



# East Northamptonshire Council

## Policy and Resources Committee - 9 December 2009

### Proposals for changes to Cash and Cheque Payment Arrangements

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#### Summary

This paper outlines the benefits to both customers and the Council of diverting cash and cheque payments from current in house collection through alternative methods.

#### Attachment(s)

Appendix A - Volume of payments analysed by type and service area

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#### 1. Introduction

- 1.1 Currently cash paid at council venues account for 6% of all customer payments, with 77% of cash payments being taken for council tax and National Non Domestic Rates (NNDR). A further 13% of cash payments are in relation to concessionary travel. Bank charges associated with processing of in-house collection of cash payments are estimated at £11,000 in 2008/9.
- 1.2 Cheques currently account for 8% of all customer payments, with 72% of cheque payments being taken for council tax and NNDR. A further 10% of cheque payments are in relation to licensing and 3% each for planning and land charges. Bank charges associated with processing of in-house collection of cheque payments are estimated at £15,500 in 2008/9. (A full breakdown of current payments by method and service area can be found at Appendix A).
- 1.3 Many other councils have recognised that generally moving customers away from payment for council services, including council tax, by cash or cheque has both financial and service improvement benefits. The former arises mainly from savings in staff processing time costs and bank charges, the latter from the ability to offer more flexible face to face services as the security required for cash handling is no longer necessary.
- 1.4 It is not possible or desirable to remove the ability of customers to pay by cash or cheque for council services at this time. However savings can be made by the council by reducing the overall volume of payments made by cash and cheque, and then by channelling the remaining cash or cheque payments away from payment at council venues to alternatives such as banks and post offices. At present cash and cheque payments are accepted at the three customer services locations in Oundle, Rushden and Thrapston. A range of banks and post offices exist in these towns which are probably more convenient in some cases for customers to pay in cash or cheques than our offices.
- 1.5 There are three elements of cost processing associated with acceptance of payments from customers
  - taking the payment from the customer - either face to face or via telephone (mostly staff time)
  - processing payment into our accounts – some methods pay directly into the bank account & ledger, others require manual interventions (staff time and/or transaction charges)
  - collection and security of cash and cheque payments from council venues to the bank (This contract currently costs £9,600 per year.)

- 1.6 At ENC customer payments are made through the customer services function (i.e. we no longer have dedicated cash hall facilities or staff.) Stopping payments by cheque or cash at council venues will not therefore provide any further significant savings in staff time unless and until the process is as automated as possible.
- 1.7 Currently cheque payments require manual processing into the accounting system. It is therefore desirable to eliminate these, as well as cash, as soon as possible. Most supermarkets and some other shops have already stopped accepting cheques and it is understood that the major banks are considering the withdrawal of cheques, possibly as soon as 2018.
- 1.8 However the immediate priority should be for removal of cash payments at Council premises as these attract the highest overall staff, security and banking costs.

## **2.0 Cheapest Payment Options**

- 2.1 The cheapest methods of accepting payments from customers for council services are those in which the customer transaction requires minimal/no staff intervention and which feed directly into the accounting system. There are currently three such methods as follows:
  - 2.1.1 Direct Debit – most suitable for regular payments such as council tax. Currently 73% of Council Tax and Direct Debit payments are made this way. However experience at other councils suggests that 80% direct debit take up rates are achievable after targeted marketing campaigns. For an average band D council tax payer this would save between 49p & £5 per annum depending upon current payment method. The council would save a minimum of £4,300 per annum in bank charges if we could reach that level of Direct Debit take-up. There is a lower default rate on payments by direct debits than other payment methods, thus reducing the time spent on debt collection.
  - 2.1.2 Pre-printed Bank Giro Credit slips paid in bank or post office - there are Barclays Bank branches at Thrapston, Oundle and Rushden i.e. the locations of our current payment outlets. There is no charge to customers for using this service at these branches. People will be able to pay at other banks and the Post Office but they may be charged at some outlets, particularly if these are not their own branch. The bank processing cost to the council is 15p per transaction, which is less than alternative All Pay transaction costs (approx 49p). There will be some small additional printing cost for the slips. Payments made this way (rather than cash or cheque paid face to face or posted to us) would cost 10p more per transaction in bank charges but save significantly more in staff time in processing the payment to our ledgers and preparing the payment for banking.
  - 2.1.3 Automated telephone or internet payments – this method is the best replacement for cash or cheques in terms of payment for those one-off services where no physical intervention is required at the time of payment by either the customer or council, such as on-line submission of planning applications and on-line requests for service. The banking cost per transaction is higher than cheque or cash at 86p per transaction (which will reduce to 39p as the volume of such payment grows) but there are no staff costs in taking the transaction or processing it onto the ledger.

## **3. Proposed Approach 2010/11 & 2011/12**

- 3.1. Council Tax/NNDR for 2010/11
  - Targeted Telephone/postal Direct Debit Take Up campaign run by Customer Services (using MOSAIC data to target appropriate route for each household) to be run between mid Dec 2009 and Feb 2010. The aim is to increase direct debit take up to 80% (which represents 76% of all payments)
  - For those who decline to take up direct debit, Bank Giro Credit slips will be

produced together with information on where to find the Barclays Bank branches where these could be paid in for free (with a warning that other outlets might charge). This would build on the recent change of behaviour from posting cheques to the council to paying in at banks during the postal strike.

- No cash will be taken at any council venue from 15/3/010– alternative payment arrangements will be available for cash and cheque at other outlets and cheques or card payments for services at council offices.
- Exception to be made for Concessionary Fare Road shows for 2010/11 only to take cash (as no additional cost to council under the current cash and cheque collection contract)

3.2 It should be noted that the timetable for implementation of this approach is tight for the appropriate awareness and switching campaign is to be implemented. We will also work with appropriate user groups such as Age Concern and CAB to make them aware of the proposed changes.

3.3 The Take-Up campaign would be repeated for 2011/12 followed by a review in January 2011 as to when cheque payments should be stopped

3.4 In May 2011 we propose to carry out a review of the cash and cheque collection contract and the staff costs associated with the processing of cheque and cash payments. The former should reduce costs by £9,600 per annum whilst the latter will depend upon the ability to combine staff duties to reduce overall hours.

3.5 In addition the Fees and Charges regulations should be amended for all council services (not just Council Tax and NNDR related payments as at present) to pass on to the customer the handling charge of 1.8-2.3% for payments by credit card.

#### 4. Summary

4.1 Reducing the overall number of cash and cheque payments by increasing direct debit take-up and diverting the remaining cash and cheque payments to banks or post offices is estimated to produce the following minimum savings:-

- 2010/11 - £2,500 in bank charges
- 2011/12 - £1,800 in bank charges
- 2012/13 - £9,600 from cash and cheque collection contract plus staff savings arising from review of functions.

#### 5. Recommendations

5.1 Members are asked to agree the actions outlined in Paras 3.1 and 3.3 - 3.5 to divert customers away from cash and cheque payment at council venues over the next two years.

<b>Implications:</b>		
<b>Corporate Outcomes or Other Policy/Priority/Strategy</b>		
Good Quality of Life	<input type="checkbox"/>	Good Reputation <input type="checkbox"/>
Good Value for Money	<input checked="" type="checkbox"/>	High Quality Service Delivery <input type="checkbox"/>
Effective Partnership Working	<input type="checkbox"/>	Strong Community Leadership <input type="checkbox"/>
Effective Management	<input checked="" type="checkbox"/>	Knowledge of our Customers and Communities <input type="checkbox"/>
Employees and Members with the Right Knowledge, Skills and Behaviours		<input type="checkbox"/>
<b>Other:</b>		<input type="checkbox"/>
Decision(s) would be outside the budget or policy framework and require full Council approval		<input type="checkbox"/>
<b>Financial</b>	There are no financial implications at this stage	<input type="checkbox"/>
	There will be financial implications – see paragraph 2.1.2	<input checked="" type="checkbox"/>
	There is provision within existing budget	<input checked="" type="checkbox"/>

	Decisions may give rise to additional expenditure at a later date	<input type="checkbox"/>
	Decisions may have potential for income generation	<input type="checkbox"/>
<b>Risk Management</b>	An assessment has been carried out and there are no material risks	<input type="checkbox"/>
	Material risks exist and these are recorded at Risk Register Reference - inherent risk score - residual risk score -	<input type="checkbox"/>
<b>Staff</b>	There are no additional staffing implications	<input checked="" type="checkbox"/>
	Additional staff will be required – see paragraph	<input type="checkbox"/>
<b>Equalities and Human Rights</b>	There will be no impact on equality (race, age, gender, disability, religion/belief, sexual orientation) or human rights implications	<input checked="" type="checkbox"/>
	There will be an impact on equality (see categories above) or human rights implications – see paragraph	<input type="checkbox"/>
<b>Legal</b>	Power: S111 Local Government Act 1972	
	Other considerations: Specific guidance on collection of Council Tax and NNDR	
<b>Background Papers:</b>		
<b>Person Originating Report:</b> Sharn Matthews & Mark Lovell, Executive Directors		
<b>Date:</b> 24/11/09		
<b>CFO</b>		<b>MO</b>
		<b>CX</b>

(Committee Report Normal Rev. 19)

## Appendix A

**Current Payment Methods by Service Area**

<b>Section</b>	<b>Bank Giro credit Slip</b>	<b>Cash</b>	<b>Cheque</b>	<b>Credit/ Debit Card</b>	<b>Direct Debit</b>	<b>Automated payment via Internet/ telephone</b>	<b>Total</b>
Council Tax	33411	15273	18157	1901	227120	14020	309882
NNDR	2798	298	1622	17	11691	250	16676
Concessionary Fares	2	2634	210	187		1	3034
Licensing Unit	26	145	2669	30		48	2918
Sundry Debtors	488	54	1340	12		130	2124
Waste Management	8	359	567	81		1069	2084
Land Charges	120	139	904	50			1213
Housing Benefit over payments	621	213	232	16		109	1191
Merchandising		1028	1	26			1055
Planning		48	807	22		4	881
Building Control		23	734	14		11	782
Environmental Services	1	92	218	16		232	559
ICT		8	12	16			36
Corporate Services		8	12				20
Mortgages	12						12
Elections		2	8				10
Legal Services	1	1	4				6
<b>Total</b>	<b>37488</b>	<b>20325</b>	<b>27497</b>	<b>2388</b>	<b>238811</b>	<b>15874</b>	<b>342483</b>