

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> October 2004	<b>Meeting Name</b> Individual Decision – Executive Member for Resources – Councillor Zuleta
<b>Report title:</b>		<b>Modernising Face to Face Services – Bermondsey Cash Office</b>	
<b>Ward(s) or groups affected:</b>		Riverside, Grange and South Bermondsey	
<b>From:</b>		Bill Murphy – Assistant Chief Executive I&D Keith Broxup – Strategic Director of Housing	

## **RECOMMENDATIONS**

1. That, in view of the financial implications and the success in promoting alternative payment methods, it is recommended not to proceed with the re-provision of a Council cash office facility in Bermondsey.
2. That officers take further action over the next 6 months to promote alternative methods of payment including extending where possible facilities for cash payments through local outlets in Bermondsey and through Post Offices.

## **BACKGROUND INFORMATION**

3. In April 2004, the Executive agreed the “Modernising face to face review of Council services” report which included a recommendation to close 3 cash offices, (Abbeyfield, Dulwich and Southwark Town Hall) by 30 September 2004 and to keep the remaining 3 cash offices open until the effect of closures could be reviewed, with a report back expected on the impact in 3 to 6 months following closure (see Appendix 3 for decisions of Executive).
4. At the same time the Council entered in to a contract with Allpay.net to allow Southwark residents to pay in cash for Council services at more than 200 local shops and at Post Offices across the Borough. This has already led, in advance of any impact of the cash office closures, to an increase in the number of residents opting to make payment to the Council in this way.
5. In August 2004, 29% of payment transactions received by the Council were via the Allpay network. This compares to a figure of 18.7% for the financial year 2003-4. In the same month, cash office transactions fell to 33% compared to 49.5% in 2003/4.
6. In addition to the introduction of payments at local shops and post offices, 6,000 transactions per month are now carried out through the phone and web and more than 39,000 transactions per month through the council’s direct debit scheme.
7. The recommendation for a rationalisation of cash offices arose from the Best Value Review of Income Management (Cashiers) that demonstrated the high costs associated with the running of cash offices compared to alternative methods of payment that are also more convenient for residents.
8. The intention was to return to the Executive with proposals for the future of the 3 remaining Council managed cash offices (Walworth, Bournemouth Road and Spa Road) once there had been an opportunity to assess the impact of the closure of the 3 cash offices, in respect of income collection rates and the utilization of alternative methods of payments.

## **KEY ISSUES FOR CONSIDERATION**

9. As part of the Spa Rd. Regeneration Project, the existing site for the Alfred Salter Neighbourhood Housing Office and the Spa Road Cash Office has been sold and will be replaced by residential accommodation. Therefore, the Alfred Salter building will no longer be available to provide Council services from the 31<sup>st</sup> March 2005, coinciding with the opening of the new Bermondsey One Stop Shop in Spa Road and the go-live date of Southwark Customer Service Centre.
10. When the decision was taken by Executive to proceed with the disposal of the Alfred Salter site in November 2003 (see Appendix 3 attached) it was planned to re-provide a cash office facility either in the new One Stop Shop in Spa Road or by reinstating the former facility in the Spa Road Town Hall.
11. However, since November 2003 visitor numbers at Council cash offices have reduced, 20 new cash payment locations in Bermondsey have been introduced and are used by residents, the Bermondsey One Stop Shop will be opening in April 2005 accepting cheque and card payments and the Customer Service Centre accepting phone payments will be operational from May 2005. The change in customer preferences and increase in different payment options combined with high capital development and running costs, means that the Investment required in a new cash office must be rethought.
12. It has also now become clear that the capital cost of re-providing such facilities in the Town Hall building at 19 Spa Rd. would be in excess of £430,000. This charge would include an estimated cost of £68,000 to install the 3 new cash service counters, £262,000 for the building works in order to make the cash office DDA compliant plus removal and IT costs.
13. The estimate of reprovisioning costs shown above includes the installation of 1 lower cash service counter, hearing induction loops, improved lighting, signs and level or ramped access to make the cash office counter and public reception area fully DDA compliant together with a lift at the side of the building in order to provide wheelchair access for disabled people.
14. Any decision to commission these works would need to be taken now in order to reprovide before the closure of the Alfred Salter site on 31<sup>st</sup> March 2005.
15. As set out at para. 7 above, it was anticipated that a report on the future of the remaining cash offices, including Spa Road, would be submitted to Executive some 3 to 6 months after the first stage of the closure programme. This would mean no decision based upon that data would be made until January to March 2005, and no further closures effected until July to September 2005.
16. It was identified in the Best Value Review of Income Management that significant further efficiency gains might be achieved through further rationalization of Council cash office provision. Based on current usage, the least used remaining cash office is that at Spa Road (Alfred Salter).
17. Given that the existing cash office on the Alfred Salter site must close by 31 March 2005, but that a decision on the long term future of cash offices, based upon a 3 month assessment of the impact of the initial closures would not be put before Executive until mid January 2005, reprovision in Spa Road would mean committing scarce capital resources in excess of £430,000 for a potentially limited time period.

18. There are many competing demands on the Council's limited capital resources. The revenue cost which would arise if the Council were to finance this expenditure by borrowing would be of the order of £39,000 per annum. This assumes, however, that the re-provided cash office would continue in use for the foreseeable future. As set out above this cannot be guaranteed.
19. Revenue costs of this order would have the effect of increasing transaction costs by the order of 7p per transaction based on the reduced volume of transactions currently being handled by the cash offices. This runs directly counter to the aims of the Best Value Review of income management to reduce transaction costs from £1.12 per transaction to the London average of 83p per transaction.
20. Given the above, it is considered that an earlier decision needs to be taken on the long-term future of the Spa Road cash office. Officers recommend, therefore, that given the level of investment that would be necessary to provide an alternative facility for a period of potentially as little as 3-6 months, a decision is taken now not to re-provide a cash office in Bermondsey when the Alfred Salter building closes in March 2005.

### **Effect of proposed changes**

21. There have been a number of alternative payment methods and locations established as a result of the Best Value Review of Income Management (Cashiers). New methods of payment such as direct debit, bank/giro credit, internet, 24 hour automated telephone and the introduction of the new upgraded swipe card have already proved attractive to Bermondsey residents. It is believed that these coupled with the service to be offered in respect of card and cheque payments at the One Stop Shop will provide suitable alternative means of payment for the great majority of Bermondsey residents.
22. The introduction of the Allpay.net contract has already resulted in an overall 15% reduction in the use of cash offices. Take-up has been consistently high with more people paying at their local shops than cash offices from the 2<sup>nd</sup> month of the introduction of the scheme. Direct Debit take-up has also increased and further increases are projected in response to the recent publicity campaign. Payments via the phone and the web also show steady increases. The introduction of the Customer Service Centre in April 2005 and increased publicity is expected to encourage people to shift from face-to-face cash payments to web and phone payments.
23. In Bermondsey, the Allpay.net contract has led to the introduction of 27 alternative locations for cash payments at Post Offices, Paypoints and Payzones. An analysis of the payment channels used by residents from Alfred Salter, Lynton and Abbeyfield neighbourhoods shows the following shift in preferred payment method over the corresponding period for last year.

	2003/4	2004/5	% Change
Post Office/Paypoint	12,415	15,851	+27
Touchtone/Internet	6,941	8,643	+25
Cash Offices	26,083	21,224	-19
Others	2,825	1,880	-34
Total	48,264	47,598	-2

24. There is no accurate way of assessing the further impact on users of the initial cash office closure programme until actual data is available at the end of October but it is envisaged that this will prompt an acceleration in the switch to other methods of payment.
25. The alternative methods of payment and location that have been put in place over the last six months include: -
- a) **The New Upgraded Swipe Card Contract with Allpay.Net Limited** - This contract allows users of Specific Swipecards to pay their Council Tax, Housing Rent, or Social Services Non Residential fees or charges at any PayPoint, PAYzones, Post Offices or TS Post Office outlet in the UK.

In the past few weeks, 48 post office access points across the Borough have been added to the original list of more than 200 payment locations (Paypoints/ Payzones). These 48 locations are Post Office locations under the TS scheme that use counter technology (Riposte) to allow over the counter processing of payments.

However, whilst there are currently 15 Post Office branches in North Southwark and Bermondsey, the Post Office is proposing two sub post office closures in this area, both of which are within the Grange ward. They are:

Abbey Street branch, 105 Abbey Street, SE1 SNP  
Bermondsey Street branch, 94 Bermondsey Street, SE1 3UB

These outlets however currently only account for approx 5% of Southwark Allpay transactions in this area. Nevertheless, the Council is currently liaising with Postwatch and Post Office in an effort to ensure that following the closures of cash offices there will be adequate locations for residents to pay for Council services in North Southwark and Bermondsey

The locations of the current outlets that will accept Council swipe card payments are set out in the map attached as Appendix 1. There are 3 outlets (Terrys News -12 Dunton Road, VP Foodfare – 8 Dunton Road, and Spa Food & Wine – 90 Spa Road) within close proximity (i.e. within 200 metres) to the current cash office building.

The locations of the sub Post Offices scheduled for closure are set out in Appendix 2.

- b) **24 hour Automated Debit Card (Touchtone) Telephone Payment Line** -The introduction and establishment of the Council's New 24 hour Automated (Touchtone) Telephone Payment line, which will accept payments for Council Tax, Business Rates, Housing Rent and SAP General Invoices by customers using their Debit or Credit cards.
- c) **Internet Payment Website** – The introduction of the Council's Internet Payment Website allows all customers the opportunity of paying their Council Tax, Housing Rent, Business Rates and SAP General Invoices at anytime by using their Debit and Credit card
- d) **Direct Debit** – The Council has improved the access to Direct Debit for Housing rents and Council tax payers, and promoted its use substantially, as it is a more convenient and safe method of payment for our residents, and gives Southwark much lower transaction costs, and certainty over payment.

- e) **Bermondsey One Stop Shop** -- From April 2005, customers will be able to pay for Council services at the new One Stop Shop in Spa Road by debit/credit card or cheque.
- f) **Area Housing Offices** – The 2 further New One Stop shops and 5 Area Housing Offices will accept debit or credit card payments over the telephone or face to face by 1 April 2007.

### **Resource implications**

- 23. The costs of re-providing the Spa Road Cash Office at 19 Spa Rd. would have to be met from the Council's Capital Resources.
- 24. These costs amount to approximately £430,000, including the provision of a lift to facilitate disabled access.
- 25. There is no provision included in the current approved capital programme to fund this expenditure.
- 26. If it is agreed not to re-provide a cash office in Bermondsey there will be a loss of 3 posts in Cashiers, with the resulting potential redundancy costs. Every effort, however, would be made to ensure that the affected staff would be redeployed to work elsewhere in Southwark.
- 27. If the cash office is not replaced there would be a revenue cash saving estimated at £110,000 p.a. However, if the cash office is replaced, this saving would not be achieved, and in addition there would be an extra cost to the Council of £39,000 p.a. in terms of the cost of capital, as the scheme is not currently provided for in the capital programme. The savings, if achieved, amount to some 26p per transaction.

### **Finance Director's Comments**

- 28. The sale of the Spa Road Cash Office site is part of the programme of planned disposals in the Bermondsey Spa regeneration area. The proceeds of these disposals are recycled back into the regeneration project. The proceeds of this particular sale cannot therefore be used directly to fund works at 19 Spa Road for the re-provision of cash office facilities.
- 29. In these circumstances, a bid for capital resources would need to be made. The re-provision of the cash office would need to be considered for inclusion in the capital programme against other capital priorities of the Council.
- 30. However, the projected resources available to the Council in 2004/5 are fully committed and, therefore, the cash office scheme could only proceed if additional resources were identified or if the existing capital programme were reprioritised.
- 31. Paragraph 15 recognises a significant risk associated with the re-provision of the cash office at 19 Spa Road, in that the capital spend may not be needed in the long term. A bid for capital resources would need to address this risk in some detail.

## Legal Implications

32. The Borough Solicitor and Secretary has confirmed that there are no specific legal implications that would result from the decision to close the cash office at Alfred Salter NHO and to not reprovide the facility in other council premises. There is no duty on the council to operate cash offices, but clearly there is a power to do this incidental to the council's statutory powers and duties

## Consultation

33. Council managed cash offices are a part of the range of payment methods and locations open to residents of the Authority. The existing users were consulted as part of the BVR of Income Management (Cashiers), and the results of that consultation were taken into account in the original report on the future of the cash collection and banking service.
34. In addition, residents were consulted on proposals for cash office closures and alternative methods of payment from 15<sup>th</sup> January to 26<sup>th</sup> February 2004. Feedback from presentations at residents, disabilities and pensioners' forums were presented to the Executive on 13<sup>th</sup> April 2004.

Background Papers	Held At	Contact
<i>Executive Papers as referred to in Appendix 3</i>	<i>Constitutional Support Unit</i>	<i>Everton Roberts 0207 525 7221</i>

## Audit Trail

<b>Lead Officer</b>	<i>Bill Murphy – Assistant Chief Executive I &amp; D Keith Broxup - Strategic Director of Housing</i>	
<b>Report Author</b>	<i>Cliff Robinson – Head of Income Management</i>	
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<b>Dated</b>	<i>15th October 2004</i>	
<b>Key Decision?</b>	<i>Yes</i>	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
<b>Executive Member</b>	Yes	Not Applicable
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