

Report of: Finance and Asset Management
Business Manager

To: Finance and Overview Scrutiny - 8th March 2006
Executive Board - 13th March 2006

Date: 17 February 2006 **Item No:**

Title of Report : Review of cash office functions

Summary and Recommendations

Purpose of report: This report sets out how we might change our cash office functions. The intention is to provide a better (but very different) service at significantly lower cost.

This proposal should deliver one of the corporate service's planned "big savings" (2007-8).

Key decision: No

Portfolio Holder: Cllr Alex Hollingsworth and Cllr Dan Paskins

Scrutiny Responsibility: Finance

Ward(s) affected: All

Report Approved by: Jeremy Thomas - Legal and Democratic Services
Anne Marie Scott - Human Resources
Councillors Hollingsworth and Paskins

Policy Framework: None

Recommendation(s): That Executive Board:

1. Endorses the approach and conclusions from the options appraisal.
2. Authorises Officers to take forward the detailed planning work on the basis of closing the existing cash office and delivering those functions in a different way.

Context

The big savings agenda

1. The 2005-6 budget included a set of proposals for big spending and savings. The intention was that the Council would transfer resources to areas of greatest priority by looking imaginatively at how we provide existing services.

The challenge for corporate and support services

2. Support services were tasked with achieving £100,000 savings in 2006-7 and a further £100,000 in the following year.
3. We achieved the £100,000 saving for 2006-7 by replacing our Internal Audit function with KPMG, we judge this will also improve quality in this area.

Planning for the savings for 2007-8

4. Making these sorts of major savings needs a lot of pre-planning. This report deals with how we could make savings in 2007-8 (over a year from now).
5. The Strategic Director and Finance Business Manager reviewed services across the different Corporate Services Business Units. One area stood out where we might deliver better services at lower cost; this was our cash office (also called the Parking and Payments Shop). This is because handling cash (as opposed to electronic payments) is both expensive and requires extra security.
6. Moreover:
 - a. Many of the services provided through the Payments and Parking Shop are non-core activities (e.g. collecting parking fines for the County Council);
 - b. The premises occupy a prime city centre location that would offer the potential for attracting significant rental income or a capital receipt;
 - c. We can't progress the long-term plans for Town Hall redevelopment with the cash office in its current location.

The service

7. The main purpose of the cash office is to enable customers to make payments for Council Tax, housing rents, business rates, and other debts due to the Council.

8. The cash office also does a series of “back office” tasks and work for the County Council. These activities are shown in Appendix A. If the cash office was not there we would still have to do most of the back office tasks.
9. The Payments and Parking Shop is open Monday to Friday 8.30 a.m. to 6p.m. daily and on from 9 a.m. to 6 p.m. on Saturdays.
10. The facility is popular with users, with the volume of customers using the office remaining stable over the last 3 years. We have had positive feedback from surveys of cash office users.
11. We have reviewed the service costs using the CiPFA benchmarking club. This shows the costs of the cash office are about average, and in some cases slightly less expensive than equivalent operations elsewhere. The benchmarking results are shown in Appendix B and explored later in this report.

What it costs

12. It costs £390,000 a year to provide the cash office function. Wage costs account for £202,000 of the total with most of the remainder made up by supplies and services.
13. The service generates around £120,000 of external income, nearly all of this is from Oxfordshire County Council.
14. The service funds £70,000 of overheads (e.g. for its computer systems) and recharges £270,000 (e.g. to Transport and Parking and Leisure and Cultural Services).
15. There are 7.6 (full time equivalent) staff employed in the cash office (many of the staff are part time). 3.3 (fte) work on the front-line service and the other 4.3 (fte) deal with back office functions.
16. The mix of front and back office tasks enables the staff to be kept fully occupied when there are relatively few customers, while enabling queues to be kept as short as practical at busy times.
17. The cash office occupies a valuable city centre site. Asset Management estimate it would, if let, generate around £100,000 rent income a year. If sold it would generate a capital receipt of over £1 million.

How these costs compare

18. Financial and Asset Management Business Unit have been benchmarking a range of their activities using the CiPFA benchmarking clubs. The cash office benchmark results are summarised in Appendix B.

These graphs show that:

- a. The cash office cost/transaction at £1:00 is at the average for local authorities.
- b. Staff deal with quite a lot more transactions than average (i.e. the office is relatively busy).
- c. Fewer than average rents and council tax are paid through the cash office whilst more than average “sundry debtors” are collected in this way.

19. Few benchmarking exercises generate conclusive results. However the evidence suggests a well-managed service, where staff are working hard.

20. The benchmarking work also collected the typical national costs of collecting income in other ways. When we compare the cash office costs with other ways of processing payments it becomes clear that running any cash office is a relatively expensive option. The cheapest way of receiving income is through direct debit payments with post office payments (Giro) being the most expensive (though still less than the cash office).

21. Whatever the payment method, we will still have to record transactions in the Council’s systems. This process forms part of the “back office” function, the costs of which are largely the same - whatever payment method is used.

Ways of collecting money - average costs of payment

	Cost/transaction
Direct Debit	£0.11
Debit card by internet	£0.16
Payment at a bank	£0.20
Payment via “paypoint”	£0.29
Payment via “payzone”	£0.33
Payment via Post Office	£0.49

Interaction with other business units

22. Customer Services and cash office staff often deal with the same people. This is because Customer services don't accept payments and the cash office only offers limited advice. Moreover the customer services are open shorter hours than the cash office. Any re-location proposals would have to incorporate a review of opening times.

23. However we noted we could:

- a. Provide automated pay points - either in customer services or other locations (these could provide a 24 hour pay-in service).
- b. Work with nearby banks and post offices - several of which are within close walking distance and also offer longer opening hours.

24. Business systems support the different cash office computer systems whilst the automatic telephone payment system has not proved reliable. If we retain the cash office we will need to invest money and time in this area to provide better interface mechanisms and web-based transaction facilities.

25. However we noted that:

- a. Capita (who are answering telephones out of hours for Revenues) and Customer Services take payments over the telephone. The service is arguably better - as it involves speaking with a person - rather than talking to a computer.

26. Revenues and Benefits collect business rates, council tax and sundry debtor accounts. The Audit Commission recently concluded that there is a clear association between direct debit and both higher council tax collection rates and lower collection costs¹.

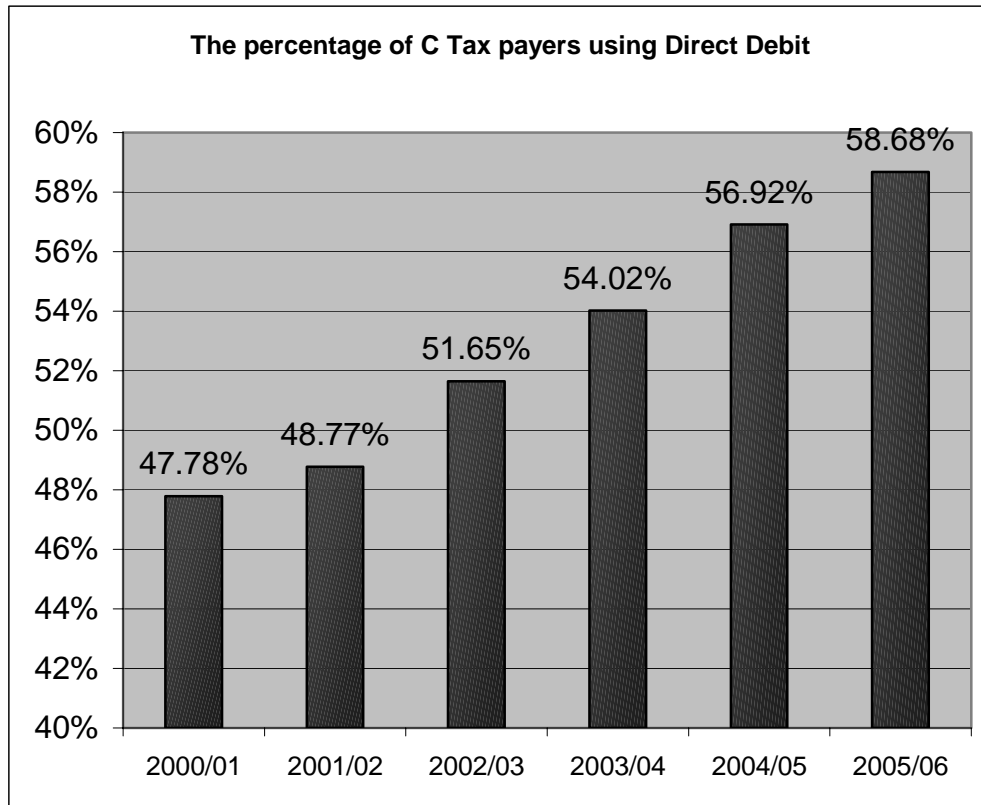
27. Crucially we also noted that:

- a. Not having a bank account is an increasingly severe social disadvantage. For example; people without bank accounts can be prey for doorstep lenders - who often charge very high interest rates.
- b. The government is increasingly only paying benefits through bank accounts. People without accounts risk being excluded from the benefit system.
- c. We bank with the Co-Operative Bank - we should use our links in this area to enable individuals to access the ethical banking sector.

28. In other words by moving away from cash payments in a *careful, planned and supportive way* - we can help the Authority achieve its broader social inclusion agenda.

¹ The costs of the cash desk in collecting and processing Council tax and other payments are recharged to Revenues and Benefits and forms part of their overhead costs.

29. Indeed Revenues and Benefits, aware of the cost and collection benefits have been steadily increasing the number of people who pay by direct debit.



30. The cash office counts and bags cash for both Transport and Parking and Leisure and Cultural Services. Cash is collected by a contractor from car park machines and from leisure and parks facilities and delivered to the counting house at the back of the cash office. Cash is counted, by machine, and collected for bulk processing by our bank.

31. We noted that:

- a. The long-term demand for this service will depend on how these services are managed. Even if we were to continue to manage all these activities in-house, we would look to reduce our dependence on cash as it is an expensive and more risky way of taking payments.

Impact on the County Council

32. The City Council carries out a number of tasks on behalf of Oxfordshire County Council – residents parking, business parking, park and ride, coach and carer's permits are issued, and penalty charges collected by the cash office.

33. Park and Ride pay and display boxes are counted in the Counting House. Closure of the Payments and Parking Shop would need appropriate

notice, (probably at least 12 months) to be given for termination of the contracts.

34. We have met with Officers from the County Council who have confirmed if Members wish to pursue this option they will then start working on their own arrangements.

Options for consideration

35. The fundamental question is whether the Council *needs* to retain a cash office facility.
36. Several local authorities no longer operate cash offices, instead offering payments facilities through local banks or the post office, and/or maximising payment by direct debit and electronic means.
37. Other authorities retain a cash office for those customers that choose to pay in person, but still encourage payment by other means.
38. If the Council decided to close the cash office, it would need to plan carefully to minimise the effect on users. One option would be to have a team who would help cash office users set up bank accounts and provide money training. In doing this we would work closely with the Citizens Advice Bureau, local money advice centres and (possibly) the Oxford Credit Union.²
39. If we did not have a cash office, Finance and Asset Management would take on the back-office functions. Back office staff would transfer across to accountancy and, whilst this would initially be cost neutral, we estimate modest savings would arise in the medium term as we simplified processes. Any saving in back office functions would be made by natural wastage.
40. In summary - Officers believe the cash office is not a core function. If we were drawing up a zero base budget we would not propose setting up our own cash office. The main reason we have been able to retain the cash office until now is because the County Council have part-subsidised its operation.

If we chose to retain the cash office

41. If the Council decides to retain an in-house cash office, the second question would then be - how best to provide it.
42. A service that provided integrated advice and payment facilities would be one solution. However:

² To note - the Strategic Director Finance & Corporate Services is vice chair of this credit union.

- a. The cash office currently opens later on in the evenings on weekdays and on Saturday 9:00 am to 6:00 pm. We would need to decide if we were to extend customer services opening times - such an option would need proper planning and would come with its own costs.
 - b. We would have to provide security in Customer Services, which would mean building work to the reception area. The costs of this security work would be significant. Given the future of St Aldates is uncertain (the offices might be redeveloped) this seems a poor use of public money.
43. A combined facility would have to be large enough and accessible to cope with the high level of footfall that both services currently deal with. A new site would require adapting and fitting out, whilst an existing one is likely to need significant redesign and enlargement with a consequent reduction in office space for other purposes. Wherever the cash office was relocated there would be the significant cost meeting all of the security requirements.
44. There are other practical operational issues about providing customer advice and cashier services from the same point (e.g. you wouldn't want to hold someone up from undertaking a one minute cash transaction, while a customer at the head of the queue has a 30 minute discussion about their benefit application).
45. On the other hand there could be efficiency gains in cashiers being able to answer common enquiries associated with the cash transaction and in providing them with access to information systems to save customers seeing two people. One could also consider non-cash transactions taking place as an incidental to an advice interview or installing ATM's for self-service payment to improve customer service.
46. Other alternatives that we have considered are:
- a. Finding new accommodation for a combined service,
 - b. Relocating other services to create sufficient space for a combined service in existing buildings,
 - c. Continuing with separate facilities until the longer term office accommodation issues are resolved,
 - d. Providing a cash office facility in partnership with another organisation, or
 - e. Contracting out the cash office service to another provider.
47. All these options have costs and disadvantages and consequently we do not recommend them. However if Members wish us to explore one or more options we could do so at this point.

Risks

48. All the options (including doing nothing) have risks. Some of the key risks already identified include:
- a. Not getting appropriate cash counting systems for Transport and Parking and Leisure and Cultural Services in place.
 - b. Not being able to let the vacated offices, or letting them at less than anticipated income.
 - c. Poor project planning so that clients are not directed to alternative ways of managing their money.
49. If we went ahead to the project planning stage we would manage this work through the PRINCE project management techniques - we would establish a project board and draft a comprehensive risk register.
50. The cash office is only economic because of the County Council subsidy. We might choose after detailed planning to retain our cash office - but the County will have made its own arrangements by then.
51. In that event instead of saving £100,000 we would face extra costs of £100,000 - as the County would no longer be paying us a subsidy.

Staff implications

52. The Payments and Parking Shop staff have been told that this review that is taking place and the options that have been identified.
53. If Council decides to close the cash office, the back-office functions would still need to be undertaken. Staff would be relocated into the main Finance and Asset Management function. This would also give those staff the opportunity to take on wider roles.
54. There would not be a role for staff on the front desk, however the individuals are both skilled and competent, and it would be reasonable to think that they could be redeployed into other front facing roles - as vacancies arose.
55. There would be potential savings in the local management. Those staff might eventually face the prospect of taking on very different roles, or possibly taking redundancy.
56. In all cases staff would be consulted, and would be protected by the Council's employment stability policies.

Conclusions

- a. Having carried out an option appraisal it appears that:

- b. The cash office is well managed.
- c. Whilst its costs are about average for a cash office, there are significantly cheaper ways of collecting money.
- d. Whilst the service is popular with people who prefer to use cash, we can address exclusion issues by helping those same individuals into the banked sector.
- e. We could bring in automatic payment machines for the small minority who choose to keep paying in cash - in line with our E-Government plans.
- f. Closing the cash office would mean operation changes to other business units and the County Council - which would need time to implement.
- g. The estimated £100,000 savings are achievable through a combination of lower management costs, extra rents and diverting customers to cheaper ways of making payments.
- h. The 2007-8 timescale for making savings looks achievable, but only if we start the planning work now.

Name and contact details of authors:

Mike Baish 01865 (25) 2708 mbaish@oxford.gov.uk
Mark Luntley 01865 (25) 2389 mluntley@oxford.gov.uk

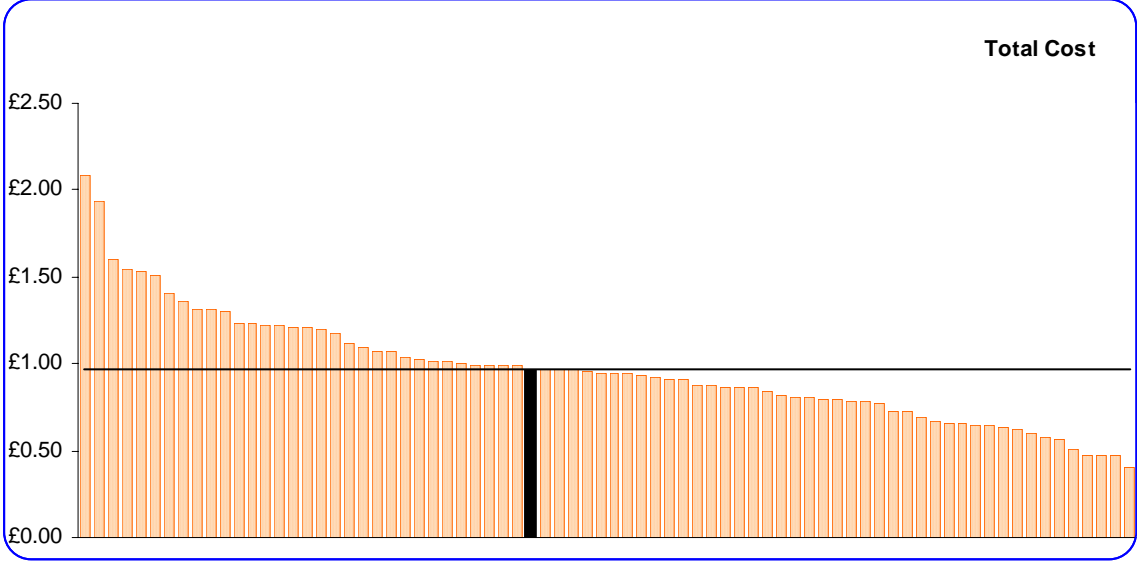
Background papers: CiPFA benchmarking papers



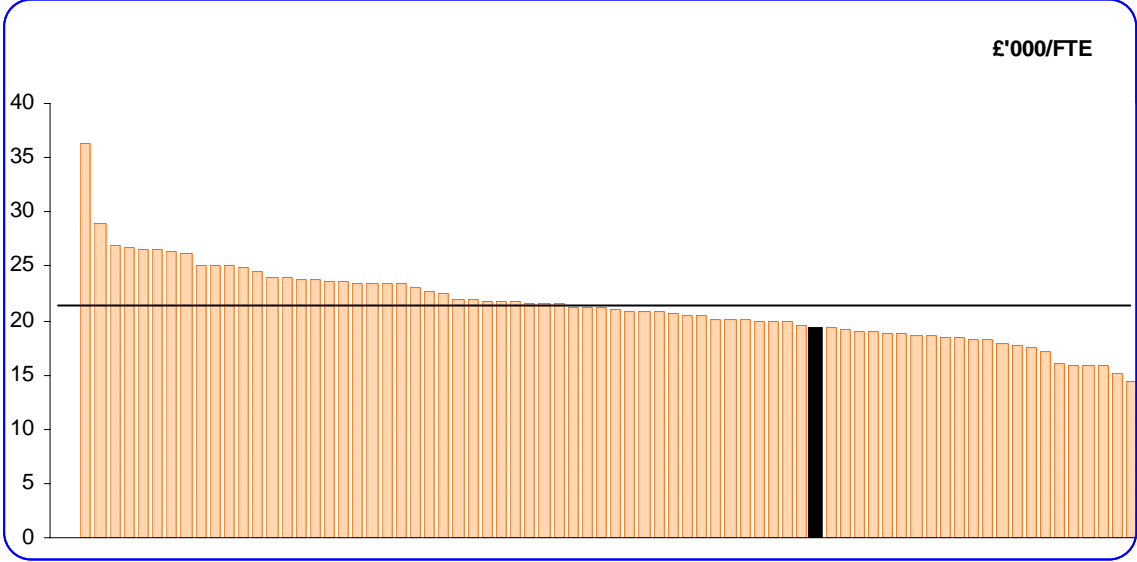
Payments and Parking Shop Services

Customer contact services	
<u>For City Council</u>	For Oxfordshire County Council
Penalty charges for City	Penalty charges for County
Council tax, rent, business rates, other receipts	Residents and Visitors permits
Sale of Trade Waste sacks/labels	Business parking permits
Sale of stamps	Coach permits
Park and ride permits	Carers' permits
Park and ride smart cards	
St. Clements car parking permits	
Off-street park cards	
<i>Services that could be provided elsewhere</i>	
<u>For City Council</u>	For Oxfordshire County Council
Issue of controlled stationery	Counting County coin boxes
Stops on cheque encashments	Daily report of income
Cheque encashments under £50	Audit list of all income received
Issue and maintenance of petty cash and change floats	Collection point for dispensations
Payment of housing benefit cheques	
Radar keys	
Provision of green garden sacks	
File creation of internet transactions	
Cashier end of day files to users	
Contact point for Financial Director queries	
Download GiroBank files	
Download and prepare bank credits, tracing unidentified items	
Reconciliation of suspense accounts	
Stickers available to report benefit fraud cheats	
Petty cash over counter	
Salary advances	
Stop records on credit accounts	
Weekly chase up of unallocated credits	
Letters to customers on unpaid cheques	
Letters to customers to quote correct reference numbers	
Salary deduction crediting	
Changing Method of Payments on inputs to Bailiff and DSS	
Set up, amendments and payments of creditors	
Tender and Order Cheques	
Monitor and re-tender Cash van contract	
Monitor Financial Director	
Monitor and re-tender Bank Contract	
Monitor Credit & Debit card systems	
Monitor coin processing, including charges available	
Review plastic payment cards	
Open & count locked cash boxes from car park machines	
Open & count sealed bags from Parks services during summer	
Supply counted coins to leisure centres	
Supply schedules of bank credits to leisure centres	
Supply of bank pay in books to leisure centres	
Supply audit lists showing income received against anticipated income, split by location	

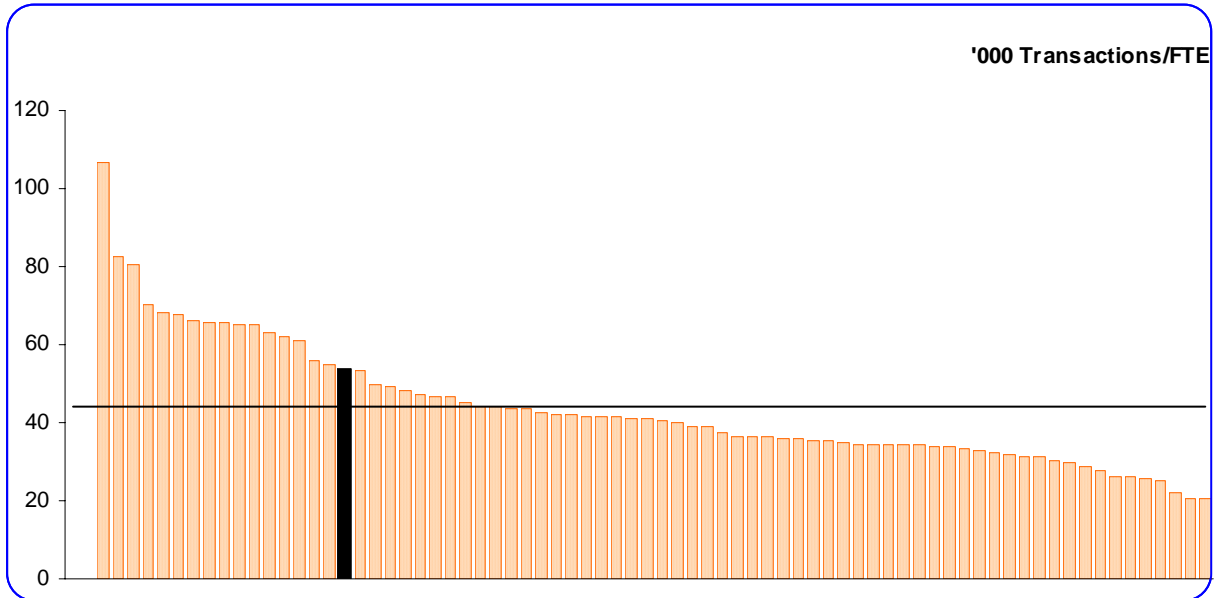
Cost per Transaction 2005/06 - Total Cost



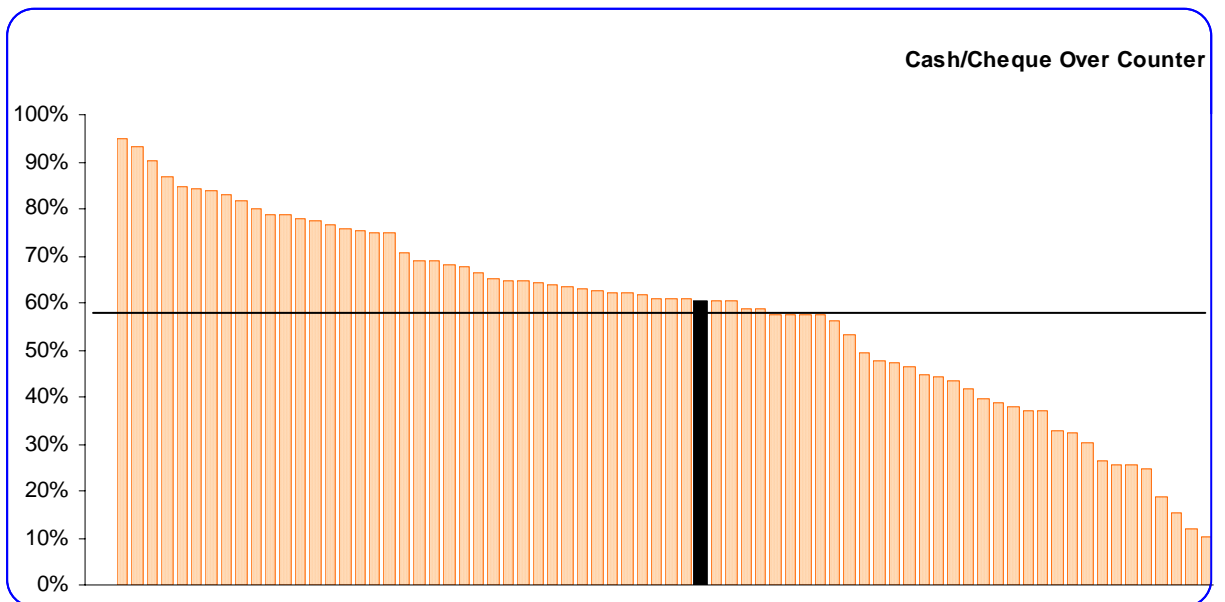
Cost per Transaction 2005/06 - £'000/FTE



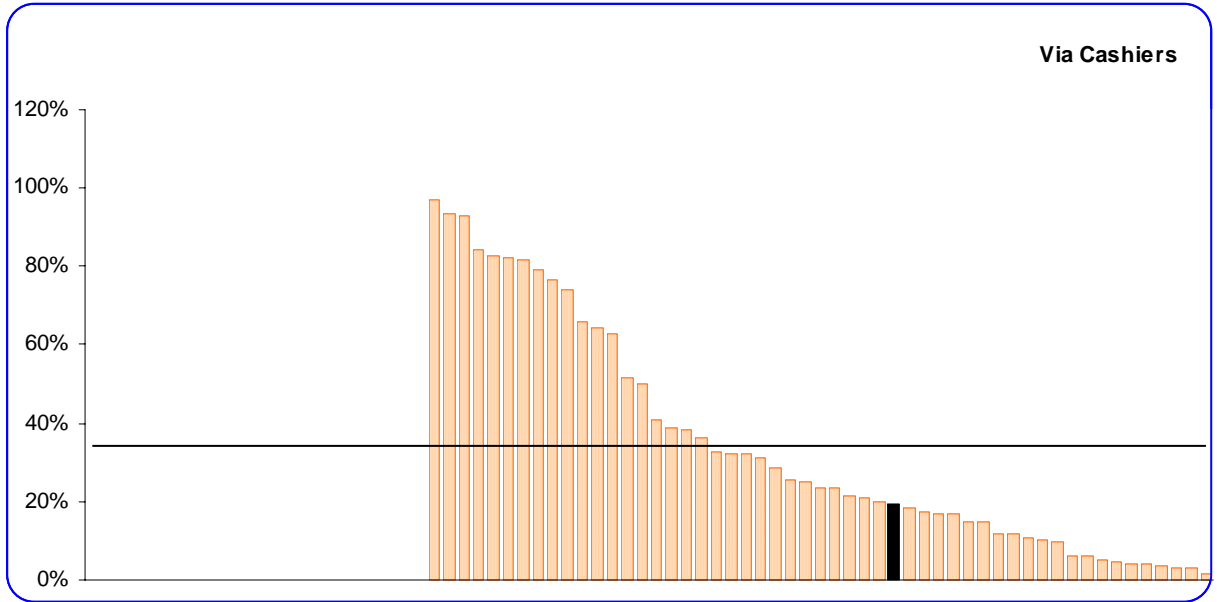
Cost per Transaction 2005/06 - '000 Transactions/FTE



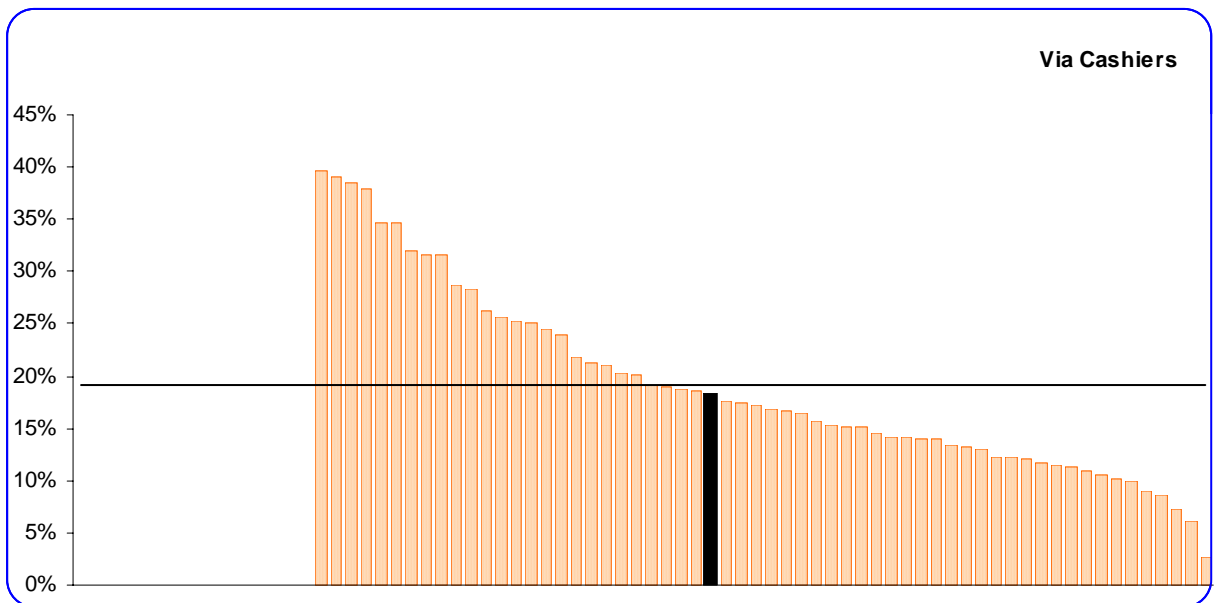
Transaction Analysis - Payment by Type - Cash/Cheque Over Counter



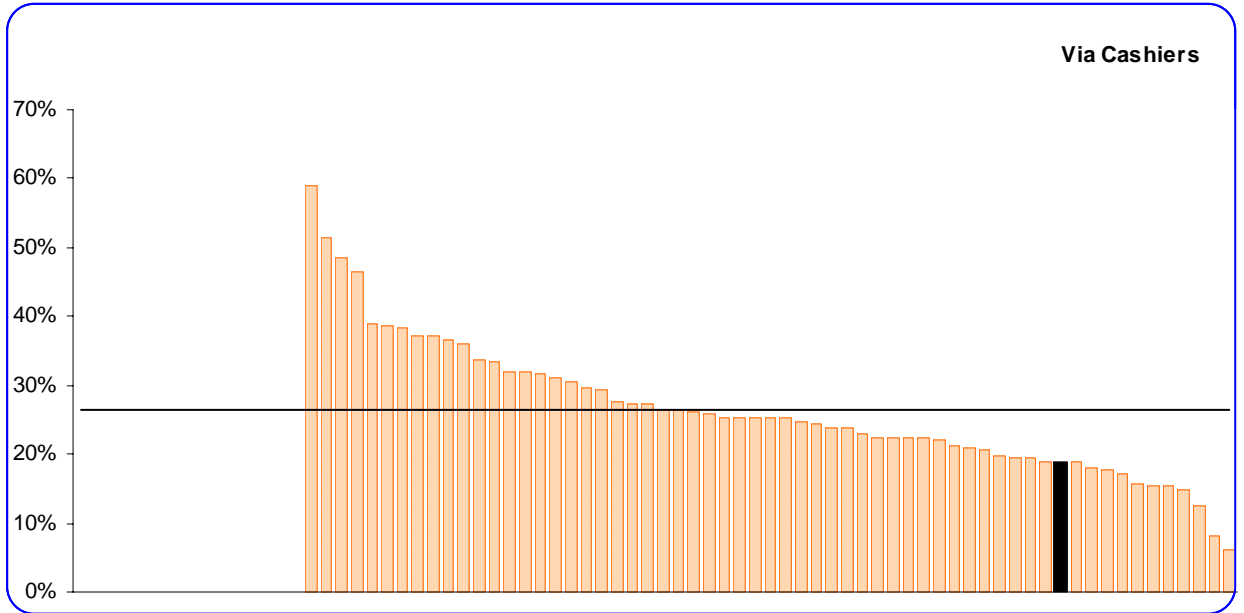
Transaction Analysis - Service Analysis - HRA Rents - Via Cashiers



Transaction Analysis - Service Analysis - Council Tax - Via Cashiers



Transaction Analysis - Service Analysis - NNDR - Via Cashiers



Transaction Analysis - Service Analysis - Sundry Debts - Via Cashiers

