



Leicester
City Council

WARDS AFFECTED: ALL WARDS

Cabinet

17th September 2007

Procurement of External Cash Collection Facilities

REPORT OF THE CORPORATE DIRECTOR FOR ADULTS AND HOUSING

1. PURPOSE OF REPORT

- 1.1 This report proposes that the Council tender for the procurement of an external cash collection facilities to increase the range of opportunities for customers to pay Council Tax, Business Rates, and Rent payments to around 400 outlets within Leicester and its immediate vicinity during extended opening hours.

2. SUMMARY

- 2.1 This report highlights the potential benefits to customers and the possible impact on local cash offices, which forms part of the functions carried out at the Neighbourhood Housing Offices.
- 2.2 Long term it may be possible to close the cash office function at the Neighbourhood Housing Offices and to reduce the cashiering facility at Welford House. However, the local Neighbourhood Housing Offices could be enhanced or reconfigured to provide a greater range of services to local tenants and residents, rather than collecting monies, which could be achieved by more efficient methods. The co-location of other services would contribute to the localism agenda and provide support for the implementation of the ward committees.
- 2.3 The report also details the decline in cash payments (rents) over the last 10 years and an increased take-up of Direct Debit. Customers are keen to have a range of payment methods, which are convenient, local, and easily accessible and offer both electronic means of payment as well as traditional cash payment facilities.
- 2.4 Many people paying cash have to travel by bus or car to their nearest cash office. An increase in the number of payment outlets will mean more people will be able to walk to their nearest payment outlet. This should reduce CO² emissions.

3. **RECOMMENDATIONS**

3.1 Members are recommended to agree:

- a) To refer the matter to the relevant Task Group to explore the implications of introducing an external payment facility, including the likely impact it will have on the Cash Offices at the Local Neighbourhood Housing Offices.
- b) Also for the Task Group to contact other Local Authorities using the scheme to determine the benefits it has had on tenants and tax payers using the system and to identify the impact on local Cash Offices and on the Council's overall balances and money management systems.

4. **REPORT**

4.1 The number of households paying Council Tax for 2006/7 was 122,675, with over 11,000 paying Business Rates (NDR) in the City. The Council also manages approximately 22,200 Council Tenancies, with many being on low income and approximately two thirds are on full or partial housing benefit. The breakdown of the Council tenancies by estate is attached in **Appendix 1**. This also outlines the number of tenancies preferring to pay by cash. (This does include applicants on full and partial Housing Benefit)

4.2 The Council aims to collect £93m Council Tax, £64m Rent and £92m Business Rates. The ability to offer our customers a range of payment facilities, particularly outside of normal working hours, will assist in collection rates and improve performance. In the last 5 years the improved collection of Council rents has seen the Authority progress from being in the bottom quartile of Unitary Authorities, to being in the top quartile of performing authorities. (A Best Value indicator (66a) which is the % of rent collected as a proportion of the total gross debit measures the performance).

Year	% Collected (BV 66a)	Performance
2002/3	94.74%	Bottom Quartile
2003/4	96.48%	
2004/5	97.39%	
2005/6	98.59%	
2006/7	98.50%	Top Quartile

4.3 Currently the Council operates fifteen decentralised Cash Offices and one Central Cash Office at Welford House. Three of the Cash Offices are satellite offices. The Cash Offices are not solo offices and remain part of a local Neighbourhood Housing Office, delivering decentralised services to the neighbourhood. Three of the local Neighbourhood Housing Offices have co-located staff from the STAR (Supporting Tenants and Residents) Service. The majority of the Cash Offices open from 8.45 am to 4.30 pm Monday to Thursday, and from 8.45 am to 4.00 pm on a Friday. Some offices open on a Saturday and this is usually between 9.00 am and 12.30 pm. The Cash Offices are designed to allow two cashiers to continually take transactions at each office. However, most cash offices only operate with two cashiers during peak periods, which are usually on a Monday and Friday and at the end of a month, which leads to long queues and can deter people from paying. By contrast, external cash collection agents offer longer opening times and are open at weekends.

4.4 In 2006/07, 528,975 transactions totalling approximately £33.5 million were collected in Council Tax, Business Rates and Rent at the local Neighbourhood Housing Cash Offices. In addition to this a further £16m was paid at the Cash Office at Welford House. Therefore, the introduction of an external cash collection facility will impact on the present collection facilities. **Appendix 2** details the total collected in 2006/7 by payment type.

4.5 **Appendix 2a** confirms the total amount collected by each Cash Office by payment type. In brief:

a) The Cash Offices that collected the least rents in 2006/07 were:

Charnwood NHO	£153,000 per year (3888 transactions)
Netherhall NHO	£281,000 per year (5647 transactions)

b) The Cash Offices that collected the least Council Tax in 2006/07 were:

Braunstone North NHO	£238,000 per year (5655 transactions)
Netherhall NHO	£241,000 per year (4418 transactions)

Appendix 2b then confirms the total amount collected in 2006/07 by the Council as a whole for Rents, Council Tax and Business Rates.

4.6 As **Appendices 3 & 3a** confirm, during the last 10 years, the overall trend in rent payments at the Neighbourhood Housing Offices confirms a reduction in transactions, and in value from £18 million to £15 million. This is due to more and more customers choosing other convenient methods of payment such as direct debit, rather than travelling to a Cash Office to make a payment.

4.7 Although the value of Council Tax cash transactions at the local Neighbourhood Housing Offices has increased from £9.5 million to £16.4 million, this does not take into account the yearly increase in the gross debit charged to our customers. However, in the last 3 years Council Tax cash transactions have actually reduced in value from £16.7million to £16.4million. (**Appendices 3 & 3a**).

4.8 During this period the Authority has introduced a range of payment methods to assist customers to pay by more convenient means, and to ensure they manage any debt more effectively. This has included the promotion and introduction of payments by Direct Debit, Credit and Debit Card, automated telephone payment, Internet and Intranet. It is in this context that Cabinet is requested to consider further extending the range of payment options by using external cash collection facilities.

4.9 The value of Direct Debit payments for rent in the last 10 years has increased from £1.4 million to £2.7 million (**Appendices 3 & 3a**). During the past 5 years the percentage of Direct Debit payers for Council Tax and NNDR were:

Year	Council Tax	NNDR
2003-04	39.9 %	51.2 %
2004-05	44.6 %	51.5 %
2005-06	44.6 %	51.5 %
2006-07	44.3 %	49.6 %
01/07/07	46.1 %	51.6 %

*This is always reported as a % of the current year's accounts with a debt

- 4.10 In summary, Council Tax Direct Debit payers have increased year on year reflecting the success of take up campaigns and general customer preference for more electronic methods of payment. Business Rates direct debit uptake remains largely static, mainly due to many of the larger retail outlets preferring to pay by BACS, which is another electronic method as efficient as direct debit.
- 4.11 The Council also introduced automated (digital) telephone payment facilities in September 2005 and again this has proved a huge success for our customers. The number of transactions taken over the same period since September 2005 is as follows:

Year	Council Tax	NNDR	Rents
2006-06	7,110	145	234
2006-07	22,400	884	1,431
1/4/07-31/7/07	10,091	315	711

Again this evidences the increase in customers preferring to choose more convenient methods of payment.

- 4.12 The number of outlets that will be made available by external cash collection agencies will vary between the three main suppliers (Co-op, Allpay and Alliance and Leicester). The maps at **Appendices 4, 5 and 6** highlight the outlets offered by each supplier, which have been superimposed onto the Council Housing estates, Ward Boundaries and the local Cash Offices. The scale of the map is 1mm to 0.4 km. In brief, Allpay pay-point facilities offer more outlets for our customers, whereas Alliance and Leicester will offer the least number of outlets to our customers.
- 4.13 The maps in **Appendices 7, 8, 9, 10 and 11** outline the exact location of each outlet, including the Cash Offices and the relative distance that a customer would have to walk. **Appendix 11** highlights all outlets to a square ratio of 0.4 km. The 'white areas' in **Appendix 7** highlight all the areas of the City that exceed 18 minutes walking distance to visit a Cash Office. This needs to be compared to **Appendix 8** and the fact that the number of outlets offered by Allpay will mean that the vast majority of the City has a payment facility which is 18 minutes or less walking distance. With 267 outlets in the City alone, Allpay offers the greatest choice for our customers, offering outlets close to main shops in the locality and petrol stations.
- 4.14 The total amount of households in the City per Ward and the respective number of outlets in that Ward is shown in **Appendix 12**.
- 4.15 The department currently employs approximately 15 Tenancy Services Officers (Scale 2/3) to operate the Cash Offices. However, this varies depending upon the demand for the service.
- 4.16 As part of the requirements of the Key Lines Of Enquiry and as recommended by the Audit Commission, the department undertook a unit cost analysis of all transactions taken at the Cash Offices, in particular the processes involved in the collection, recovery and management of Council rents. The Unit Cost calculation report is attached as **Appendix 13**, but in brief the cost of a cash transaction at the Cash Offices is 86p compared to the cost of transaction at the external cash collection agencies estimated at 40p to 45p.
- 4.17 The current proposals are that existing Cash Offices and external Cash Collection facilities run concurrently. This will offer greater choice for our customers by

increasing the number of outlets where they can pay. However, over a period of time, if our customers choose the latter as their preferred payment outlet, it would reduce the number of transactions taken at the Cash Offices. This will therefore necessitate the need to review the financial viability of continuing to open some of the Cash Offices. However, partial closure of offices will not necessarily achieve savings, other than actual staff reductions, as all the other overheads will still remain except recharges at Welford House and Securicor.

- 4.18 Ultimately the Cash Office functionality at the Neighbourhood Housing Offices could cease, with savings on staffing costs being made to the Housing Revenue Account (HRA). Alternatively cashier staff could be used to support other aspects of our front line services delivery, including the realisation of the localism agenda as well as contributing towards the Neighbourhood Working Strategy of decentralising 30% of staff from the City Centre. The local housing offices without a cash office could still provide housing advice as well as general advice as occurs at present at Saffron and New Parks. It would also mean easier rationalisation of local services and buildings without the need to cater for the higher, and more expensive, security requirements of a cash office.

5. **CONCLUSION**

- 5.1 Potentially the introduction of external payment facilities will offer greater choice to the customer (i.e. more locations for cash collection and extended opening hours in some locations). Current proposals do not consider the closure or reconfiguration of any local Cash Office and if this option was to be considered in the long term, then this should be done on the basis of a clear Business Case.

6. **FINANCIAL, LEGAL & OTHER IMPLICATIONS** - Steve Charlesworth Head of Financial Strategy Ext 29 7495)

- 6.1 There are a number of financial implications associated with this project, including:
- a) Initial set up costs (including ensuring compatibility with existing in house I.T. systems and banking configuration)
 - b) Cost per Transaction.
 - c) Loss of interest on monies collected by the external collection agency offset by reduced arrears by customers.
- 6.2 As confirmed at 4.16, the cost of a cash transaction is 86p, compared to an estimated cost of 40p – 45p from an external cash collection provider. The cost to the Council from reduced interest on balances will be affected by three main factors – the number of transactions customers make, how long any negotiated contract agrees the external cash collection agency keeps the funds in their bank account, and the bank interest rate. As these factors can vary, a precise cost to the Council is hard to define, however it is anticipated that based on the current bank interest rate of 5.75%, for every £1,000 paid, the cost to the Council will be 16p. Initially, these additional costs will have to be met by the Council. In the longer term, these costs could be offset by savings made as a result of a potentially significant reduction of the number of transactions paid through the various Council Cash Offices.

7. **LEGAL IMPLICATIONS**

- 7.1 Details awaited from Legal Services.

8. **OTHER IMPLICATIONS**

Other Implications	Yes/No	Para within supporting papers	References
Equal Opps Policy	Yes	9.1	
Sustainable & Environmental Crime and Disorder	No	10.1	
Human Rights Act	No		
Details of Consultation	Yes	16.1	
Elderly/People on low income	Yes	14.1	

9. **EQUAL OPPORTUNITY IMPLICATIONS**

9.1 There are no direct Equal Opportunity implications associated with this report.

10. **SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS**

10.1 The reduction in travel time and costs for customers will reduce the impact on emissions on the environment.

11. **CRIME AND DISORDER**

11.1 There are no direct crime & disorder implications associated with this report.

12. **HUMAN RIGHTS ACT**

12.1 There are no direct Human Rights Act implications associated with this report.

13. **AIMS AND OBJECTIVES**

13.1 The aim of the Adults & Housing is to provide independence, decent homes and safe communities.

14. **ELDERLY PEOPLE ON LOW INCOMES**

14.1 The increased number of outlets will assist the elderly by potentially reducing the length of journey they have to undertake to make payment. Again, people on low incomes will benefit from improved choice.

15. **BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

15.1 Co-op, Allpay and LCC financial information

16. **DETAILS OF CONSULTATION**

16.1 Adults and Housing Directorate, Corporate Directors Board, Cabinet Briefing, Revenues & Benefits & Resources senior officers.

16.2 Leicester Money Advice has been consulted on the proposal to introduce additional payment facilities. The organisation has endorsed the potential availability of several hundred additional payment outlets across the City. They have also commented on

how useful the additional facilities will be as a number of their customers rely on a 'cash economy' and therefore see extra outlets that accept cash as highly beneficial.

17. REPORT AUTHOR/S

17.1 Suki Supria Ext 29 6806 suki.supria@leicester.gov.uk

17.2 Steve Brockington-Brown Ext 38 7571 [steve.brockington-brown @leicester.gov.uk](mailto:steve.brockington-brown@leicester.gov.uk)