

# CABINET

25 June 2013

<b>Title:</b> Modernisation of Cashiering Services (Phase 2)	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Jonathan Bunt, Divisional Director of Finance	<b>Contact Details:</b> Tel: 020 8724 8427 E-mail: jonathan.bunt:lbbd.gov.uk
<b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director of Finance	
<b>Accountable Director:</b> Graham Farrant, Chief Executive	
<b>Summary</b> <p>The cashiering service has been implementing a modernisation strategy designed to reduce the use of cash and promote electronic methods of payment both internally within the Council and by its customers. The objective of the modernisation strategy is to create a more cost-effective service and one which will provide alternative means of making payments for customers which does not require attendance at a council building, allowing them to pay bills by direct debit, by phone, or at local shops close to their own home.</p> <p>In April 2012, Cabinet approved Phase 1 of the project which saw the withdrawal of the face-to-face cashiering service at the Barking Learning Centre (BLC) from Friday 1 June 2012. In the light of lessons learned in Phase 1, Phase 2 of the project is proposed to close the remaining face-to-face cashiering service at the Civic Centre, leading to the cessation of back office cash transactions and activities in the borough. This will result in savings to Elevate of c£185,000 as part of the savings they are contractually committed to realise, and free up further valuable office space at the Civic Centre, contributing to the fulfilment of the Council's Asset Management Strategy.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to agree that Phase 2 of the Cashiers Modernisation Strategy, namely the withdrawal of face-to-face cashiering services at the Civic Centre and the internal cash-van collections/deliveries, is completed by the end of September 2013.</p>	
<b>Reason(s)</b> <p>To contribute toward the Council's Policy House aim to be a well run organisation which is innovative, leaner and more efficient with lower support costs and which uses technology to modernise working practices.</p>	

## 1. Introduction and Background to Phase 1

- 1.1 In April 2012 Cabinet approved a report recommending the withdrawal of the face-to-face cashing service at Barking Learning Centre (BLC) as the first phase of the Cashiers Modernisation Strategy.
- 1.2 An analysis of customer's channel shift behaviour since the withdrawal of the face-to-face service at BLC is presented at Appendix 1. This shows that overall the impact of the closure has been positive with customers successfully making the transition to alternative payment channels without any reduction in income collection rates.
- 1.3 Phase 2 of the strategy will focus on internal users that have continued to use cash services at the Civic Centre and/or cash-van collections and deliveries.

## 2. Proposal and Issues for Phase 2

- 2.1 A number of internal users require access to cash for operational purposes and some external customers continue to use the face-to-face cashing service at the Civic Centre. These residual users of the cashing service can be split into four main categories as follows;

Category		Proposed Solution
1	Users requiring ongoing access to cash for vulnerable clients	Pre-paid voucher/card system
2	Users requiring cash collection services	Contracted cash collection
3	Users requiring cash/cheque deposit service	Current drop safe/use of High Street Banks
4	Customers using cashiers' window at the Civic Centre	SCAN COIN machines at Dagenham OSS and Allpay services in local shops and Post Offices

- 2.2 It is likely that the closure of the Civic Centre cashiers office will act as a further catalyst for customers to switch to Direct Debit, or card payments either online or in the One Stop Shops.
- 2.3 The closure of the cashiers' service at the Civic Centre will free up valuable office space on the ground floor. Although there is no proposal to sub-let the area used by the cashiers at the Civic Centre, the space freed up would make a substantial contribution to the council's asset strategy and could help the council rationalise building use in other areas thereby realising further savings.

### Pre-paid Card (or optional Voucher) Solution

- 2.4 This will be delivered through PayPoint 'Cash Out' or pay by mobile services at shops within the borough. Many local shops already offer a PayPoint / AllPay payment facility and this service allows staff to load a pre-paid card with funds or to provide printed barcode vouchers to vulnerable clients which can be cashed at local shops displaying the PayPoint logo. Vouchers can also be emailed or sent via SMS to a client's mobile phone thereby saving a visit to a council building. Both solutions will be available depending on the needs of the client, though the preferred solution will be the use of pre-paid cards.

- 2.5 Elevate is proposing to introduce this over a two-month period running from July 2013 to August 2013 for vulnerable clients. This will be a carefully supported process, with the close involvement of Adult and Community Services to ensure all detailed issues are fully addressed. The closure of Cashiers will not be finalised before this alternative scheme has been signed off as in place and working by Adult & Community Services.

### **Contracted cash collections**

- 2.6 The internal cash-van previously made 558 collections per month. From 1 April 2013 this reduced to 346 as schools became cashless.

Elevate will work with the Council to reduce and eliminate cash transactions wherever possible to reduce this dependency.

- 2.7 For any residual services where a secure cash collection is absolutely essential such as Leisure Centres and Parking Machines, a contracted cash collection service could be put in place with commercial operators. A Contract with a commercial cash carrying firm is currently in place for collecting cash from the Civic Centre and taking it to a central clearing depot.

### **Cash/cheque deposit service**

- 2.8 Cashiers currently receive cheques from various services such as Penalty Charge Notice (PCN) payments. A 'drop safe' is provided in a secure room at the BLC which allow internal users to deposit cash/cheques.
- 2.9 It is proposed that the drop-safe service remains until alternative arrangements are in place.
- 2.10 A further option for services requiring a cash/cheque deposit service is to use one of the High Street banks, although this is only proposed for small amounts of cash that do not require cash-van collections as described above. Using banks for cheque deposits and small amounts of cash would be much more efficient than the drop-safe method and will require fewer contracted collections.

### **Existing Customers using Civic Centre Cashiers' Window**

- 2.11 It is proposed that the remaining customers using the face-to-face window service at the Civic Centre should be encouraged to channel shift to alternative payment methods such as direct debit, on-line payments or AllPay (payment at shops).

## **3. Options Appraisal**

- 3.1 The following options were considered:

- (i) Proceed with Phase 2 of the Cashiers Modernisation Programme; this will allow the council to deliver on its Customer Access Strategy by the end of September 2013.
- (ii) Retain the Dagenham Civic Centre cashiering service. Although the Civic Centre cashiers office has been kept open for a short while after the BLC

closed, keeping it open long term is not a practical option as the reduced staffing level will be insufficient to service the new SCAN COIN machines and provide the public service for an extended period. Moreover, this would result in an imbalance of service provision between Barking and Dagenham and would fail to deliver the aims to the cashiering service modernisation strategy.

3.2 It is recommended that option 1 is approved for the reasons stated.

#### **4. Consultation and Equalities Impact**

4.1 A full equalities impact assessment was carried out with the assistance of the Equalities Unit as part of Phase 1 of the Project. This found that the preferred method of payment for customers varied between individuals but that the proposals did not appear to have any major disadvantages for any particular group.

#### **5. Financial Implications**

Implications completed by: Martin Henwood, Deputy S151 Officer

5.1 The proposed changes in this report are part of providing a better service at a lower overall cost. The changes approved in April 2012 have now been implemented, and the lessons learned from that experience have been reflected in the further proposals in this report.

5.2 The responsibility for providing this service now rests with Elevate. They have a contractual commitment to deliver agreed services and realise significant recurring savings as part of the target cost the Council pays them each year – £3.475m by 2014/15.

5.3 The proposals here are part of the changes to realise these savings whilst providing a similar or better service. The current cost of this service is just over £300k, and the revised service will cost £115k. The net impact is therefore a saving of £185k as part of the overall target of £3.475m.

5.4 Under the terms of the Elevate contract, the Council meets the cost of any redundancy payments to staff and the maximum liability from this is £157k.

#### **6. Legal Implications**

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

6.1 This report sets out proposals for the next phase of the Modernisation of the Cashiers service. It is anticipated that in developing the service in accordance with proposals set out in the report, there may be some contract extensions and/or new contracts entered into. Officers need to ensure that they take legal advice from the Legal Service before agreeing any extensions or entering into new agreements to ensure that such actions do not breach any EU or national procurement laws or the Council's Contract Rules.

#### **7. Other Implications**

7.1 **Risk management** - Phase 1 of the Modernisation Programme has demonstrated that the risk of income collection levels dipping following the closure of the cashier

offices was not as high as first thought though it will obviously continued to be monitored during Phase 2. The work undertaken to encourage customers to use alternative payment channels will continue and further communication activity will be planned for each step of the programme.

- 7.2 **Staffing issues** - The staff establishment in the cashiering service across the Borough had already reduced from 22.5 to 10 at the start of Phase 1 of the Modernisation Programme. The service has held vacancies and there are currently seven staff in post, three of whom are part-time. With the withdrawal of the cashiering functions, the roles within Elevate will no longer be required. Elevate will engage with staff and Trade Unions to consult on the changes and what this will mean for individual officers. Elevate will seek to redeploy staff to other duties wherever this is possible, and to offer voluntary severance to staff who may want to leave via this route. In this way any potential compulsory redundancies will be minimised.
- 7.3 **Redundancy costs** - Elevate is currently consulting with the trade unions to align its redundancy policy to that of the Council. In line with the practice of the Council when it implemented the change, any redundancies made would be under the scheme in place when staff are placed at risk. For the staff within this service, that would mean a maximum of 66 weeks. Whilst every option will be explored to avoid any compulsory redundancy, Elevate has calculated the maximum worst-case potential cost to the Council as £157k.
- 7.4 **Customer Impact** - A detailed Equalities Impact Assessment was carried out before Phase 1 of the project was put in place and found there would be no negative impact on any grouping of our customers. The existence of over 90 Allpay facilities across the borough at many shops and at post offices allows customers who prefer to deal with a person to do so. Other customers may choose to use electronic alternatives which are cheaper for the council and more convenient for many customers. It will still be important to communicate further changes to the customer carefully emphasising the benefits of alternative methods of payment.
- 7.5 **Crime and disorder Issues** - During the 2010/11 financial year almost £12m was paid over the cashier counters in cash and there is still a substantial amount being moved around the borough from building to building. As well as encouraging customers to use safer methods of payments, this proposal will 'put the council's own house in order' and set an example by eliminating unnecessary cash carrying around the borough.
- 7.6 **Property / Asset Issues** - The accommodation occupied by Cashiers at the Civic Centre will become available for use by the council as part of its wider Property Asset Management Strategy.

#### **Background Papers Used in the Preparation of the Report:**

Cashiers Modernisation Report - 24 April 2012

#### **List of appendices:**

**Appendix 1 – Phase 1 Analysis**