

CASH PAYMENTS
REPORT BY HEAD OF REVENUE SERVICES

1 INTRODUCTION

1.1 The current cashiering provision at Huntingdon, St Ives and St Neots is under review and plans are being developed to expand the range of customer services in these three locations. As well as offering a wider range of services, a more modern environment would improve customer relations. Part of this would be a move to a more 'open plan' service environment.

1.2 Moving to such an environment has implications for staff safety (especially at the satellite offices). As a result of this development, officers have examined the feasibility of moving cash payments away from the cash offices and using alternative payment services instead. Three alternative service providers have provided quotes to handle cash payments. All of these providers have many more outlets than the three we currently provide, and include Post Offices and other payment points within the community.

1.3 Moving cash payments to an alternative payment provider would improve services to our customers (by enabling payments to be made close to their home) as well as supporting economic development within the villages and market towns through increased use of Post Offices and local shops.

2 ALTERNATIVE SERVICE PROVISION – HOW IT WORKS

2.1 Customers who pay by cash will be offered a plastic payment card to take to the post office or other payment point. They present the card (which is encrypted with their council tax payment details) and a sum of cash to the teller. The teller swipes the card which creates a file that is passed overnight to the banking system. At the same time a receipt is produced and the card and receipt are handed back to the customer.

2.2 The next morning, the banking file is downloaded to the Council's IT system and payments are posted to the individuals council tax account the following day. Although the bank file is received the next day (or the day after), the payment does not reach our bank account for several days. Financial information at paragraph 8 indicates the cash flow cost of these delays.

2.3 The bulk of our cash payments are for council tax, and this report focuses on handling these payments. For other payments (for example sundry debt accounts) a barcoded form would need to be provided which could be read by the alternative payment providers.

3 MEETING THE COUNCIL'S AIMS

3.1 In considering the effects of ceasing to take cash payments, the following aims from Growing Success are considered.

Access

Enabling people to have access to services. By opening up the service provision to include Post Offices and other payment handlers, people will be able to access this service where it suits them best.

Carbon Emissions

By enabling cash payments to be made throughout the district, the Council will contribute towards the reduction of carbon emissions by reducing the number of journeys by car to Huntingdon, St Ives and St Neots.

Sustainable Communities

Promoting the development of sustainable communities by supporting the use of local Post Offices and other facilities.

Efficiency and Finances

By developing or amending our provision we may seek to reduce costs but they may stay the same whilst offering enhanced service provision.

4 THE ALTERNATIVE SERVICE PROVIDERS

4.1 Officers have met with the three main service providers in the market and have received quotations from each of them. The number and type of service outlets is shown below.

	Post Office	Pay Point	Pay Zone
Alliance & Leicester (Post Office Girobank)	✓	✓	
Cooperative Bank	✓	✓	
AllPay Ltd	✓		✓

4.2 Pay Point and Pay Zone services are provided by retailers, usually in convenience stores or petrol stations. Typically, all the alternative payment providers take payments for utility companies, local authorities and mobile phone top ups and are known to people who tend to use cash rather than bank accounts.

4.3 We have 44 Post Offices and 21 Pay Points in the District. There are no details available of Pay Zone outlets in Cambridgeshire.

5 CURRENT SERVICE PROVISION

5.1 The three cash offices currently undertake other duties apart from taking payments. For St Ives and St Neots, approximately 30% of their time is spent handling cash. For Huntingdon, only 10% of their time is spent handling cash.

5.2 If cash payments are moved so that customers can pay cash elsewhere, and the Council decides to stop accepting cash at the cash offices, then the following amount of capacity is created.

	Staff numbers (FTE)	
St Neots	2 x 30%	0.6 FTE
St Ives	1.2 x 30%	0.3 FTE
Huntingdon	2 x 10%	0.2 FTE
	Total spare capacity	1.1 FTE

5.3 The spare capacity at Huntingdon will not be realised as there will be more back office work (downloading the files, balancing, reconciliation etc). This gives spare capacity at the satellite offices of just under 1 FTE.

6 PROPOSED SERVICE PROVISION

6.1 It is proposed that the customer service advisors stop taking cash payments and transfer this service to an alternative service provider.

6.2 Members should note that officers will still need to handle limited amounts of cash. For example, the canteen takings and petty cash payments for photocopies etc. Cash payments are often made at court when the Council is taking enforcement action. These payments will continue to be handled in cash.

6.3 Other types of payment (cheques, debit card etc) will continue to be handled by all three customer service centres.

7 OTHER MATTERS

7.1 As a result of not having cash on the premises, it will not be necessary to have two staff at the satellite offices at all times. To date, two staff have been retained at the satellite offices on health and safety grounds. If cash is no longer on the premises, the risk to staff is reduced and it is possible to have only one member of staff on duty at quiet periods. This enables the reduction in staffing numbers to be realised.

7.2 No redundancies are planned as a result of this change. Any reduction in staffing numbers would be achieved through natural wastage and only when the new procedures are fully implemented. This will involve a 'crossover' period of about six months (where alternative payment handlers are established, but cash payments are still handled at the Customer Service Centres). Should this change be approved, a paper will be prepared for ELAG and Employment Panel.

7.3 The cash payment cards will only be available to customers who pay by cash and not as a general facility for other payers. This is to keep transaction costs within planned estimates.

7.4 As well as offering many more payment locations, the proposed changes enable the introduction of a more open plan customer service environment, assist St Neots Town Council with their plans to adapt the office space at the Priory Centre and allow flexibility in seeking new accommodation in St Ives.

7.5 The cost of communicating the new procedures to customers will be provided from within existing budgets.

8 FINANCIAL IMPLICATIONS

- 8.1 The annual cost of an alternative payment provider handling cash is approximately £21k based on a sampling of existing cash transactions and assumed transactions of 40,000 per year. This will vary by £4.4k for a variation of 10,000 transactions. There is also a loss of interest on cash flow, as the cash reaches the Council's bank later, of between £2k and £7k depending on the provider appointed. £2k has been assumed for this report.
- 8.2 It has been assumed that payments will be made to the new providers as quickly as they would have been paid to the Council.
- 8.4 The cost of 0.9FTE of a cashier is in the region of £18k (including NI and pension).
- 8.6 Initial set up costs are £3k for the issue of cards. Set up of the feeder from the data file provided by the provider to the Council's systems is expected to be straightforward as it mirrors the existing process used for bank records and can be achieved from within existing staff time. Initial set up of barcode generation is expected to be straightforward but may require some consultancy time and in house support. To allow the new service to settle in, both with customers and operationally, there will be a transitional period of three months before the staff saving can be achieved which will result in a one-off additional cost of £4.5k.
- 8.7 The extra costs will be offset by potential reductions in property costs and anticipated reductions in the volume of transactions. Until that time they will need to be the first call on further corporate savings.
- 8.8 The table below, based on July 2007 commencement, summarises the position and highlights that there will be no long term additional cost if transactions fall to 30,000 per year:

	2007/08			2008/09 onwards		
	£000	£000	£000	£000	£000	£000
Transaction volume>>>	30,000	40,000	50,000	30,000	40,000	50,000
Payments to provider	12	16	20	16	21	26
Loss of interest	2	2	2	2	2	3
Start-up costs	3	3	3	0	0	0
Staff savings	-9	-9	-9	-18	-18	-18
Net Cost	8	12	16	0	5	11
Funded from						
First call on further corporate savings identified pending property savings.	8	12	16	0	5	11

9. RECOMMENDATIONS

That members:

- approve the proposal to stop handling cash (notes and coin) payments at the three customer service centres at an appropriate time and
- authorise officers to select a payment provider to handle cash payments
- note that the net cost will be the first call on additional underspendings and savings.

Contact officer

Julia Barber
Head of Revenue Services
01480 388105