



Leicester
City Council

Overview and Scrutiny Management Board
Cabinet

9th December 2009
14th December 2009

EXTERNAL CASH COLLECTION FACILITIES

REPORT OF CHIEF FINANCE OFFICER

1. PURPOSE OF THE REPORT

- 1.1 This report provides members with an update of the use being made of the external cash collection facility by customers since it became operational in April 2009 and proposes to extend this facility beyond Council Tax, Business Rates and Housing Rents to other sources of income.

2. BACKGROUND

- 2.1 In March 2008, members agreed to the procurement of an external cash collection facility to increase the range of opportunities for customers to pay Council Tax, Business Rate and Rent payments to around 200 outlets within Leicester and its immediate vicinity. The external cash collection facility also gives customers a wider choice of times to make their payments due to the extended opening hours of these outlets.
- 2.2 The facility was targeted to those customers who made payments to the Neighbourhood Housing Offices and /or the central cash office previously situated at Welford House, now housed in New Walk Centre, 'A' block. In 2008/09 the total collected at these establishments was as follows:

Table 1	Council Tax		N.N.D.R.		Housing Rents		Total	
	£000	No of Transactions	£000	No of Transactions	£000	No of Transactions	£000	No of Transactions
NHO	14,416	185,342	1,331	5,658	16,349	259,203	32,096	450,203
Cash Office	7,320	73,377	11,979	12,524	2,402	32,034	21,701	117,935
Total	21,736	258,719	13,310	18,182	18,751	291,237	53,797	568,138

- 2.3 The Council's preferred method of payment is direct debit, but this is not possible for all types of payments and there will always be customers who will elect for alternative methods of payment. This facility targets them.

2.4 The external facility was seen to offer greater choice for the customer i.e. more locations for cash collection and extended opening hours in some locations and at a lower cost per transaction than the Neighbourhood Housing Offices and central cash office.

3. SUMMARY

3.1 The extended cash collection facility selected was PayPoint. PayPoint operates across 152 sites within the City including 48 post offices.

3.2 The table below shows the amount collected between April and September 2009 through PayPoint and at our Neighbourhood Housing Offices and the central cash office, compared to the corresponding period in 2008.

Table 2	Council Tax		N.N.D.R.		Housing Rents		Total	
	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000
NHO	8,805	5,958	806	555	8,472	6,004	18,083	12,517
Cash Office	4,527	2,948	7,566	9,022	937	804	13,030	12,774
PayPoint	-	1,506	-	69	-	1,454	-	3,029
Post Office	-	1,954	-	149	-	1,127	-	3,230
Total	13,332	12,366	8,372	9,795	9,409	9,389	31,113	31,550

3.3 It can be seen that the level of payments is broadly the same over the two years as at the end of September. However, £6million has been collected through the external cash collection facility (PayPoint, including post offices) during 2009 with a corresponding reduction collected through the NHOs and the central cash office and this would suggest that the facility is popular with customers. It would also seem appropriate to extend this to other sources of income.

3.4 Table 3 below shows the level of transactions at each of these facilities for April – September 2009 and for the corresponding period in 2008.

Table 3	Levels of transactions April – September 2008/2009							
	Council Tax		N.N.D.R.		Housing Rents		Total	
	2008	2009	2008	2009	2008	2009	2008	2009
NHO	115,928	73,895	3,504	2,484	138,508	97,162	257,940	173,541
Cash Office	45,266	26,239	7,707	5,861	12,456	9,637	65,429	41,737
PayPoint	-	21,438	-	679	-	25,701	-	47,818
Post Office	-	23,694	-	636	-	19,459	-	43,789
Total	161,194	145,266	11,211	9,660	150,964	151,959	324,369	306,885

3.5 There appears to be a direct correlation between the level of transactions for the external cash collection facility (almost 92,000) with a similar reduction in the number of transactions at the NHOs and the cash office. There has also been a reduction of over £6 million of Council Tax and Housing Rents collected at the NHOs and central cash office, though interestingly there was an increase of almost £1.5 million in NNDR collected at the central cash office.

- 3.6 The transaction costs of the external cash collection facilities are 40p for PayPoint and 45p for Post Offices, which compare favourably to the internal cash offices which are 63p per transaction for NHOs and 62p for central cash office. The costs of transactions reduce even further once the level reaches 100,000 per annum. There is, however, an additional cost for the external cash collection facilities which is due to the cash collected being held by the external provider for at least one day longer than cash collected through the internal cash offices. It is anticipated that based on the current bank interest rate of 0.5%, for every £1,000 paid, the cost to the Council will be 1p (In September 2007, the prevailing bank rate was 5.75% - for every £1,000 paid, the Council would have been 16p).
- 3.7 In addition to the savings, many people paying cash will have had to travel by bus or car to their nearest cash office. The increase in the number of payment outlets means that more people are able to walk to their nearest payment outlet. This will reduce CO₂ emissions.
- 3.8 The Council can also be seen to be supporting small businesses, providing additional footfall and possibly other purchases being made as a result of using PayPoint.
- 3.9 It is clear, even at this early stage, that the external cash collection facility is having a considerable impact on the current facilities (i.e. NHOs and central cash office) offered by the council, both in terms of the reduction in the number of customers paying at these premises and a reduction in the amounts collected. If this service is to be expanded to cover other forms of income then there is likely to be an even bigger drop in numbers and amounts collected. An analysis of the impact of the new facility on individual premises is being carried out which will enable members to consider the future role of these facilities.

4. CONCLUSION

- 4.1 The external cash collection facility provides a greater number of facilities and extended opening hours and is a lower cost per transaction to the Council.
- 4.2 The external cash collection facility has proved to be very popular. Between April – September 2009 £6,259,000 has been collected through this facility in respect of Council Tax, Housing rent and NNDR with very little difficulty.
- 4.3 The trial can be considered a success and consideration should be given to extending the service to other forms of income.
- 4.4 The introduction of the facility has had an impact on the central cash office and the NHOs and the future of the current facilities needs to be considered in more detail.

5. RECOMMENDATIONS

5.1 Cabinet are recommended to:

- a) confirm the continuation of the external cash collection facility and
- b) approve the extension of this means of payment to other types of income
- c) commission a further report to consider the future of the Neighbourhood Cash Offices in the light of the experience of Paypoint.

5.2 Overview and Scrutiny Management Board are asked to give its comments to help inform Cabinet's decision.

6. Financial Implications

6.1 This report is exclusively concerned with financial issues.

7. Legal Implications

7.1 There are no legal issues.
(Peter Nicholls, Director of Legal Services, x 29 6302)

8. Other Implications

Other Implications	Yes/No	Paragraph References
Equal Opportunities	No	
Policy	No	
Sustainable & Environment	No	
Crime & Disorder	No	
Human Rights Act	No	
Elderly people on low income	No	

9. Consultation

Housing Services

Revenues and Benefits

10. Report Author

Name Steve Charlesworth
Job Title Head of Strategy and Development
Extension 29 7495
Email steve.charlesworth@leicester.gov.uk

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)