



<u>Committee and date</u>	<u>Item No</u>
Strategic Overview & Scrutiny Committee 8 September 2010  Audit Committee 16 September 2010	<b>9</b>

## INCOME COLLECTION

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### Summary

The report provides Members with information on the payment channels available to residents of Shropshire for the wide range of services provided by the Council. Prior to the inception of the unitary authority new income collection system functionality was introduced enabling automated telephone payments and payments to be taken at Area Headquarters. Over 30,000 payment cards were also provided to Shropshire residents for the payment of council tax, housing rents and garage rents at Post Offices and PayPoint outlets. The Council offers a number of payment channels so as to enable customers to make payment at a time and a place convenient to themselves. The report highlights the take-up of the various payment channels and their relative costs. The Council prefers to collect income via electronic methods because they are more cost effective. The report informs Members that the first phase of a council tax direct debit campaign has resulted in an additional 2,500 households paying their council tax via direct debit. It also highlights the increasing popularity of the website and automated telephone payment service as payment channels.

### Recommendations

Members are asked to note that;-

- A. the cost of collecting the average council tax bill by direct debit is 12 pence per annum compared to up to £30 per annum if it is collected in cash on a weekly basis at Area Headquarter offices,
- B. the first phase of a council tax direct debit campaign has resulted in an additional 2,500 households paying their council tax via direct debit,
- C. the number of payments made via the automated telephone payment service and website have increased by 28% and 77% respectively in the first 3 months of the financial year compared to the same period last year.

## REPORT

### Background

1. The Council collects a wide range of income from high value transactions such as government grants to low value transactions such as garage rents, birth certificates and room lettings. The Council also has a number of services with particularly high payment volumes such as the collection of council tax, business rates and housing rent.
2. The creation of the unitary council required the Council to make new payment channels available to the people of Shropshire. Over 30,000 payment cards were issued to Shropshire people for the payment of council tax, business rates, housing rent and garage rent at Post Offices and PayPoint outlets. An automated telephone payment service and website payments were also made available for the payment of council tax, business rates, housing rent and garage rents.
3. The priority for the first year of the unitary authority was to ensure that income was collected and banked securely whilst also making it easy for individuals to make payment at a time and a place convenient for themselves. During 2009/10 the Council collected around 1.4 million payments.
4. The Council implemented the Civica ICON cash collection system prior to the inception of the unitary authority. Additional software modules were purchased to enable the unitary authority to use the system for web payments and automated telephone payments. The creation of the unitary authority has seen the number of users of the Civica ICON cash receipting system increase from 4 to over 260. The system is used by staff in Revenues, Housing, Sales Ledger and Customer Service Centre to take payment over the telephone. It is also used at Area Headquarters and Customer Service Points.
5. The Council prefers to collect income electronically so as to minimise transaction charges and administration costs. The Transformation Programme includes within the Value for Money workstream a project to further expand electronic income collection and the efficient processing of income transactions.

### Direct Debits

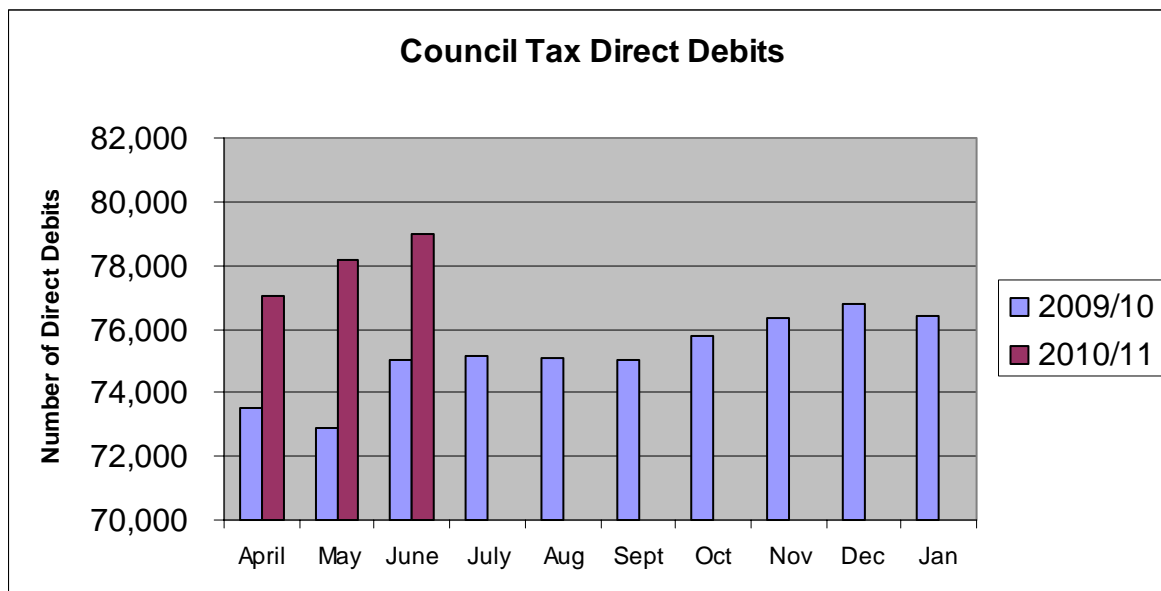
3. Direct debit is an efficient method of collecting income and is particularly suited to high volume regular payments. The Council operates direct debits for council tax, business rates, housing rents and sales ledger invoices. The Council collects over 830,000 individual direct debits per annum. The overwhelming majority of direct debits collected by the Council relate to council tax.
4. Direct debit is the most cost effective method of collecting council tax. To collect an average council tax bill via monthly direct debit costs the Council just 12 pence per annum in bank charges. Alternative payment channels are significantly more expensive.

### Council Tax Collection Costs

Method of Payment	Cost of collection £ per annum
Monthly Direct Debit	0.12
Monthly Automated Telephone payment	1.60
Monthly Website payment*	2.50
Monthly payment at Post Office/PayPoint	5.00
Monthly cheque payment at Area HQ	6.70
Weekly payment at Post Office/PayPoint	20.00
Weekly cash payment at Area HQ	30.00

\* planned changes to the website operation mean costs will fall to £1.60 per annum.

5. The Council prefers to collect council tax by direct debit and is committed to promoting direct debits as a payment channel. At the inception of Shropshire Council around 73,500 households paid their council tax via direct debit. Throughout the first year of Shropshire Council the take-up of direct debit gradually increased. In early 2010, it was decided to implement a publicity campaign to further increase take-up.
  
6. In April 2010 the first phase of a direct debit promotion was launched to actively encourage households to switch to paying council tax via direct debit. The promotion involved offering anyone who set up a direct debit between April and June the possibility of winning a months free council tax via a competition.
  
7. The direct debit promotion involved;-
  - Using a mosaic analysis of council tax payers to determine those most likely to set up a direct debit and writing to the 7,500 individuals identified.
  - Customer Service staff actively promoting direct debits to individuals who paid via cash, cheque or debit card at Area Headquarters.
  - Revenues staff actively promoting direct debit over the telephone to individuals in arrears and during routine telephone conversations.
  - A publicity campaign which involved advertising in the Shropshire Magazine and via posters at Council establishments and other buildings used by the public.
  
8. The first phase of the direct debit promotion has been well received and during the 3 months of the promotion an additional 2,500 households set up direct debits. This will save the Council around £10,000 per annum in bank charges and administration costs. Over 79,000 households are now paying their council tax via this cost effective payment channel.



9. The Council is committed to increasing the take-up of direct debits and the second phase of the promotion has commenced.

### Standing Orders / BACS payments

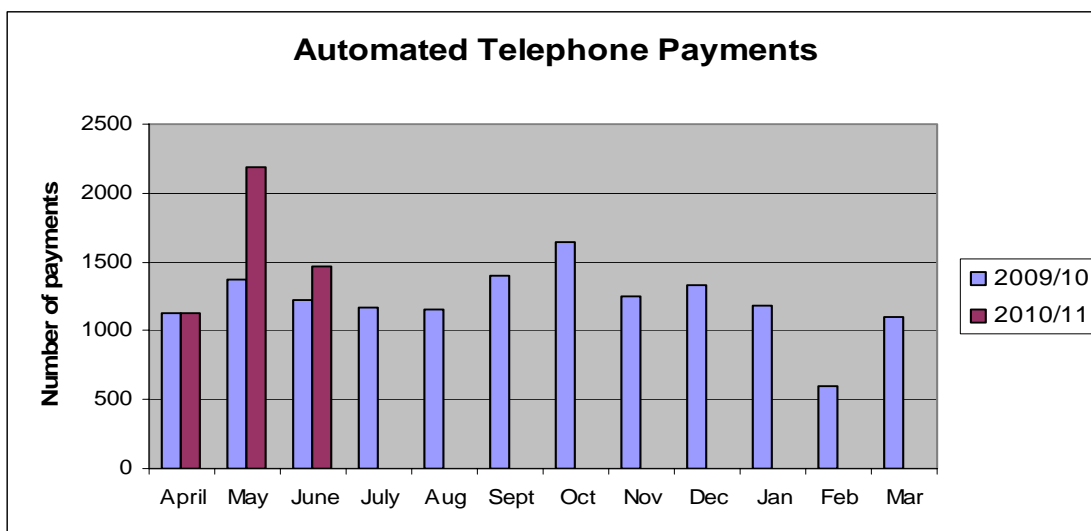
10. Many Shropshire residents prefer to pay for Council services such as housing rents, garage rents and council tax by standing order. This gives the individual control over the amount paid but can cause additional administration if incorrect reference numbers are quoted.
11. Many businesses prefer to pay the Council via BACS. These payments are credited electronically to the Council's bank account and can be processed efficiently.
12. In 2009/10 the Council received over 67,000 standing order / BACS payments. Back office procedures are in place to electronically upload income received via this payment channel and minimise manual input.
13. In the first 3 months of 2010/11 the Council has received 21,000 standing order / BACS payments totalling £21.6 million

### Automated Telephone Payments (ATP)

14. The Council is responsible for the collection of a large volume of income transactions. In particular, council tax, business rates, housing rents, garage rents and parking penalties are high volume businesses where it is necessary to offer an automated telephone payment service.
15. The Civica ICON system provides an automated telephone payments service 24 hours a day enabling customers to pay the Council at a time that is convenient to themselves.
16. During the first year the Council collected 14,500 transactions totalling over £2.2 million via the automated telephone payment service. This payment channel has proved increasingly popular with customers who are not able to make payment

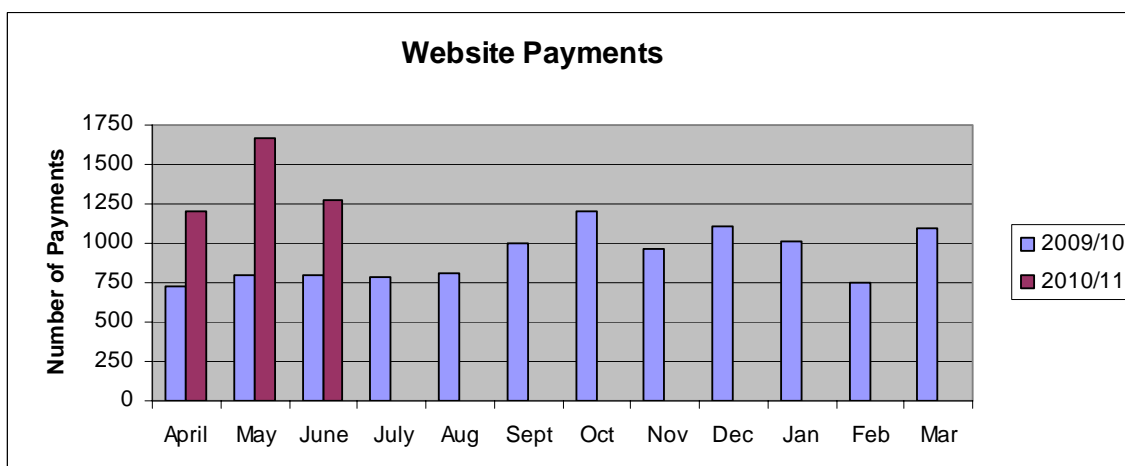
during the working day. Over 30% of the income collected via this payment channel is collected outside office hours.

17. In the first 3 months of 2010/11 the number of payments received by the automated telephone payment service has increased by 28% compared to the same period last year.



### Website

18. The Council's website was expanded at the inception of the unitary council to enable the collection of council tax, business rates, housing and garage rents via the website.
19. In recent years the Council has found that the website has become an increasing popular payment channel for the public. In 2009/10 the Council collected over 11,000 payments totalling over £1.7 million via the website.
20. In the first 3 months of 2010/11 the Council has seen a 77% increase in the number of payments made via the website compared to the same period last year. In the first 3 months of the financial year the Council has received 4,100 payments totalling £630,000 via the website.



21. Payments made via the website are interfaced into the Civica ICON cash receipting system without any manual input. Officers are currently working on changing the back-office operation of the website which will reduce transaction charges by a third.

### Payment Cards

22. Whilst it the Council's preference to collect income via direct debit and other electronic payment methods, it is also recognised that some customers still prefer to pay using cash and cheques. In these circumstances it is important to offer the ability to pay for Council services at a convenient location in a cost effective manner.
23. Over 30,000 payment cards were issued to customers during the first year of Shropshire Council. These payment cards can be used at any Post Office or PayPoint outlet to make payment with cash, cheque or debit card. There are over 200 locations within Shropshire where payment can be made.
24. Since the inception of the unitary council payment cards have been available for the payment of council tax, business rates, housing and garage rents, and supporting people payments. In June 2010, payment cards were also introduced for temporary accommodation payments.
25. Last year over 187,000 payments totalling £17.4 million were collected via payment cards. This is an efficient method of collecting cheque and cash income for the Council. The Council does not incur any costs for cash collection and all transactions are electronically uploaded into the Income Collection system and interfaced into the Revenues and Housing systems.
26. In the first 3 months of 2010/11, over 53,000 transactions totalling £4.1 million were collected via payment cards.

### Cheques

27. Last year the Council received 101,000 cheques totalling £40.7 million. Cheques require manual processing and are expensive in terms of bank charges and administration. It costs the Council an average of 56 pence to process a cheque.

#### Cheque Payments

	Number of cheques received 2009/10
Council Tax	44,000
Sales Ledger Invoices	17,000
Business Rates	7,700
Parking Penalties	3,400
Housing Rents	1,400
Other Services*	27,500
<b>Total</b>	<b>101,000</b>

\* includes planning application fees, license fees, school transport fees, schools lettings

28. In the first 3 months of 2010/11 the Council has seen a 1% reduction in the number of cheques it has received compared to the same period last year. This is

consistent with the general reduction in the usage of cheques as a payment method.

29. The Payments Council has announced its intention to withdraw cheques as a payment channel by 2018. This follows a national decline in cheque usage of 75% since 1991 and an increasing number of sectors no longer accepting cheques as a payment channel.
30. Shropshire Council is committed to the extension and promotion of electronic payment methods as a way of managing a reduction in cheques as a payment method.

### **Cash**

31. The Council processes around 21,000 cash transactions per year at its Area Headquarters and Customer Service Points. The Council also collects cash at leisure centres, theatre, museums, car parks, schools and other Council establishments.
32. Cash is expensive to collect in terms of banking charges, security carrier collection and administration. The Council prefers cash payers of council tax, business rates, housing rents, parking penalties and sales ledger invoices to pay at Post Offices or PayPoint outlets. This is both cheaper for Council and also helps support local post offices and shops within Shropshire.
33. The continued roll-out of electronic payment methods and promotional activities are expected to reduce cash as a payment method where practical.

### **Income Collection Improvement Project**

34. The Council is committed to increasing the take-up of electronic payment channels whilst also accepting that these payment channels are not available to everyone. The Transformation Programme includes within the Value for Money workstream a project to further expand electronic income collection and the efficient processing of income transactions
35. In July 2010 the Civica ICON income collection system was upgraded to provide additional functionality which will enable the system to be developed to further meet user and service requirements. The Council will continue to expand and promote electronic payment methods so as to minimise transaction costs to the Council.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b> N/A
<b>Human Rights Act Appraisal</b> There are none arising directly from this report
<b>Environmental Appraisal</b> The activities identified within this report should not result in a negative environmental impact.
<b>Risk Management Appraisal</b> The risks associated with unitary projects are discussed with the risk manager and the risk log reviewed and updated.
<b>Community / Consultations Appraisal</b> None
<b>Cabinet Member</b> Keith Barrow – Leader of the Council Brian Williams - Chairman of Audit Committee
<b>Local Member</b> All Local Members
<b>Appendices</b> N/A