

Executive

Self Service Payment at LinkPoint Offices

11 October 2010

Report of Head of Customer Service and ICT

PURPOSE OF REPORT

This report seeks Executive approval and funding for a new approach for taking payments in the LinkPoint offices, moving from PayPoint terminals to Self Serve Payment Kiosks, in order to achieve savings and improve customer service

This report is public

Recommendations

The Executive is recommended to:

- (1) Relinquish our PayPoint agent status and discontinue taking payments using Paypoint terminals, but retain our PayPoint client status to enable the public to pay council bills at other Paypoint Agents
- (2) Agree to stop the facility to deposit cheque payments at the LinkPoint offices and receive cheque payments only by post.
- (3) Agree a supplementary capital estimate of up to £100,000 for the purchase of automated payment kiosks and their introduction into LinkPoint offices
- (4) Agree to reduce the Customer Service Advisor establishment by 3 FTE after successful transition to the new arrangements

Executive Summary

Introduction

- 1.1 On 5 November 2007, the Executive agreed to enter into a partnership with PayPoint as a means of retaining the convenience of cash payments for customers to ensure a high quality service could continue to be offered. At the time of the decision it was anticipated that PayPoint would be beneficial to both the Council and its customers

- 1.2 In August/September 2008, the Council's cash offices closed and the One Stop Shops opened. Payments by cheque were no longer processed at the counter, as PayPoint handles cash only (card payments are treated by the system as a kind of cash-back transaction). Customers that wish to pay by cheque can send them by post or leave in an envelope to be brought back to Bodicote. Two years into this scheme, the number of people leaving cheques at the offices has now dwindled to only a handful a week.
- 1.3 Cherwell District Council entered into four three-year contracts with PayPoint, one for each of the LinkPoint offices. Bodicote House, the first, is due for renewal in April 2011, with the other 3 LinkPoints not being due for renewal until September 2011. The contracts require 6 months notice to terminate.
- 1.4 In November 2009, 12 months into the operation of the One Stop Shops, a review of the payment service was undertaken. This highlighted issues with the PayPoint system that indicated its operation as the Council's main in-person payments system was not working as well as had been anticipated at the outset of the contract either in terms of providing value for money or the efficient provision of the service.
- 1.5 Cherwell District Council is the only Council to be a PayPoint agent. This unique position causes operational problems as the system is designed to be used in shops. The system's restrictions on transaction limits lead to duplication of transactions which in turn lead to increases in wait times at LinkPoint offices and subsequent customer dissatisfaction.
- 1.6 The introduction of PayPoint facilities has more than doubled the number of payments being taken than had previously been received at the Council's cash offices. The increase is in payments to other organisations such as Gas, Water, TV Licence and Phone Top ups etc. which we are obliged to take as a PayPoint agent.
- 1.7 The outcome of a recent review into the payments service has identified the introduction of self-service payment kiosks as an alternative that will help address most of the operational issues. Although requiring capital funding of up to £100,000, these will allow for the reduction in the staff establishment of 3 FTE (from existing vacancies) and provide a return on investment within two years.

Proposals

- 1.8 To no longer act as a PayPoint agent. As an alternative, purchase 4 self serve kiosks at a one off cost of up to £100,000 and an annual saving of £65,000, arising from salary savings less the annual maintenance costs of around £2,500 per kiosk.
- 1.9 To maintain the Council's PayPoint client status in order to ensure that council bills can continue to be made at local businesses in the district
- 1.10 To remove the cheque deposit facilities from Bicester and Kidlington LinkPoints and only accept cheques by post, removing the need for cheques to be securely transferred to Bodicote for processing.

- 1.11 As a result of the changes, the staff establishment in Customer Services could be reduced by 3FTE, leading to net savings of £65,000 per annum.
- 1.12 The project is expected to take six months to implement, and the intention is to have it in place early in 2011/12. The new arrangements will be reviewed six months after full implementation to make sure the expected and planned benefits are realised and that value for money has been improved.

Conclusion

- 1.13 The introduction of self service kiosks will lead to significant savings for the Council alongside improvements to customer service. Self-service will avoid the need to queue to make payments while retaining the ability for customers to pay for Council services at the Council and removing the operating difficulties associated with being a PayPoint agent,
- 1.14 By maintaining our PayPoint client status we will ensure customers can pay locally – there are around two dozen PayPoint agencies throughout the District - with the added benefit to those local shops of potential extra income from customers buying things at the same time as paying the council bill.
- 1.15 This proposal is in advance of, but aligns with the customer service value for money review which will be reported to the Executive in November.

Background Information

Current arrangements

- 2.1 Payments are taken across all 4 LinkPoint offices, with the time taken to administer them equating to 3 FTE. In 2009/10 38% of our customers who visited a LinkPoint office made a payment.
- 2.2 A full review of the payments service was undertaken in November 2009. The findings of this review were as follows;
 - The Council pays 42p to PayPoint per council transaction. This figure does not include the Council's own overheads for processing. Last year 47,000 transactions were processed via PayPoint, incurring £19,000 in transaction charges.
 - When cheques are deposited at the LinkPoint they have to be transported to Bodicote House for processing. Until recently this involved a member of staff driving up at the end of each day, extending the working day for the advisor by an hour, leading to difficulties with the staff rota and additional cost. This was changed recently to using the DX service Services but this is not a long-term solution.
 - The number of Council customers paying at LinkPoints had doubled in contrast to the continual decrease seen over the previous two years.
 - Commission is received for taking payments on behalf of others. This is designed to be cost neutral. At the point of the review we had received £3,600.
 - All advisors take payments rather than using a dedicated cashier, which means that customers making payments have to wait their turn. This has led to increased queue wait times (between 25 to 60 minutes at busy periods). Payments previously had been a quick transaction due to dedicated cashier points. The new arrangements, with a single PayPoint machine at each location, cause bottlenecks and queuing leading to numerous complaints and levels of dissatisfaction.
 - Only Council payments can be made by Debit or Credit card, which causes confusion and dissatisfaction for customers making payments to more than one body.
 - Multiple receipts must be produced where customers are required to undertake two or more transactions due to the PayPoint limit of £200 per transaction. These limits also mean that the multiple transactions result in multiple transaction costs for the Council and more room for error.
 - There are no VAT numbers for business payers and therefore advisors are obliged to hand write a VAT receipt every time one is required.
 - The card payment process causes a double up of data input. In order to accept payments by card, the system works in effect as a chip and pin cash-back service, taking cash from the card and then processing the cash value through PayPoint. A customer making a Council Tax payment by card "virtually" withdraws cash through the PayPoint system, which then uses the cash to pay the bill. Again, this creates unnecessary room for error.

- Between October 2008 and November 2009, the Council handled 1,830 rent payments totalling £144,363, and received a commission of just £254 in return
- The increasing level of non-Council payments taken at LinkPoint offices impacts on potential income for local businesses. The owner of Select 'N' Save in Hook Norton believes that the secondary spend of customers coming into the store to use PayPoint is £20 per visit
- Money claim back can take up to two months if any difficulties with payments are experienced. For example, when a British Gas payment is processed and the payment is rejected, an indemnity claim for a refund has to be completed.
- PayPoint requires a "shared till" approach, and as the team are multi-tasking all the time rather than having dedicated cashiers, the level and degree of focus on cash handling is lower than if using a dedicated cashier. This increases the possibility of errors being made.
- Errors created are not always true cash differences and the rectification of known errors cannot be resolved easily by Customer Service staff.

Moving to Self Serve kiosks

- 2.3 A number of other local authorities have been contacted (Newcastle under Lyme, Renfrewshire, Windsor) that have moved to self service kiosks in order to better understand the advantages they offer. Cherwell staff have seen kiosks in working operation, and are satisfied that customers are able to use them with ease. The kiosks are also fully compliant with Disability Discrimination Act requirements
- 2.4 If introduced, Cherwell customers wishing to make payments will benefit from a dedicated resource to make payments rather than having to queue as at present. This will help on reducing waiting times for other LinkPoint users and so improve customer satisfaction.
- 2.5 Initial cost estimates have been obtained which indicate a maximum cost of £100,000 for purchasing four self serve kiosks. It is anticipated that actual purchase costs may be lower as a result of a full competitive procurement process, although there will be additional costs in terms of signage, publicity, bar coding etc. Annual running costs of £2,500 per kiosk have been estimated.
- 2.6 As cheque usage is declining, the kiosks do not have a facility to accept cheques as standard, though an attached deposit box is available as an add-on at around £400 per kiosk. This is no different from the current deposit boxes already available in LinkPoints so the preferred route is instead to remove the cheque deposit facilities and only accept cheques by post, removing the need for cheque taking facilities and then transferring them to Bodicote for processing.
- 2.7 The introduction of the kiosks and new working arrangements will allow the service to directly reduce the establishment by 3 FTE advisors resulting in a saving of approximately £22,500 each (£67,500 per annum). There will be an estimated £10,000 per annum saving in transaction costs through no longer

taking payments via PayPoint in the LinkPoint offices. This is offset by a loss of commission from taking payments for others

- 2.8 These savings, when set against the initial costs and ongoing operating costs, will result in savings of over £140,000 over the next four years, as shown on the table below;

	Year 1 £	Year 2 £	Year 3 £	Year 4 £
Costs				
Purchase of Self Serve kiosks	100,000			
Annual Maintenance	10,000	10,000	10,000	10,000
Termination fees	3,056			
Lost commission	6,500	6,500	6,500	6,500
Total cost	119,556	16,500	16,500	16,500
Savings				
Staff reduction (3 FTE)	56,250	67,500	67,500	67,500
Paypoint hire costs		3,744	3,744	3,744
Transaction costs (estimated)	10,000	10,000	10,000	10,000
Total savings	66,250	81,244	81,244	81,244
Net cost/(saving)	53,306	(64,744)	(64,744)	(64,744)
Cumulative cost/(saving)	53,306	(11,438)	(76,182)	(140,926)

- 2.9 A further benefit of the new arrangements is that customers would still be able to pay their council bills at LinkPoint terminals in businesses in the District, benefiting them in terms of increased footfall and secondary spend.
- 2.10 Our experience of the changes in cheque processing tells us that some customers do not adapt easily to change and this recommendation may generate some dissatisfaction in the short term. Customer Service staff will need to provide customers with clear instructions and make staff available to guide customers in usage of the kiosks in order to successfully manage the transition to this revised way of working. It is suggested that staff resources are not reduced until at least two months after implementation to allow for the transitional to the new arrangements.

Cheques

- 2.11 Changes by the banking industry will phase out cheque guarantee cards by 2012 and cheques themselves by 2018. Many Councils already either do not accept (or issue) cheques, or are currently withdrawing the facility.
- 2.12 There is a cost incurred in receiving cheques into LinkPoint offices as we must exercise a duty of care in getting them to Bodicote House as quickly as possible. We currently use the DX service to do this and the annual cost of which is incurred by Legal Services.
- 2.13 The majority of cheque payments are already made by post direct to Bodicote House and it would be sensible to make this the only channel through which cheques can be presented.

Timeframe

- 2.14 It is anticipated that this change will take six to nine months to implement when the differing contractual arrangements with PayPoint are taken into account. There are a number of complex areas including the physical installation of the kiosks and their connection to the Council's finance system, bar coding all customer payment documents produced by all services, and a communications programme for customers.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The Council has a commitment to allow customers to pay by cash at the LinkPoint offices.
- 3.2 The Council has three year contracts with PayPoint which are due to expire next year. Cherwell is the only local authority to operate as a PayPoint agent; it is common practice for local authorities to use PayPoint and similar networks (PayZone, AllPay etc) to accept Council payments through local shops and the Post Office.
- 3.3 The purchase cost of the Self Serve Payment Kiosks can be offset by the reduction in 3 FTE.
- 3.4 Customer Service currently has a shortfall of 3 FTE permanent vacancies that would no longer need to be recruited.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One To continue to use PayPoint and seek to introduce improvements

There are significant operational difficulties in using PayPoint. We are advised that their product is retail-based and not designed specifically for Local Government use, therefore specific requirements and enhancements we have looked at cannot be supported.

There are high operating costs and issues with customer satisfaction that cannot be improved easily.

This option is not recommended

Option Two Create four dedicated cashiering roles at the "specialist" level.

Dedicated cashier roles would undermine the improvements made in developing a flexible cross-discipline workforce. An extra burden would also be placed on rota and absence management.

The LinkPoint offices are no longer set up with a designated cashier point.

This option is not recommended

Option Three Withdraw payment processing completely and direct our customers to other retail PayPoint Agents.

Other Agents would benefit from increased commission revenue and possible secondary spend. As an example, Oxford City

Council no longer has cash offices and has confirmed that they no longer take any cash payments at all. They refer their customers to local PayPoint agents.

The report "Delivering Value for Money in Local Government: Meeting the challenge of CSR7" cites High Peak Council as an example of good practice in this area, when they stopped taking cash and cheques at their offices and directed customers to local PayZone agents.

The Council would be able to reduce the Advisor establishment by at least 3 FTE. There would also be further savings on the costs of collecting money from LinkPoint offices each day (approx £20,000 per year)

This option is not recommended as the Council has committed to continued cash payments

Option Four

Cease being a PayPoint Agent and implement Self Service payment kiosks.

Ceasing to be a PayPoint agent but retaining client status will still allow our customers to pay council bills at any PayPoint agent, supporting the strategy to help local businesses.

These machines process cash (give change), cheques and card payments, provide receipts, read barcodes and can give basic account information – balances etc.

A one off investment of up to £100,000 can be recouped by directly reducing the resource within Customer Service. Given the amount of time spent handling payments, a reduction in 3 FTE would not impact the service delivery – i.e. would make available the same resource to deliver all services other than cash handling.

It is suggested that resources are reduced permanently two months after implementation, using them in the interim to help through the transitional period.

Consultations

The report includes the findings of Internal Audit regarding cash audits.

Customer Service Staff have contributed to these findings and are supportive of the new arrangements

Implications

Financial: The introduction of self serve kiosks would achieve a return on investment within two years and result in estimated cumulative savings of £260,000 in four years from April 2011.

There may be additional as-yet unidentified costs associated with putting barcodes on all Council payment documents.

Comments checked by Karen Curtin, Head of Finance 01295 221551

Legal: There is no right to terminate the contracts early. This could only be

achieved through negotiation, with financial consequences for the Council. Each contract is for a period of 3 years. 6 months notice is required to terminate at the end of this period. The Bodicote House contract expires April 2011 so notice will need to be given now. Other contracts terminate later in 2011.

Comments checked by Richard Hawtin, Team Leader – Property and Contracts, 01295 221695

Risk Management:

The introduction of revised payment arrangements will help reduce the risk of errors currently experienced in operating PayPoint. The level and degree of focus on cash handling is lower at present than if using a dedicated cashier.

There are risks in the successful transition to new arrangements for customers using the kiosks. This will need careful management in the short term, as will the ceasing of processing cheques. This will come in the form of effective communication, floor walking and one to one support upon introduction of the kiosks.

Our 38,000 customers could all pay at other PayPoint agents rather than continue to visit Council LinkPoints which would mean that the Council would still be liable for transaction costs of 42p (each). The estimated level of savings in transaction costs has been scaled down to reflect some displacement.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566

Equal Opportunities:

All kiosks are compliant with the Disability Discrimination Act

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor Nicholas Turner
Portfolio Holder for Customer Service and ICT

Document Information

Appendix No	Title
	<i>None</i>
Background Papers	
Report Author	Jacqui Hurd, Customer Service Manager
Contact Information	01295 227965 Jacqui.Hurd@Cherwell-dc.gov.uk