

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 10
DATE OF MEETING:	25th JULY 2019	CATEGORY
		DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/revenues and benefits/kiosk and cash replacement 2019/committee report/payment facilities at civic offices
SUBJECT:	PAYMENT FACILITIES IN THE CIVIC OFFICES	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That cash payment facilities at the Civic Offices are withdrawn with effect from 1 January 2020.
- 1.2 That payment machines continue to be made available but these are limited to card payments only.
- 1.3 That in the intervening period, a communication plan is drawn up and publicity is provided regarding alternative payment methods, pay point locations and people are supported in using alternative facilities ahead of January 2020.

2.0 Purpose of the Report

- 2.1 To consider the withdrawal of cash payment facilities at the Civic Offices. The option to consider the Council's approach to cash payments has arisen due to the current payment machines in the Civic Offices, becoming obsolete in December 2019.

3.0 Detail

Background

- 3.1 The Council closed its cash office facility in the Civic Offices approximately 15 years ago as it was becoming uneconomical to offer a service due to the growth in alternative payment methods. At that time, the Council still continued to accept cash "over the counter" on the front desk and this continued for several years.
- 3.2 A further review of the service and report by the Overview and Scrutiny Committee in December 2014, led to the Finance and Management Committee approving the installation of two payment machines in the Civic Offices. These replaced the physical acceptance of cash over the counter.

3.3 This decision was taken due to security concerns and to provide capacity to deal with queries and supplement resources in the Contact Centre. The payment machines have been operational since April 2015.

Context: The Move towards a Cashless Society

3.4 There is no firm strategy or directive that is governing a move towards a “cashless society”. However, it is clear that a greater number of transactions are now being undertaken electronically and the introduction of “contactless” has allowed lower level transactions in terms of payment value, to be made.

3.5 This is being led by the banks and financial institutions and with the growth in mobile technology and applications, some analysts are predicting that most, if not all, payment transactions by the end of the next decade in 2030 will be cashless.

3.6 Most commercial and retail businesses, etc. now transact electronically and provide facilities for their customers to do so. Entertainment venues, such as sports stadia, have become “cashless” and although these are rare, they are considered to be leading the way in moving towards a cashless society.

3.7 However, this move towards a cashless society is not universally accepted. In particular, some evidence suggests that older age groups are not in favour and still prefer cash as the default option to make payments. In a report published in November 2018 “*Going Cashless and the Rise of Contactless Payments*” it highlighted that a majority of those surveyed in the over 45 age category, disapproved of a cashless society ([Going Cashless Report](#)).

The Benefits and Disadvantages of Cashless

3.8 These are considered to be as follows:

Benefits	Disadvantages
Lower crime because there is no physical money to steal.	Exposes personal information to a possible data breach.
Less potential for money laundering because there is always a paper trail.	Hacking and technology problems can leave people with no access to money.
Less time and costs associated with handling money.	The poorest in society and those without bank accounts have difficulty in paying.
No requirement to make arrangements to secure and deposit money.	Some people find it harder to control spending when they don't see physical cash.

3.9 The main issue for the Council is the time taken in emptying the machines and cashing up, which is undertaken on a daily basis. There is also the cost of hiring a security firm to collect and deposit money with the Council’s bankers.

3.10 The current costs of cash collection for the Council are detailed in **Section 4** (Financial Implications) and total approximately £15,500 per year.

The Current Payment Machines

3.11 Besides accepting cash, the current machines can also accept payments by debit and credit card. Since 2015, the security standards for dealing with payments have been increased with amongst other things, the growth in “contactless” technology. New standards are set to be introduced in January 2020.

3.12 Security standards are laid down in the Payment Card Industry Standard Regulations (commonly known as PCI). The current payment machines at the Council will no longer comply with these standards and the machines will become outdated and need to be replaced by January 2020.

3.13 Critically, they do not offer a contactless payment facility that is now a key requirement of PCI. Furthermore, this co-incides with recommended practice that such hardware should be reviewed and if necessary, upgraded every 4 to 5 years.

Current Usage of the Machines

3.14 The current trend in cash transactions in the Civic Offices is downward, with a greater number of payments being made on-line (where available) since the introduction of the new web site, together with those over the telephone. Direct Debit take-up for payment of Council Tax is high at over 75%.

3.15 However, there is still room for improvement, with an on-going campaign to promote Direct Debit. In addition, the ability to extend on-line payments for all Council services is a development forming part of the Council’s Digital and Customer Access Plans and this is expected to be implemented in full by mid-2020.

3.16 In the meantime, there is still a steady use of the cash machines, with an average of 160 transactions per week in 2018/19, compared with that of two years ago (2016/17) of 200. This equates on average to around 30 transactions per day, with 90% of transactions relating to payments for Council Tax and Housing Rent.

3.17 The amount of cash collected in the machines is extremely small (less than 1%) in relation to the overall amount of money collected by the Council in a year. However, in absolute terms it is still fairly sizeable at approximately £700,000 in 2018/19 - on average £3,000 per day.

Options

3.18 As highlighted above, there is a need to replace the current cash machines and this does present an opportunity to consider various options, as set out below.

- Continue to use the current machines
- Replace and upgrade the current machines
- Replace one machine
- Replace the current machines with a card reader only and in doing so withdraw the facility to make cash payments

- Do not have any payment machines in the Civic offices, either cash or card.

Option 1: Continue to use the current machines

3.19 It is possible to continue to use the current machines beyond December. However, this may lead to a greater risk of break-down and certainly a greater support and maintenance cost due to their age. It also increases the risk that the Council would be subject to a financial penalty for not being PCI compliant and/or be forced to shut off the machines. Realistically therefore, this is not considered to be a viable option.

Option 2: Replace and Upgrade the current machines

3.20 The current payment machines could be replaced and in doing so, they would be automatically configured to the latest PCI standards, including a contactless facility. Subject to a formal procurement exercise, the replacement cost of one machine is approximately £15,000, i.e. £30,000 for the replacement of two to match current service provision.

Option 3: Replace just one machine

3.21 The Council has been operating with just one machine for several weeks following the failure of one machine which has proven difficult to get back up and running. A replacement was sought but has not been used as the one remaining machine has continued to meet demand. To-date there has been no complaints to the Council.

Option 4: Replace the Payment Machines with a Card Reader

3.22 These machines are effectively a mobile device which can be mounted on a plinth in a public area with both “chip and pin” and “contactless” options. Indicative costs per machine are approximately £5,000. Opportunities for better integration with back office systems are also greater.

Option 5: Offer no payment Facilities in the Civic Offices

3.23 This option is considered to be counter-productive. Currently, some people making payments are also visiting the Civic Offices to transact other business or to deal with documentation relating to the payment. Realistically therefore, it is considered that some payment facility, even if it's not cash, should still be made available.

Preferred Option

3.24 Given the capital replacement of a cash machine, together with the on-going costs associated with cash handling and cash collection as detailed below in Section 4, it is recommended that the Council replaces the current cash machines with a card reader (**Option 4 above**).

3.25 Clearly, no cash would then be taken at the Civic Offices. However, there are alternatives for people still wanting to pay with cash. It is generally accepted that most of the people paying cash at the Offices are resident in the “urban core” of the District, i.e. the greater Swadlincote Area.

Alternative Facilities

3.26 Alternative cash payment facilities are available through Post Offices, the nearest being a short distance from the Civic Offices. The “Pay Point” network, featuring a variety of independent local retailers, is also established and already well used by other people making payments to the Council. There are 10 of these locations within one mile of the Civic offices.

3.27 Details of Post Offices and Pay points are available at:

[Post Office Locations](#)

[Pay Point Locations](#)

3.28 The knock-on effect of using a post office or a pay point store is that it increases the footfall in and around these locations. This offers the potential to benefit smaller, local businesses. There is no additional cost to the retailer, as the transaction cost is passed onto the organisation receiving the payment, i.e. the Council, as detailed in Section 4, below.

4.0 Financial Implications

Capital Costs

4.1 If Option 4 is approved and cash machines were replaced with card readers, this would reduce the capital budget from £15,000 to £5,000 per machine, including service and maintenance, subject to a tendering exercise.

Revenue Costs

4.2 The current revenue costs of administering cash payments is as follows:

Secure Cash Collection and Deposit	£12,500
Bank – Cash Handling Fee	£1,000
Insurance Premium – Cash on Site	£2,000
Total	£15,500

4.3 By withdrawing the facility to pay by cash at the Civic Offices, this would eliminate the above cost entirely. However, if a greater number of cash transactions were made at alternative pay points, this would increase the cost to the Council by approximately £3,000 per year on a like-for-like basis, at 45p per transaction.

4.4 Therefore, the net revenue budget savings would be around £12,500 per year.

Internal Cost and Capacity

4.5 The time involved in emptying the current payment machines and cashing-up on a daily basis, which is undertaken by Customer Services staff, takes on average about one hour per day, split between two people.

- 4.6 If this time was freed up, it could be utilised more positively such as dealing with queries and waiting customers more quickly. In addition, it could be used to supplement capacity in the Contact Centre ahead of more service related calls being transferred into Customer Services.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 The recommended option would contribute to the key aim of “maintaining financial health” by generating on-going budget savings in the General Fund.

Risk Impact

- 5.4 The withdrawal of cash payment facilities would eliminate the risks associated with handling cash as detailed earlier in the report.

6.0 Community Impact

Consultation and Communication

- 6.1 If the recommended option is approved, a communication plan would be drawn up and publicity provided regarding alternative payment methods, together with pay point locations. People would be supported and sign posted to alternative facilities ahead of January 2020.
- 6.2 As a large number of current cash transactions are for Housing Rent, separate communication would be undertaken with tenant representative groups. In addition, some private hire and license fees are also made using the current payment machines and therefore, separate communication would also be undertaken with operators.

Equality and Diversity Impact

- 6.3 There is perhaps a risk that certain groups with protected characteristics under Equalities Legislation could suffer discrimination. For example, there is evidence to suggest that potentially more vulnerable people and people in older age groups may be unable or unwilling to pay by other methods.
- 6.4 However, it is important to note that people would still be able to pay by cash if they so wished, via numerous alternative pay points near to the Civic Offices and in surrounding areas.

Social Value Impact

6.5 As highlighted earlier in the report, using a post office or pay point location may increase the footfall in and around these locations. This offers the potential to benefit smaller, local businesses.

Environmental Sustainability

6.6 Nothing of significance.

7.0 Background Papers

7.1 None