



Finance Sub-Committee – 13 November 2017

Payment Surcharges Report – Review of charges

Purpose of report

The purpose of this report is to provide members with further information on the impact of payment surcharges on the council.

1. Introduction

- 1.1. At its meeting on 11 September 2017, Finance Sub Committee considered a report which explained changes arising from The Payment Services Regulations 2017. This legislation means that from 13th January 2018 the council will not be able to apply card surcharging to consumers where payments are made by credit card.
- 1.2. 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, which are also covered within the change in legislation.

2. Review of Surcharges

- 2.1. In order to provide more information on the financial implications of surcharges on council services, a more detailed review has since been carried out.
- 2.2. We currently do not allocate the cost of card surcharges to the service areas where they arise. Therefore, the first step in reviewing surcharges has been to establish where the source of costs would have arisen.
- 2.3. The following table summarises the main service areas, the amount of income against each area and the estimated percentage and cost of surcharges that would have been allocated to each area for the financial year 2016/17:

| Area of Income | Amount £ | Estimated Surcharge % | Estimated Surcharge £ |
|----------------------|------------------|-----------------------------|-----------------------------|
| Council Tax | 5,371,828 | 80.63% | 25,416 |
| Waste | 341,882 | 5.13% | 1,618 |
| Business Rates | 290,201 | 4.36% | 1,373 |
| Development Control | 143,164 | 2.15% | 677 |
| Sundry Debtors | 135,625 | 2.04% | 642 |
| Building Control | 113,420 | 1.70% | 537 |
| Benefit Overpayments | 83,754 | 1.26% | 396 |
| CLAU | 48,047 | 0.72% | 227 |
| Licences | 41,031 | 0.62% | 194 |
| Land Charges | 28,697 | 0.43% | 136 |
| Trade Waste | 27,545 | 0.41% | 130 |
| Other Income | 36,736 | 0.55% | 174 |
| TOTAL | 6,661,931 | 100.00% | 31,520 |

- 2.4. It can be seen from the table above that 85% of costs arise from collecting payments for council tax and business rates where the charges are set. A further 3% is from collecting debt (sundry debtors and benefit overpayments). The remaining areas

totalling around 12% only makes up around £3.7k of the total surcharge amount. However, it should be noted that some of these will be areas where the fee is statutorily set by Government.

- 2.5. The number of transactions processed in 2016/17 was 61.6k which makes the average cost per transaction of 51p. However, most surcharges are charged to us on a range of percentage bases depending on the type of card used.

3. Next Steps

- 3.1. There is a cost to processing payments by debit and credit card. The report on 11 September stated our intention to increase services for which direct debit payment is an option. Whilst there is an initial cost of setting this up, it is more cost effective in the long term than payments by debit and credit card.

- 3.2. According to the Council's Charging Policy Framework:

- Charges should be made for all services where appropriate and it is therefore the Council's policy that, in general, service users should make a direct contribution to the cost of providing services at their point of use
- Where the Council controls the level of charge to be made for a given service, it is the Council's policy that the charge should, in general, be such that it covers the actual cost of providing the service (including support services).

- 3.3. Therefore, it is recommended that these costs are allocated to each relevant service through support service recharges going forward. This will enable these costs to be taken into account when reviewing the cost of providing the service and the relevant fees and charges can then be increased to allow full recovery of service costs where possible at their point of use.

4. Equality and Diversity Implications

- 4.1. There are no equality and diversity implications arising from this report.

5. Legal Implications

- 5.1. There are no legal implications arising from this report.

6. Risk Management

- 6.1. The risks arising from this report are financial in terms of the cost to the authority of not being able to recover in full the costs incurred from consumers paying by debit or credit cards.

7. Resource and Financial Implications

- 7.1. The financial implications are highlighted in the report. The majority of the surcharges are as a result of collecting council tax, business rates and outstanding debt and cannot be passed on directly as a service cost. The remaining £3.7k will be passed on where possible through fees and charges but it is recognised that this is limited due to some of these fees and charges being statutorily set.

8. Constitutional Implications

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

9. Implications for our Customers

- 9.1. The implication for our customers arising directly from this report will be where the fees and charges are increased to ensure we are fully recovering our service costs. However, for those customers who pay by credit card, they will no longer be charged a surcharge resulting in a direct financial benefit to them.

10. Corporate Outcomes

- **Effective Management**

By aligning costs to the service in which they are incurred to enable the full recovery of service costs where possible ensures we are contributing to effective management of the council and its resources.

11. Recommendations

- 11.1. Finance Sub-Committee is recommended to note the contents of this report and support the recommendation to allocate card charges through support service recharges as set out in paragraph 3.3.

(Reason – in accordance with new legislation no longer allowing surcharges to be applied to card payments and ensuring that cost of service can be fully recovered where possible at the point of use)

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| Legal | Power: The Payment Services Regulations 2017 | | | | |
| | Other considerations: Charging Policy Framework | | | | |
| Background Papers: | | | | | |
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| Date: 31/10/2017 | | | | | |
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