

10. SERVICE CENTRE FINANCIAL TRANSACTIONS

General Manager responsible:	General Manager Regulation & Democracy, DDI 941-8549 General Manager Public Affairs, DDI 941-8637
Officer responsible:	Regulation and Democracy Services
Authors:	Chris Gilbert, Legal Services Manager David Dally, Customer Services Manager

PURPOSE OF REPORT

1. This report relates to the resolution passed by the Council in the approval of the Long-Term Council Community Plan ("LTCCP") to use New Zealand Post for all financial transactions and to close two sub-agencies, Riccarton and Hornby.
2. On 12 June 2006 as part of the LTCCP approval process Council resolved:

"28. 2(z) Use of New Zealand Post and 2(aa) Closure of Hornby and Riccarton Sub-agencies
 - a. *To approve the use of New Zealand Post for all Council financial transactions, thereby saving \$423k per annum.*
 - b. *To accept the closure of the Hornby and Riccarton sub-agencies saving \$77k.*
 - c. *To maintain the current level of service at the Tuam Street Civic Offices.*
 - d. *To maintain the current level of service at the Banks Peninsula service centres.*
 - e. *That general information services be maintained at service centres."*

(referred to as "Resolution 28")
3. On 30 June 2006 the Council resolved to approve the draft LTCCP previously considered on 12 June, subject to certain amendments as *specified in paragraph 11 below.*
4. On 13 July 2006 the Council resolved:

"That Council staff provide advice as to the process to enable the Council to debate the reinstatement of the full range of financial transactions at all service centres (including the use of NZ Post for financial transactions), and that the Councillors are presented with all options open to the Council, including all financial implications."
5. This report provides the advice requested and the process required to implement any decision.

EXECUTIVE SUMMARY

6. The Council is not bound to implement Resolution 28. The Council can, provided the appropriate process is adopted, determine a different course of action.
7. Possible courses of action at this time are either:

Option 1: To confirm the LTCCP resolution.
or
Option 2: To retain the full range of financial services at the current service centres, ie maintain the status quo.
8. An alternative approach would be to add the NZ Post network for financial transactions in addition to the present Council service centre network. However, this would constitute a significant increase in the level of service and would likely result in a substantial increase in costs. Comprehensive financial and operational analysis, and consultation, would be required before the Council would have sufficient information to be in a position to consider such a change. This approach is therefore not presented as an option in this report. Further consideration could, however, be given to this approach through a future Annual Plan or LTCCP process.

FINANCIAL CONSIDERATIONS

9. The options outlined in (7) above have the following financial implications:
 - Option 1: Implementing the LTCCP resolution would result in the savings as previously detailed in the LTCCP, that is approximately \$250,000 in the 2006-07 financial year (this is different from the figures mentioned in paragraph 2 above given that the decision will take 6 months to implement); and \$500,000 in subsequent years.
 - Option 2: Retaining the full range of financial services at the service centres, as per the status quo, would result in no savings and an increase in costs over the position budgeted in the LTCCP, of approximately \$250,000 in the 2006-07 financial year; and \$500,000 in subsequent years.

LEGAL CONSIDERATIONS

Introduction

10. The effect of Resolution 28 was to direct, inform and provide certainty to officers in order for them to complete and present financial information on the impact of these proposals in the draft LTCCP for approval on 30 June 2006 in a manner consistent with the implementation of Resolution 28.
11. On 30 June 2006 the Council also amended the LTCCP in accordance with the schedule of changes and also included additional words, under the reference to Democracy and Governance:

“This includes such things as face-to-face contact with customers at service centres.”
12. This additional wording is not directed specifically at face-to-face contact in respect of financial transactions but is more general. The Council’s earlier resolution on 12 June, which is part of Resolution 28, that general information services be maintained at service centres, aligns with this later resolution.

Changing a project included in the LTCCP

13. The Council has the ability to change the implementation of projects or proposals included in the LTCCP. However changes to the LTCCP should be carefully considered as they may reduce public confidence in the LTCCP approval process if there are frequent changes. It is important for public confidence in the LTCCP process, which involve public hearings, that decisions that are made through that process are not seen to be lightly overturned by the Council given that the LTCCP is intended to be in place for three years until the next LTCCP is made.
14. The LTCCP is a Council wide operational plan and frequent changes to the LTCCP may have unforeseen consequential effects and create operational difficulties in terms of the impact of changes in other areas approved in the LTCCP.
15. Major [ie “significant”] changes to projects or proposals in the LTCCP will require compliance with the special consultative procedure. It is recommended that, apart from changes required by exceptional circumstances such as urgency or major importance, other significant changes should be included in the amendments to the LTCCP next year as part of the Annual Plan process. They will, as part of that process, be subject to a special consultative procedure.
16. The completion of a stand alone special consultative procedure costs about \$30,000 and takes on average three months to complete.

Section 96 LGA

17. Although the proposal to use NZP and close the sub-agencies has been included in the final LTCCP, the decision to include these proposals is not in itself a decision to implement those proposals (as per section 96). A number of items referred to in a LTCCP come back before the Council as implementation of those projects progresses; other projects are implemented by management.
18. As the LTCCP is a document that spans 10 years it would not be appropriate for a resolution adopting a LTCCP, which includes proposals on future projects of the local authorities, to amount to a resolution to implement those projects. Circumstances may change during that 10 year time frame which would make it undesirable to proceed with any particular matter.
19. This means that, now the LTCCP has been adopted, and includes the proposals in Resolution 28, a resolution to rescind or revoke Resolution 28 as had earlier been proposed, or to amend the LTCCP which was adopted on 30 June 2006, is not legally necessary.
20. However if the Council now wishes to adopt a different approach, such as maintaining a full range of services at service centres, a resolution to that effect can be made by the Council.

Decisions inconsistent with the LTCCP

21. Any resolution or decision by the Council in relation to a decision that would be inconsistent with the LTCCP is subject to Part 6 of the LGA. In particular, the following will apply:
 - (a) The Council's usual decision-making obligations under sections 76 to 79, in terms of its obligation to be informed of community views and preferences, and to adopt an appropriate level of formal process (based on an analysis of the "significance" of the decision involved); and
 - (b) An analysis of whether the decision leads to special procedural requirements under sections 88 and 97 (which, require consideration of the significance policy in terms of the "significance" of the activity involved; or alteration in level of service; or capacity to deliver an activity); and
 - (c) Where the decision is significantly inconsistent with the LTCCP, the Council making the appropriate statement and acknowledgement of inconsistency under section 80.
22. Consideration of the usual decision making matters in sections 76-79, LGA in relation to each of the options identified in this report, is included within the discussions of the options section of this report.

Section 88 – Special Consultative Procedure

23. There is a question whether the Council needs to use a special consultative process to implement Option 2. In this instance we do not consider that there is a need to adopt a SCP process.
24. Section 88 of the LGA requires that the special consultative procedure be used "*in relation to any proposal for an alteration in the mode by which a significant activity is undertaken by or on behalf of the local authority*". The first step is to assess whether the provision of financial transaction services is a "*significant activity*". Significant activities for the Council are identified in the Policy on Significance.
25. We do not consider that the way that the Council manages the receipt of money is a 'significant activity' in terms of Councils Policy on Significance. It is not within the group of activities nominated as significant in the LTCCP or Annual Plan.

26. It is clear that the provision of financial transaction services will not be a “significant activity” as it does not fall within one of the identified significant activities in the Policy on Significance and a decision under Option 2 will not lead to the provision of financial transaction services as a whole ceasing or a major component being added to that service. Therefore it is our advice that the section 88 requirement to follow a special consultative procedure does not apply to the options under consideration.

Section 97

27. Section 97 of the LGA provides that decisions that significantly alter the intended level of service provisions of any significant activity, or decisions that will directly or indirectly significantly affect the capacity of, or cost to, the council (among things) cannot be made unless first explicitly included in the long-term council community plan, and having been subjected to the special consultative procedure.
28. It is clear from the above discussion that we are not dealing with a significant activity, so it is only necessary to consider whether a decision made under Option 2 would be a decision that directly or indirectly significantly affects the capacity of, or cost to, the Council.
29. In terms of section 97, it is our advice that, although there is an indirect financial cost to the Council if the Council decides on Option 2, because predicted savings will not be made, it does not change the current cost (or capacity) of the Council as it maintains the status quo. For this reason there is no significant effect on the capacity of, or cost to, the Council. This means that a decision to adopt Option 2 can be made by ordinary resolution of the Council provided the usual section 80 – inconsistent decisions – considerations are addressed.

Section 80

30. Section 80 of the LGA enables the Council to make a decision that is significantly inconsistent with any Council policy or plan required by the LGA. In this instance the LTCCP is clearly a plan required by the LGA for the purposes of section 80. The Council may make an inconsistent decision with the LTCCP decision on the issue of financial transactions being transferred to NZP and the closure of the Riccarton and Hornby sub-agencies provided that:

“(1) ..., when making the decision, [the Council] clearly identify —
(a) the inconsistency; and
(b) the reasons for the inconsistency; and
(c) any intention of the local authority to amend the policy
or plan to accommodate the decision.....”

31. If the Council proceeds with Option 1, then as that would not be a decision that is inconsistent with the LTCCP, section 80 would not apply. If the Council made a decision to proceed with Option 2 the Council would need to identify the following matters in its decision, in order to comply with section 80:
- The inconsistency is with the proposal in the LTCCP to use NZP for financial transaction services and to close the Hornby and Riccarton sub-agencies.
 - The reasons for the inconsistent decision would need to be recorded by the Council.
 - The Council would also have to identify whether it has any intention to amend the LTCCP in the future, which we suggest could be done next year, as part of the Annual Plan process.

STAFF RECOMMENDATIONS

32. Note that if Council does not adopt Option 2 then in terms of the LTCCP the Chief Executive will give effect to Option 1.

It is recommended that the Council:

- (1) Receive this Report.

Either adopt Option 1:

- (2) Approve the use of New Zealand Post for all Council financial transactions, thereby saving \$423k per annum, accept the closure of the Hornby and Riccarton sub-agencies saving \$77k, maintain the current level of service at the Tuam Street Civic Offices, maintain the current level of service at the Banks Peninsula service centres and that general information services be maintained at service centres.

Or adopt Option 2:

- (3) Retain the full range of financial services at the current service centres, and not close the Hornby and Riccarton sub agencies, maintain the current level of service at the Tuam Street Civic Offices, maintain the current level of service at the Banks Peninsula service centres and that general information services be maintained at service centres. The Council identifies that this decision is inconsistent with the proposal in the LTCCP to use NZP for financial transaction services and to close the Hornby and Riccarton sub-agencies. The reasons for this inconsistent decision are (insert reasons identified by the Council), after having considered sections 76-79 of the Local Government Act 2002 and the other matters contained in this report to the Council. The Council does not intend to amend the LTCCP, in order to accommodate this decision.

DISCUSSION OF OPTIONS

33. This report will now discuss each of the options in turn.

OPTION 1: CONFIRM THE LTCCP RESOLUTION

34. The notion of having Council financial transactions completed by NZ Post is not new to the council, and far from unique in local government. Some of the background to the present proposal follows.
35. A recommendation from a working party chaired by Councillor David Close to contract payments to NZ Post went to the Council in 1991. The proposal was not adopted. A subsequent 1996 working party recommended the integration of service centre and library functions. This detailed report was followed by a 1999 Implementation Plan, with the stated objective of delivering the suburban walk-in counter services through the libraries and to some limited extent, this was implemented. Since then, walk-in services have become part of customer services and while co-located with four libraries and two Area Development Teams, they are functionally and organisationally separate.
36. While the proposal in the LTCCP has cost efficiency as the key driver, another key driver is the health and safety of staff who handle significant sums of money in potentially vulnerable circumstances. This latter issue has been a key factor for other Councils.
37. Among other metropolitan councils, Manukau City has had NZ Post taking financial transactions for a number of years with no reported problems; Hutt City has recently adopted the same approach, Dunedin City also contracts to NZ Post, and Wellington City is currently exploring this option. A total of 11 Councils have contracted out financial transactions to NZ Post.
38. These proposals are underpinned by a presumption that levels of service would reduce at suburban service centres through the removal of financial transactions, and that the Council would be moving away from the "one-stop shop" concept in suburban service delivery. However, depending on the range of services customers want to transact, and customers' proximity to a NZ Post outlet, this proposal could also be seen as an improvement in levels of service by providing a much wider network of locations for customers to carry out these transactions. The primary assumptions of this proposal follow:

Assumptions

- There would be no change in the level of service at the Civic Offices, Tuam St. This would continue to operate as a "one-stop shop" for all financial and non-financial transactions.
- There would be no change in the level of service at the Lyttelton, Akaroa, and Little River service centre locations.
- The NZ Post network of 28 agencies in Christchurch, plus all NZ Post agencies NZ-wide, would accept all Council financial transactions, including dog licensing.
- Financial transactions capacity would be discontinued at Council suburban service centres (except for receipting of consents transactions at Sockburn and Linwood, which would be retained).
- General information, reception, bookings and other tasks would be reallocated among other service centre staff, and library staff where service centres are co-located with libraries.
- There would be no change in the level of service provided by libraries, community engagement, environmental policy and approvals, Community Board support, recreation & sport, greenspace and other existing functions currently located in service centres.

- Further investigation would be undertaken to identify opportunities for alternative delivery methods for some services, eg supply of rubbish bags and recycling crates through other outlets, or direct delivery to the householder.
- The total transactions by NZ Post would be at the level of about 200,000 transactions a year, as currently carried out at the service centres (excluding Civic Offices). This is based on the steady downward trend of transaction numbers as more people use automatic payments, on-line payment and other payment options. These other options would be heavily promoted as part of the Council's Payments Strategy.

Financial Implications

39. The financial analysis is at **Appendix A** (attached).

Advantages of Option 1

40. Adopting Option 1 would:

- Save a significant sum annually largely through wages and salary costs.
- Retain the one "One Stop Shop" at Civic Offices, where all customer services functions, including financial transaction, could be transacted. Recycling crates, rubbish bags and Bokashi (composting) buckets would be available only at Civic Offices. Other options for some of these services would be explored in conjunction with the waste management strategy.
- Provide a network of 28 sites where financial transactions could be processed, as opposed to the present network of 8 service centres.
- Provide a network of sites that are better located in terms of proximity to commonly-frequented shopping areas.
- Removes any health and safety issues around staff handling large sums of money.
- Reduces the demands for space for the customer services operation. Current space occupied by service staff in the libraries would be available for other functions.

Disadvantages of Option 1

41. The disadvantages of Option 1 are:

- The non-financial transactions presently carried out by customer service staff in the service centres would have to be carried out by alternative means. These constitute approximately 20-25% of the total task of the customer services staff in the suburban service centres. For example, recycling crates, Bokashi buckets and sundry items for sale would only be available at one council location. The provision of these may be able to be privately contracted to garden centres, hardware stores etc, as part of the waste management strategy.
- There may be some short-term impact on levels of service as non-financial transactions and enquiries are transferred to other staff at suburban service centres, For example, libraries staff would deal with general information enquiries and provide support for customer completing RFS on-line, and ensure displays of the required range of pamphlets; the Area Development Teams at Sockburn and Linwood would carry out their own receipting.
- Note: **Appendix B** (attached) tabulates these functions and proposes how they would be managed.

OPTION 2: RETAIN THE FULL RANGE OF FINANCIAL SERVICES AT CURRENT SERVICE CENTRE

42. This option would retain the current status quo position whereby financial transactions would continue to be offered at all the current service centres by customer services staff.

Financial Implications

43. The proposed savings outlined in the LTCCP would not be achieved. Given that adjustments to budgets have already been made, additional costs of \$250,000 in the 06-07 financial year and \$500,000 in subsequent financial years would be incurred.

ASSESSMENT OF OPTIONS

44. Option 1

	Benefits (current and future)	Costs (current and future)
Social	<ul style="list-style-type: none"> • Nation-wide network of financial outlets • NZ Post outlets more of a “one-stop shop” than service centres • Better opening hours • Better located in relation to other businesses and amenity locations. 	<ul style="list-style-type: none"> • Non-financial transactions centralised or devolved • Reduced staff presence in service centres
Cultural		
Environmental	<ul style="list-style-type: none"> • Located better for pedestrian traffic 	
Economic	<ul style="list-style-type: none"> • Substantial savings on rates • Reduces duplication of financial infrastructure 	
<p>Extent to which community outcomes are achieved: The proposal contributes to all community outcomes through supporting the effective financial operation of the Council; by providing a convenient network of agencies for payment of Council financial transactions.</p> <p>Impact on Council’s capacity and responsibilities: The proposal provides an effective and proven process for managing the Council’s financial transactions.</p> <p>Effects on Maori: No specific effects.</p> <p>Consistency with existing Council policies: This approach can be implemented within the Council’s existing funding policies.</p> <p>Views and preferences of persons affected or likely to have an interest: Community feedback was sought on this proposal through the Draft LTCCP process. A small number of submissions addressed this proposal, the majority calling for the retention of transaction capacity at service centres. Some submitters raised the issue of the importance of maintaining a council “face” in the community.</p> <p>Other relevant matters:</p>		

45. Option 2

	Benefits (current and future)	Costs (current and future)
Social	Maintains existing range of suburban locations for financial transactions.	Lesser range of locations to provide financial transactions than proposed under Option 1, thus providing lower convenience to customers
Cultural		
Environmental		Fewer locations means customers travelling further to access locations.
Economic		Increased costs over levels budgeted in LTCCP.
<p>Extent to which community outcomes are achieved: This option contributes to all community outcomes through supporting the effective financial operation of the Council; by providing a network of agencies for payment of Council financial transactions.</p> <p>Impact on Council's capacity and responsibilities: This option maintains the existing process and capacity for managing the Council's financial transactions.</p> <p>Effects on Maori: No specific effects.</p> <p>Consistency with existing Council policies: This approach is consistent with the Council's existing funding policies.</p> <p>Views and preferences of persons affected or likely to have an interest: Community feedback was sought on the proposed saving through the Draft LTCCP process. A small number of submissions addressed this proposal, the majority calling for the retention of transaction capacity at service centres. Some submitters raised the issue of the importance of maintaining a council "face" in the community.</p> <p>Other relevant matters:</p>		