- 16.4% said it would be inconvenient.

19. The majority of the current users of Waverley's cash counters would therefore find it convenient to make their payments at post offices or retail outlets. As there is at least one payment location in nearly every centre of population in the Borough (the map at Annexe 4 shows the proximity of post offices and retail outlets to Waverley's housing stock) then such a move would be of particular benefit to those customers with transport or mobility issues.

20. The timetable proposed at Annexe 5 below includes an extended transition period which will allow the service departments and cash and Locality Office staff the opportunity to provide customers with all the information, assistance and support they might require in order to minimise the impact on customer service.

Experience of other local authorities

21. Over 150 local authorities have introduced bar-coded bills or payment cards and closed their cash counters in recent years. 13 of these were contacted as part of this review and site visits were made to two of them. Their experience with respect to impact upon customer service can be summarised as follows:

- The majority of sites contacted reported that their customers had responded well to the transition for the Council's cash desks to the Post Office and retail outlets. The exception to this was an authority that gave its customers only three months notice of the change. The outline timetable set out at Annexe 5 envisages giving customers 9 months notice of the change; and
- None reported any problems with respect to the £200 maximum cash payment restriction at some retail outlets.

22. All authorities emphasised the importance of:

- a well-planned publicity campaign focussed on those customers who wished to pay over the counter, keeping them well-informed throughout the process via targeted mail shots and publicity material at their cash offices; and
- thorough testing of their bar-coded documents and the retail outlets and Post Offices in their district.

Managing residual miscellaneous cash transactions

23. Most local authorities that have implemented a third-party payment collection service report an increase in the take up of direct debit payments on its introduction. It is proposed that, as part of the campaign to publicise the new service, the benefits of direct debits be promoted strongly.

24. In some service areas payment by cash is decreasing (e.g. in 2007/08 only 13% of parking fines and 2% of parking permits were paid in cash). As part of the campaign to publicise the new service the facility to pay online or via the automated telephone service would be promoted strongly
25. As stated in the previous report to Corporate O&S, close attention needs to be given to "miscellaneous income". This term covers a wide range of services for which payment is received at "point of sale" (e.g. refuse sacks, planning fees, parking permits, licences, photocopying, pest control etc.). As these "miscellaneous" services are only provided on receipt of payment it would be problematic for payments to be made via a third party (e.g. post office, retail outlet) and thus there will be a continued requirement to provide some facility in-house to receive miscellaneous income.
26. In 2007/08 16,400 payments were receipted with respect to miscellaneous income. The vast majority (88%) of these were receipted at the Godalming cash office. As the introduction of a third-party payment collection service would still require the Council to retain a "back-of-office" receipting and income management service at Godalming (see para.37 below) the majority of miscellaneous income payments would continue to be processed as at present.
27. Of the remaining 1,883 (12%) miscellaneous income transactions receipted at the locality offices over half are made in cash to a total value of £16,000, i.e. an average of £22 per office per day. It is felt that these sums could be handled as "petty cash. However, alternative ways of paying for "miscellaneous" services, including ordering online, are currently being investigated.
28. It is proposed that, for those customers wishing to pay in person by cheque, secure post boxes be placed in each reception area to allow customers to deposit their payments in pre-printed envelopes provided by the Council.

Timescales

29. It would not be possible to close the cash counters until the alternative payment collection service was in place and fully tested and the customers had been provided with the necessary documentation (payment cards or bar-coded bills or invoices). The best time, therefore, is at the end of the financial year when all council tax payers, tenants and business ratepayers have been provided with new bills and rents cards. This has been the practice at the majority of other local authorities contacted.
30. The key tasks required to be undertaken would be:
- Tendering and selection of preferred supplier in accordance with EU procurement rules (14 weeks);
 - Adding Waverley to the payment network (12 weeks);
 - Amending software to print barcodes in the required format on bills, invoices or payment cards (the experience of other authorities suggests this takes between 3 and 6 months);
 - Testing each and every post office and retail outlet (strongly recommended by the local authorities contacted - 3 weeks); and

- Publicity campaign (throughout the transition).

31. Although some of the above tasks could be undertaken in parallel it would not be possible to implement a new payment collection service in time for the production of council tax bills and rent cards in February 2009 for financial year 2009/10.

32. Consultation with other local authorities indicates that implementation takes between 12 and 15 months. It is therefore proposed that the new payment collection service be phased in during financial year 2009/10. This could coincide with a gradual phasing out of the cash counters and their closure on or around March 2010.

33. An outline timetable is attached at Annexe 5.

Resource implications

34. The costs of implementing each of the alternative payment collection services considered in this report are given at Annexe 3.

35. In accordance with the proposed timetable (Annexe 5) the phasing of the additional capital investment and revenue costs would be as follows (ranging from bar-coding – lowest price – to plastic payment cards – highest). However, the ongoing costs savings exceed these costs resulting in a net reduction that will benefit the General Fund and the Housing Revenue Account.

	2008/09	2009/10	2010/11
Capital Cost	£2,500	£21-24,000	-
Revenue cost	-	£8-10,000	£62-79,000

Table 2: Estimated capital and revenue costs of implementing new payment collection service

36. The total estimated cost of the current cashing function in 2008-09 is £408,000 including fixed and support costs that will not vary as a result of closing the cash counters. It is estimated that a total of 7.9 full time equivalent staff are engaged in delivering the cashing service (see Table 3 below) ¹.

Office	Staff (cash collection) f.t.e.	Staff (enquiry service) f.t.e.	Total Staff f.t.e.
Godalming	3.50	-	3.50
Cranleigh	1.07	0.68	1.75
Farnham	1.81	2.69	4.50
Haslemere	1.55	0.70	2.25
Total	7.93	4.07	12.00

Table 3: Current cash collection costs and staff numbers

37. For each of the payment collection options under consideration the volume of over-the-counter transactions would reduce by an estimated 95% of the current

¹ At the locality offices staff deliver both a cashing and front-line customer enquiry service. For the purpose of costing alternative options cashier transactions and customer enquiries have been given equal weighting when apportioning costs and staff time to each of these two services.

levels. Thus the introduction of a new payment collection service and the closure of the cash counters would reduce the level of staff involved in cash collection by an estimated 5.70 (7.93 – 2.23) f.t.e. (see Table 3 below). (Members are reminded that the Godalming cash office provides a back office receipting and income management service in addition to the over-the-counter service. The back office service - approximately two f.t.e. staff - would continue to be required even if the over-the-counter service was withdrawn.)

38. As stated in the report to the June meeting of Corporate O&S, if the 95% reduction in staff time spent in delivering the over-the-counter cashiering service at the locality offices was taken as a saving it would reduce staffing levels at each of the locality offices at Cranleigh and Haslemere to approximately 0.80 f.t.e. which would mean that the front-line customer enquiry service at these offices was no longer viable.

39. It is estimated that a minimum total staffing level of 6.00 f.t.e. would be required to maintain a operate the customer enquiry service at all of the locality offices. As only 0.23 f.t.e. would be involved in delivering the payment receipting service at the locality offices following the introduction of a new payment (see Table 3 below) the remaining 5.77 f.t.e. would be dedicated to delivering the customer enquiry service. This represents an increase of 1.70 (5.77 – 4.07) f.t.e. above the current staffing levels for the customer enquiry service.

Office	Estimated Staffing Levels (assuming the minimum staffing level required to operate the customer enquiry service at the locality offices)			
	Cash processing f.t.e.	Staffing for viable Locality Offices f.t.e.	Customer enquiry service f.t.e.	Total Staff f.t.e.
Godalming	2.00	-	-	2.00
Locality Offices	0.23	6	5.77	6.00
Total	2.23	6.00	5.77	8.00

Table 4: Estimated staffing for residual cash processing service and operating the customer enquiry service

40. Thus the net reduction in staffing would be 4.00 (12.0 – 8.0) fte. This reduction of 4.00 posts would need to be realised firstly by not replacing posts permanently as they become vacant and the by redeploying staff to other suitable posts within the Council.

Phasing out and closure of the cash counters

41. At present it is proposed that, to coincide with the phasing in of the new payment collection service (as set out in the timetable at Annexe 5) the Council's in-house payment receipting service should be wound-down.

42. Annexe 6 analyses the volumes of payment transactions receipted at Waverley's four cash counters. As can be seen, over 80% of all payment transactions are receipted before 2.00pm.

43. A redeployment of one of the cashiers at Godalming provides the opportunity to close the cash counter at the main office at 2.00pm each day from the beginning April 2009. This would result in a one-off revenue saving of £8,000 in 2009/10 ahead of the achievement of the savings in future years as presented in annexe 3.
44. The 19% of transactions receipted at Godalming after 2.00pm represents 9,100 over-the-counter payments, an average of 36 payments an afternoon. The majority of these payments (7,800) are for housing rent and council tax and represent payments from approximately 900 tenants and 1,800 taxpayers.
45. After the introduction of a new payment collection service it is estimated that there will be fewer than 300 residual miscellaneous cash transactions per annum over all of the counters on a Saturday (less than 2 transactions per office per Saturday)

Conclusion

Alternative Payment Receipting services

46. Officers conclude that implementing a new payment collection service by providing current cash paying customers with bar-coded documents for council tax, housing rent and invoices to enable them to make payments to the Council at post offices and other retail outlets is a viable alternative to the current Waverley-provided over-the-counter service. Whilst there may be some negative impact for the customers, this would significantly increase the choice of payment locations, deliver a cash saving to the Council and enable potential improvements in customer service at the Council's offices.
47. Bar-coded documents are recommended over the alternative options for the following reasons:
- The majority of other authorities contacted have found the bar-coding of existing documents sufficient to provide an efficient and flexible service;
 - The few benefits of introducing plastic payment cards do not justify the ongoing administrative overheads and additional costs of doing so; and
 - Although inexpensive to set up Transcash can only deliver half the number of payment locations in the Borough and the transaction costs are significantly higher than the alternatives.
48. Although the administrative overheads and costs of introducing pop-out cards are significantly less prohibitive than those for plastic cards it is proposed that the case for their introduction should be considered as part of a post-implementation review to be undertaken a year after the introduction of bar-coded documents and a report submitted to the members.

Closure of the Council's cash counters

49. This report presents an opportunity for Waverley to close its four cash counters with effect from the 1st April 2010 and provide an alternative method of payment for those customers who choose to continue to pay the Council using cash in the future. The report also identifies an opportunity to close the Godalming cash counter every afternoon after 2.00pm from the beginning of April 2009 which will

achieve an additional cost saving. These proposals will be discussed with Staffside and the Tenants' Panel before the Executive consider the matter in October.

Observations from the Corporate Overview and Scrutiny Committee

50. Committee members were not entirely comfortable with the loss of the personal service at the cash counters, especially for vulnerable customers. There were also concerns about what removing this important service might mean for the future of the Locality Offices. Noting these reservations, the Committee RESOLVED to commend to the Executive the proposals for changing the Council's payment receipting system on the basis that it offered a cost-effective alternative to the current arrangements. However, the Executive were asked to take note of the Committee's observations, as follows:

- (i) the Tenants' Panel should be consulted on the proposals;
- (ii) as well as the proposed publicity during the transition period, there should be a telephone help line service available during the implementation period, as not everyone would be able to access the website for information on the new arrangements; and
- (iii) it was important that other locality services were retained at current levels.

51. The Committee considered the opportunity to close the Godalming cash counter at 2.00pm each day from 1 April 2009 that has arisen following the redeployment of a cashier. Members noted that this would achieve a one-off saving of £8,000 in 2009/10 but again had some concerns about the inconvenience to those customers who currently used the cash counter in the afternoon. However, it was important to have certainty with regard to opening hours, to avoid the confusion arising from the variable opening hours at the Locality Offices. Appropriate publicity for the change to opening hours would be required. The Committee RESOLVED to support the recommendation to close the Godalming cash counter at 2.00pm each day from 1 April 2009.

Recommendation

That the Executive recommends that the Council agree:

1. the implementation of a payment receipting system for customers that choose to pay the Council in person for council tax, housing rents, business rates or sundry debts, using bar-coded bills and a third party operator, noting the potential for up to 55 outlets being available in the Borough including post offices;
2. that the procurement and agreement of contract terms be subject to the agreement of the Deputy Chief Executive and the Head of Legal Services;
3. that Waverley cease to operate its four cash counters with effect from 31 March 2010 on the basis that the service described in (1) above offers a cost-effective alternative to the current arrangements, noting in particular:

- The timetable for implementation
 - The potential impact on customers
 - The potential revenue savings
 - The proposals for a major PR and information campaign
 - Improved customer choice of payment outlets
 - Opportunities for enhancing Waverley's customer service at its offices;
4. that the Godalming cash counter be closed at 2.00pm each day from the 1st April 2009;
 5. that as well as the proposed publicity during the transition period, there should be a telephone helpline service available during the implementation period; and
 6. to keep the Tenants' Panel fully involved and informed during the implementation period.

Background Papers (DCEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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Comms/exec/2008-09/110

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

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

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.

A more detailed breakdown of the financial and staffing implications of introducing Transcash is given at Annexe 3.

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 (see Annexe 4) 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
<p>Greater number of outlets (approx 60)</p> <p>Possibility of late night and weekend opening at some outlets.</p> <p>Many "cash" paying customers already use Paypoint/Payzone etc. for making other payments, e.g. utilities, or regularly visit post offices, therefore, increased convenience.</p> <p>Can make multiple payments (e.g. council tax and rents can be paid in one transaction).</p> <p>Post Offices accept cash, cheque and debit card payments up to a value of £999.99.</p>	<p>Unlike Post Offices, retail outlets only accept cash payments</p> <p>Upper limit on value of payment of £200 at Paypoint/Payzone outlets.</p> <p>Cannot make miscellaneous payments or pay for car park fines or permits.</p> <p>Cannot make payments if have lost card or bar-coded bill.</p> <p>Customers will not have the privacy or the assurance of Waverley receiving the payment direct.</p> <p>Cannot obtain details of account balance or information about council services at POs and retail outlets.</p> <p>Would not have payment history on single document (e.g. rent card, council tax bill).</p>

	Some post offices are already busy and have significant queues at peak times.
For Waverley Borough Council	
Advantages	Disadvantages
<p>Reduced costs.</p> <p>Opportunity to make better use of Council's property portfolio with removal of requirement to maintain secure environment.</p> <p>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.</p> <p>Supports local communities throughout the borough.</p> <p>Assists the Council in making the case for supporting local Post Offices.</p> <p>Could use bar-code on sundry debtor invoices.</p>	<p>Would need to retain residual "back-of-office" cash receipting service at Godalming.</p> <p>Delayed cash flow – 3 to 7 working days.</p> <p>Takes between 30 to 48 hours for payment details to be posted to customers' accounts.</p> <p>Cost of amending other software packages to generate barcodes in the necessary format.</p> <p>Possible detrimental impact on collection rates and increased recovery rates.</p> <p>Future closure of some rural Post Offices.</p> <p>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.</p> <p>Uncertainty over receipt of payment in advance of Court Cases.</p>

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.
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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 than 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 on 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.

A detailed breakdown of the financial and staffing implications of introducing bar-coding and payment cards is given at Annexe 3.

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 <small>NOTE 2:</small>		18,500	18,500	18,500	
Initial issue of cards <small>NOTE 3</small>		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	<small>NOTE 4</small> 10,000				<small>NOTE 5</small> 5,000
Total capital (£)	10,000	26,500	25,300	23,500	7,500
Revenue					
<i>Costs of new service</i>					
Maintenance, transaction charges, cash flow etc. <small>NOTE 6</small>		62,000	62,000	62,000	139,000
Ongoing issue of cards		<small>NOTE 7</small> 17,000	<small>NOTE 8</small> 1,500		
<i>Recharges to the payments receipting service</i>		79,000	63,500	62,000	139,000
Staffing – cash receipting <small>NOTE 9</small>	222,000	61,000	61,000	61,000	61,000
Staffing – LO enquiry service <small>NOTE 10</small>	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) (£) <small>NOTE 11</small>		105,000	120,500	122,000	45,000
Additional staffing required for viable LO service (£) <small>NOTE 12</small>		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

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
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Cashiering – Localities – 0.23 F.T.E.s	6,000
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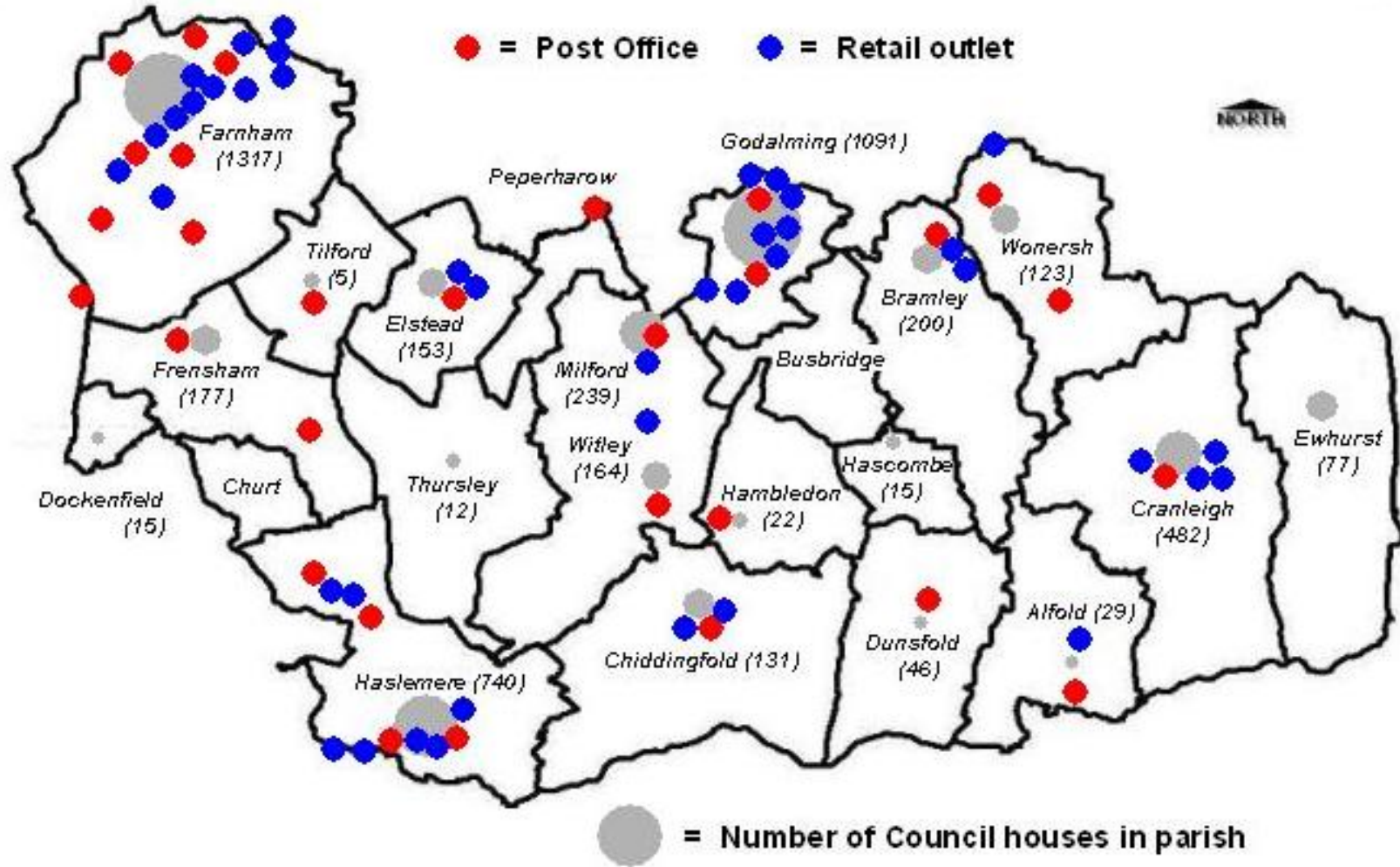
These costs include the withdrawal of payment receipting on Saturdays.

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).

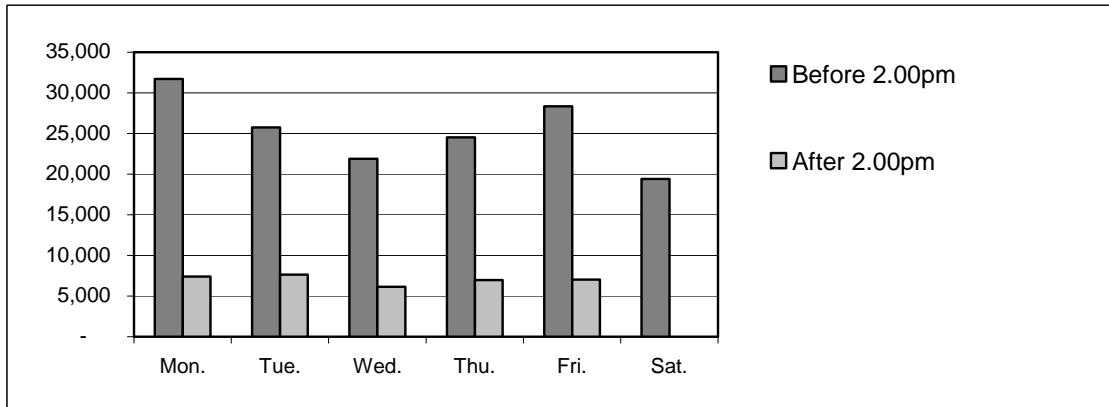
Note 12: In order to maintain a viable locality office service a staffing level of 6.00 F.T.E.s would be required after the closure of the cash counters. It is estimated the 0.23 F.T.E.s would be required to receipt the residual cash transactions. The remaining 5.77 F.T.E.s would deliver the customer 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

**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%