

**Report of:** Strategic Director Finance and Corporate Services


**To:** Finance Scrutiny Committee

**Date:** 28th September 2006


**Item No:** 7

**Title of Report :** The parking and payment shop


### **Summary and Recommendations**


 **Purpose of report:** To answer the Committee's questions about the potential closure of the parking and payment shop.


 **Key decision:** No 


 **Portfolio Holder:** Councillor Stephen Tall (Better Finances)

**Ward(s) affected:** All


 **Policy Framework:** This is one of the "major savings" set out in the 2007-8 indicative budget.

 **Recommendation(s):** That the Committee

 notes the answers to the questions they have raised.

 advises Executive Board on their assessment of this part of the 2007-8 and 2008-9 budget.

### **What scrutiny have requested**

 1. Scrutiny have asked four questions in light of two earlier reports in this area:

- What is the customer usage of parking and payment shop - how many people use the service?
- How are the anticipated savings in the budget made up, are the figures robust?
- How would possible closure affect other Council services?
- What would be the effect of the redevelopment of the Town Hall?

## **Background**

### **The council budget**

2. The possible closure of the City's Parking and Payment Office was one of a set of longer-term "major savings" identified by Officers and agreed by Members in the 2004-5 budget.
3. The 2007-8 budget assumes Finance and Asset Management will make a £100,000 ongoing saving. The 2008-9 budget assumes the business unit will then make a further £100,000 ongoing saving.<sup>1</sup>
4. The proposal is to close the parking and payment shop and focus our efforts on collecting money in different ways. We believe the result would be lower costs to ourselves, and a better service for people who want to pay us money.
5. Finance staff have looked at whether there are other ways the Business unit could make these levels of savings. They have concluded the opportunities are limited - particularly for the 2007-8 budget year - now six months away.

### **How people can currently pay money to the council**

6. The council received 701,148 payments in 2005-6<sup>2</sup>. 288,158 (46%) of these were by direct debit (with a further 36,954 by standing order). The single next most popular way of making payments was through the post offices around the city - 174,650 payments were made this way.
7. The remaining 201,408 payments were in several other ways.
  - By cash or cheque at our cash office (112,228)
  - Through the post (32,000)
  - Over the phone - including automatic payment line (35,875)
  - Through ATM payments (21,315)

### **Paypoint**

8. In April 2006 the Council concluded a one-year agreement with "Paypoint", following a competitive procurement process. This means residents can now pay at one of the 26 "pay-points" around the city; ten of which are located in Co-Op shops.
9. This has several advantages:

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<sup>1</sup> This is on top of the unit's yearly 3% efficiency saving. The £200,000 ongoing saving is equivalent to a further 10% saving as a percentage of the Finance and Asset Unit £1.9m 2006-7 wage bill.

<sup>2</sup> Source; parking and payment shop (data used for benchmarking exercise)

- We have more collection points closer to where people live, meaning people who want to pay money to the council have more places close to their home where they can do this.
  - The pay-points are usually located in shops - which means people can pay debts at the same time as doing their day-to-day shopping.
  - People can use the pay-point to pay other bills, not just those owed to the city.
  - The pay-points are typically open seven days a week.
  - The pay-points are open for significantly longer than we currently are. Payments can be made between 8:00am to 10:00pm (Co-Op Shops) and longer (6:00am to 9:00pm) in the small independent shops. One or two shops are open 24 hours a day.
  - Like our cash office - the pay-points are DDA compliant<sup>3</sup>.
10. There are 8,400 pay-point outlets across the UK, typically located in local shops. It appears pay-points are popular with the small retailers because they encourage people into their local businesses.
11. Pay-point offers advantages to us. We pay 39p/transaction, which is less than at post office giro cost us, though more than direct debit (8p/transaction). Crucially - the pay-points are free to people making payments (this is because in common with other payment systems the organisations owed any money pay the costs of collection).
12. Details of how pay-points work are shown in Appendix A (Note - this is pay-point publicity material).
13. A map showing the post office locations - will be available at the Committee meeting. Pay-point will work with organisations to identify and open points in areas where there is no coverage.
14. There is a second company offering a similar service (Pay-zone), it's a less flexible service and significantly less well used. They were not successful in our procurement process.

### **Encouraging use of these different payment methods**

15. We have subscribed to pay-point, but we have not publicised it. Our payment cards make no reference to them being useable in pay-points. It seems reasonable to expect that people do not know they can use this facility. Consequently only around 550 payments a month come through this route.

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<sup>3</sup> One paypoint is shown as DDA "unknown" - the Spar shop on Dunnock Way.

16. We will need to take a view about whether we continue with this contract and, if so, how we publicise it.

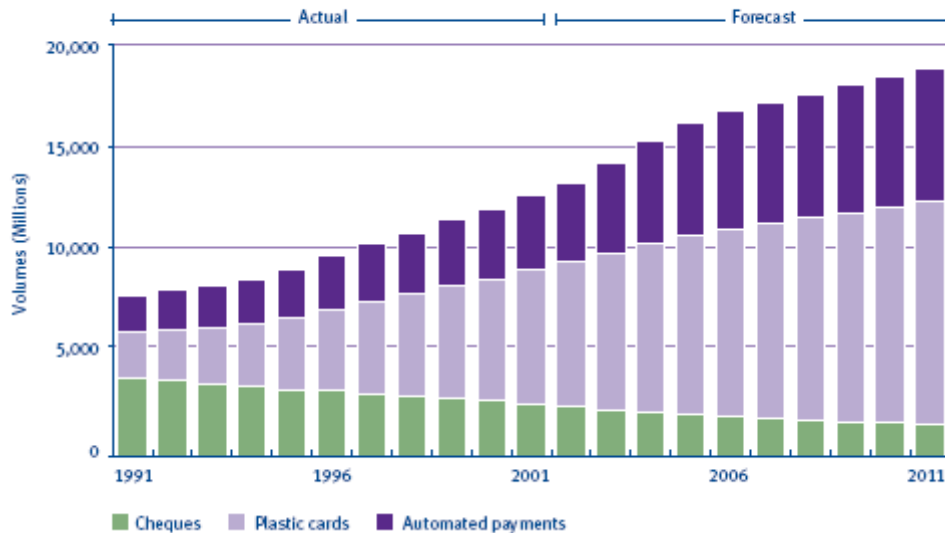
### Changes in how people use money

17. We recently met with our Regional Manager from the Co-operative Bank. The purpose was to establish how we might increase the choices that people would have in making payments.

18. However we also established there are some broader trends in how people pay and use money.

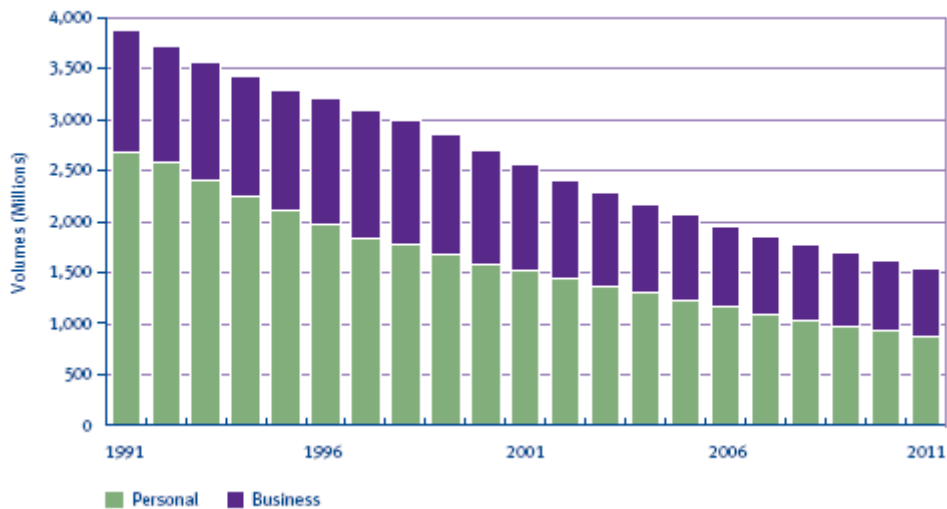
19. The use of cheques and cash as a percentage of total payment methods is steadily decreasing as people move to debit cards and automatic payments (eg direct debit).

*UK Cheque, Plastic Card and Automated Transaction Volumes 1991 – 2011*



20. In contrast cheque use is decreasing and is forecast to decrease in absolute terms.

### Cheque Transaction Volumes 1991 – 2011



(Source - Association for Payment and Clearing Services annual report)

21. As a result the banks have now consolidated their cheque clearing-houses from 13 to two centres.
22. The Co-Op bank advise their charges to us for handling for our cheques and cash payments are fixed for the life of the current contract. We are coming to the end of this contract but can extend it for another two years. However their charges are likely to significantly rise after that time - in line with the rest of the sector.

#### Changes in benefits

23. The Department of Works and Pensions is going to change the way Councils pay Housing Benefits. From April 2008 (on the current timetable) we will not be able to a) pay landlords direct or b) pay tenants by cheque. At the moment we can issue claimants with a cheque, which they then cash in the Parking and Payment Shop.
24. All payments will be by BACS into people's bank accounts. If people don't have accounts - they will not be able to receive housing benefits.<sup>4</sup>

#### **What other authorities are doing**

25. The Co-Op bank advised us that around half of their existing local authority customers have already closed their cash offices.
26. A number of authorities are also changing how they charge for services to avoid the need for cash of cheque payments.
27. Any customer who does not have a bank account, and wants to make a payment to Birmingham City Council are given a payment card. The card

<sup>4</sup> There are special arrangements for people with very difficult circumstances - in those cases (the circumstances will be as defined by DWP) the payments will be made direct to landlords.

is included with any letter requesting chargeable works. The citizen can then easily make payments at any post office or "pay point". This also means Birmingham does not have to send and chase invoices - reducing their costs further.

28. Lambeth Council have stopped taking cash in their parking machines, which now only take cards. People who want to pay in cash are able to use scratch-card vouchers - which are sold like stamps at shops around the area.
29. A few authorities have installed payment machines, people put their cash or cheque payment with a slip in an envelope - and its deposited. However typically usage of deposit machines is low.

### **Paying money in at banks**

30. We originally thought it would be a simple task to set arrangements up so that people without bank accounts could also pay at money in at some or all of bank branches in the city. It is not.
31. However our initial discussions with the Co-Op bank have not been fruitful. Banks are not at all keen to have people making payments at branches (partly the result of increasingly strict money laundering rules). The Co-Op would be prepared to arrange for payments to be made at their branch.
32. We would have to issue customers with a paying-in book (the pay-point/post office card uses a different system and is not compatible). In effect we would have to set up a different system for this to work, there would be a charge (which we would pay) potentially around £1.50/transaction. We would probably also have to renegotiate our existing contract.

### **33. Anticipated savings**

34. Our first report on the parking and payment shop identified broad areas for savings. Since then we've done some more work showing how these could be delivered. The detail of this is shown in Appendix B, the figures have been produced by the Cash Office Manager and Business Manager; Finance and Asset Management. The estimate of rental income has come from the Asset Management Unit.
35. We have modelled two outcomes - the first is that we would close the cash office, but continue to provide some services for the County Council.

#### Option 1 - close the Parking and Payment Shop and deal with County Council Transactions through the post

36. We would not need as many staff if we closed the office. However:
  - We have recently filled Parking and Payment shop posts using temporary and agency staff, so we would be able to avoid redundancies if we closed

the cash office. The permanent staff would be able to be relocated in the main accountancy team.

- There would be some costs, for example post office/pay-point charges. We would also have to pay for cash counting costs (we currently do this in house). Our intention would be to minimise the use of cash around the council in the medium term, and savings could be made in that figure.
- We would generate rent from the vacant space, though we would have to offer a rent-free period (probably six months) in part so a new tenant would pay for the fitting out of the cash office.

37. The net effect of this proposal would be to potentially save around £150,000 a year. We might also expect some further savings in management costs - saving an additional £50,000 a year - bringing the eventual total to £200,000 a year<sup>5</sup>.

38. This option would allow the Finance and Asset Management Business Unit to achieve its "major savings" targets, which contribute towards the Council's 2006-7 and 2007-8 budgets.

#### Option 2 - close the Parking and Payment Shop but do not do work for the County Council

39. The second option we modelled was that we close the cash office but do not do work for the County Council.

- We make additional savings over option 1 because we need yet fewer staff.
- We would still be able to avoid compulsory redundancies because the Business Managers has held other posts open in creditors and payroll. This means even with County functions gone we could redeploy all permanent cashiers staff in the Business Unit.

40. The savings are lower on this option - at around £100,000. Again we might expect further savings in management costs of around £50,000/year, taking the total to £150,000.

41. Whilst we have not modelled them, there are at least two other potential outcomes.

#### Option 3 - We keep the Parking and Payment Office open and continue to do work for the County

42. The effects of this would be that no savings would be found. This means the Council would face a budget gap of £100,000 in 2007-8 rising to £200,000 in 2008-9. This is because both savings have already been accounted for in the three-year budget.

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<sup>5</sup> We wouldn't make this full saving in the first year because there are one-off set-up costs.

43. We have employed temporary/agency staff in the parking and payment shop, pending a final decision about the future of this area. Several of the temporary staff are coming to the end of their contracts.

44. Using temporary staff for a short time is a sensible course of action. The Parking and Payments Manager advises it is increasingly difficult to sustain this arrangement. If Members decide to retain the cash office, we would look to fill the vacant posts (including several posts in the main finance office) with permanent staff.

45. This would mean it would be more difficult to revisit this area in the near future.

Option 4 - We retain the Parking and Payment shop but do not do work for the County Council.

46. This option would be largely the same as option 3, except that in addition we would face a further £100,000 cost pressure, as we would not be receiving income from the County Council for parking related operations. This would mean the Council would have to find an extra £200,000 of savings in 2007-8 rising to £300,000 of savings in 2008-9 to offset savings already incorporated in the budget.

47. There may also be practical staffing issues in sustaining the service if the County Council established its own parking cash office by recruiting several of our permanent staff.

Effects on parking and payment staff

48. Parking and payment staff have been flexible in the face of discussions over their future. The Finance and Asset Management Business Manager has also kept staff appraised of what has been discussed. However we need to recognise this has been an unsettling time for the staff who may be affected.

49. Those staff need to know what their future will look like, and we will need their cooperation in making any one of these options successful. We need a decision on the future of the parking and payment shop so we can work with those staff.



Table 1 - Effects on all other users

User and effect	What we would do to reduce it
<p>The most vulnerable individuals who do not have a bank account who receive housing benefits, and use the office to cash benefit cheques.</p>	<p>If possible we would encourage the individuals to open a bank account. Oxford Credit Union is now on site to help people do this.                      We could also work with our banker (Co-op) to help people set up accounts.                      We would identify the very few who are so vulnerable they who be eligible to have benefits paid direct to their landlords after 2008 and start setting these accounts up early.</p>
<p>Other people who pay in money (perhaps without a bank account) but who don't receive benefits.</p>	<p>We will reissue pay-point//giro cards and publicise their availability.                      We would explore pre-payment letters (like Birmingham) for major areas where people pay services (eg planning applications, land charges fees, etc).                      We would negotiate with pay-point if/where there are geographical gaps in coverage.                      We would use the Credit Union and other banks to help those people set up bank accounts if they wished.</p>
<p>People who have bank accounts but still choose to pay us at the cash office.</p>	<p>We would encourage them to set up direct debit, or if they were uncomfortable with this - standing orders.                      We would give them pay-point//giro cards.                      The individuals could still post cheques to us., we could also provide a paying in machine (though evidence is these are lightly used).</p>
<p>Car park and leisure income</p>	<p>This would be collected as now, but instead of being dropped off for counting and then being recollected and sent to banks, we would send direct to the bullion house who would count it themselves.                      We would work with Car Parking and Leisure to upgrade their facilities to reduce the need for cash.</p>

Effect of development of the Town Hall.

50. There are different models of a Town Hall redevelopment. The "major" scheme envisaged by Berman Geddes had the parking and payment office area being knocked through to create a major new entrance.

51. However :

- That major scheme involved a £10m spend - which we don't currently have resources available to pay for this in the capital programme
- The scheme is unlikely to take place in the next two to three years.
- The minor town hall refurbishment is still being worked on - it would involve refurbishing specific parts of the Town Hall.

52. This more limited scheme does not involve knocking through the parking and payment office.

53. If the parking and payment office were to be closed - we would initially let the building on a short lease (say three to five years), so if the more major scheme went ahead - we could use that space. This means:

- Closing the parking and payments office will not affect the small scheme and can be managed so we don't affect the big scheme.
- If we eventually get the funding for the big scheme and wanted to retain a cash office - we would have to find a new space and equip it. The costs of this have not been included in the cost of the Town Hall scheme.

### **Risk Assessment**

54. It is useful to set out some of the different potential risks, both of progressing this work, and of not progressing it.

Table 2 - Risks of closure of the parking and payment shop

<b>Risk</b>	<b>What we have done/would do to minimise it</b>
The closure is poorly managed because staff don't have the capacity to do this and their day job.	The responsibility for overseeing this task has been made a key task for the Business Manager.  This would be one of the six key projects for Corporate Services, overseen by the Corporate Business Management Team.
Vulnerable individuals are left without ways of paying	We'd put in place the action plan set out in table 1
Staff object to the changes	We've been open in involving staff in the emerging thinking, we've tried hard to avoid redundancies by using temporary and agency staff to cover posts in advance of a final decision.
Staff decide to not take up vacant posts in finance	We would commence formal consultation in light of a decision from Members,  We would work with HR to identify other jobs in the council in line with our "employment stability" policy.
Of not letting the vacated space	We've taken advice from Asset Management about likely commercial interest  We would start marketing the space in advance of the office being vacated.
We can't sustain the service up to closure date	We may need to make greater use of agency staff.  We may need to bring the closure date.

Table 3 - Risks of retaining the parking and payment shop

Risk	What we could do to minimise it
The County end their contract for the service	<p>We would look to resolve differences over residents parking permits.</p> <p>We would then seek to agree a contract for this service locking in both sides for (say) three years.</p>
The county establish their own cash office and our staff leave to join it.	We fill the posts currently staffed by temporary and agency staff with permanent employees.
The usage of the cash office steadily declines	<p>Do not provide pay-point access.</p> <p>Seek additional funding to further extend hours of operation.</p> <p>Lobby DWP about regulations relating to benefit payments.</p>

**In conclusion.**

- We believe the relevant savings in the 2007-8 and 2008-9 attributed to closing the parking and payment shop are achievable.
- We have not identified other major savings in the Finance Business unit that could be adopted if Members chose not to pursue this option.
- There will be effects on internal and external users, but these can be minimised with good planning.
- Pay-points will allow people without bank accounts to pay us money at places closer to where they live, and at times when our current office is closed.

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**Background papers:**

Pay-point material, Finance and Asset Management budget workings.



## Appendix B

### Payments and Parking Shop

#### **Scenario 1 - closure, Agency services for County retained**

Item	Cost/(Saving) £000's
Staff:	
1 Agency staff	-25
1 Temporary contract	-25
No Saturday working	-20
Furniture and equipment	-8
Security services	-5
Additional cost of plastic cards	2
Additional post office transaction charges	24
Additional paypoint transaction charges	2
Coin counting	28
Loss of Sales	8
Rental income	-130
	<u>-149</u>

#### **Scenario 2 - closure, no services provided for County**

Item	Cost/(Saving) £000's
Staff:	
1 Agency staff	-25
1 Temporary contract	-25
No Saturday working	-20
1 post in creditors	-30
1 post in payroll	-30
Furniture and equipment	-8
Security services	-5
Additional cost of plastic cards	2
Additional post office transaction charges	24
Additional paypoint transaction charges	2
Coin counting	28
Loss of Sales	8
Loss of agency income	108
Rental income	-130
	<u>-101</u>