



Finance Sub-Committee – 11 September 2017

Payment Surcharges Report

Purpose of report

The purpose of this report is to explain a revised legal position regarding the recovery of payment surcharges and as a result agree a change to this years budget.

1. Introduction

- 1.1 The Payment Services Regulations 2017 implement the requirements of revised EU Payment Services Directive (PSDII) which came into force in January 2016. This legislation no longer allows 'surcharging'; this is when a charge is made to allow somebody to pay for your service by either a credit card or a debit card. This action forms part of the Governments aims to provide wider help for families with the cost of living by helping to raise their incomes and keep more of what they earn.
- 1.2 HM Treasury have stated that from 13th January 2018, we will no longer be able to apply card surcharging to consumer payments by credit or debit card, or by PayPal.

2. Surcharges applied by East Northamptonshire Council

- 2.1. A surcharge of 1.8% is currently charged on all credit card payments. We do not levy any charges on debit cards and do not use PayPal as a payment method
- 2.2. Capita our software provider for payment functionality, currently charge us a standard amount for each transaction. In 2016/17 a total of 58,045 transactions were made by our customers, Capita charged us £31,520 to process these payments. Through the application of the credit card surcharge we received £8490, to help offset this charge.
- 2.3. Based on current estimates we will loose around £2,500 due to our loss of surcharges in 2017/18 (Jan – Mar 18). In addition to the loss of income we are required to change our software to enable the changes to the payment mechanism to be made, Capita will charge £2,090 for these changes. Therefore in total the costs for 17/18 will be £4590. The costs for subsequent years will vary depending on the number of payments received but this is likely to be in the region of £11,000, these will be built into the budget setting process going forward.

The following table and graph detail the charges we received from Capita for processing payments, the surcharges we have previously levied and the costs absorbed by ourselves.

	12/13 £	13/14 £	14/15 £	15/16 £	16/17 £	17/18 £ (Est)	Total £
Charges by Capita (Credit and Debit Card payments)	12,212	15,394	15,011	29,167	31,520	39,732	143,035
No of Transactions	35,220	43,656	44,297	53,759	58,045	72,636	307,613
Surcharge Income	3,995	6,500	6,347	7,460	8,490	10,208	43,001
No of Transactions to which surcharge was applied	1,826	2,833	3,080	3,327	3,803	4,344	19,213
Net cost of card charges absorbed by ENC	8,217	8,894	8,663	21,706	23,030	29,524	100,034
No of transactions absorbed by ENC	33,394	40,823	41,217	50,432	54,242	68,292	288,400



2.4 There is a cost to processing payments by debit and credit card, to combat this we are increasing the services for which direct debit payment is an option. Direct debits cost to set up initially; however, they are more costs effective in the long term. We currently only accept direct debit for Council Tax payments. Green waste will soon be available via a direct debit option. In addition, as part of fees and charges setting process the cost of providing the service will be taken into account. Payments as a whole are also being reviewed with respect to compliance with the new payments standards.

3. Equality and Diversity Implications

3.1. There are no equality and diversity implications arising from the content.

4. Legal Implications

4.1. There are no legal implications arising from this paper subject to us ceasing the surcharge payment from January 2018.

5. Risk Management

5.1. This risks arising from this change are financial in terms of more costs to the authority without the ability to recover, as a result of the changes as outlined in 2.3 of the report. There is a risk that we may struggle to implement the changes in time and therefore be non compliant with the new legislation, this risk has been mitigated by a provisional booking with Capita to update our software in December 2017.

6. Resource and Financial Implications

6.1. The financial implications are highlighted in section 2.3 of the report. The budget pressure of £4590 in 17/18 will be absorbed within the services existing budget. For 18/19 onwards the pressure will be built into the Councils medium term financial plan and approved as part of the budget setting process.

7. Constitutional Implications

7.1. This report does not require any amendment to the Council's Constitution.

8. Implications for our Customers

8.1. There are no implications for our customers arising directly from this report in the short term, although we may wish to review of fees and charges to ensure we are fully recovering our costs. The customers who utilise credit cards will no longer be charged a surcharge and as such this will be a financial benefit to customers who utilise this payment methodology.

9. Corporate Outcomes


- **Effective Management**

The implementation of the new regime regarding card payments ensures we are contributing to effective management of the council.

10. Recommendations

10.1. Finance Sub-Committee is recommended to note the changes to the ability to apply a surcharge to card payments, and the subsequent financial impact of £4590 from Jan 18.

(Reason – in accordance with new legislation no longer allowing surcharges to be applied to card payments)

Legal	Power: The Payment Services Regulations 2017				
	Other considerations:				
Background Papers:					
Person Originating Report: Julia Smith, Head of Customer and Community Services, 01832 742066 jsmith@east-northamptonshire.gov.uk					
Date: 25/08/2017					
CFO 29/8/17		MO		CX	