

Committee: Finance & Administration

Agenda Item

Date: 25 November 2010

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Title: Credit Card Charges

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Item for decision

Summary

1. This report outlines the current position regarding the use by customers of credit cards and recommends that the cost of credit card transactions is passed on to the customer on a cost recovery basis.

Recommendations

2. It is recommended
 - 2.1. That the charging for credit card transactions, on a cost recovery basis, is agreed and that these charges are to be implemented as soon as feasible after the necessary software upgrades have been completed; and
 - 2.2. That the council continues to absorb the cost of debit card payments; and
 - 2.3. That a communication period of at least two months is allowed to promote alternative payment methods.

Financial Implications

3. The estimated saving arising from the recommendations is £28,000 after allowing for a switch from credit cards to direct debit, debit or Allpay (Post Office payment) cards. The saving will be realised as part of the strategic solutions work.

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

None

Impact

| | |
|---------------------------------|--|
| Communication/Consultation | It is planned to undertake a major promotion on payment by direct debit as an alternative to credit card payments. People paying in person by credit card will have the proposed charges explained to them and advice and assistance given to them where necessary |
| Community Safety | None |
| Equalities | None |
| Health and Safety | None |
| Human Rights/Legal Implications | Charge is on a cost recovery basis. The council will not be making a surplus |
| Sustainability | None |
| Ward-specific impacts | None |
| Workforce/Workplace | None |

Background

5. The council has accepted credit cards as a payment method for goods and services for a number of years.
6. Unlike debit cards, which have a fixed transaction cost of 30p, the banks charge a fixed percentage per transaction, which depending upon the card type is either 1.4% or 1.9%. The council currently covers the cost of both debit cards and credit cards however the cost between the two is considerable, for example a £150 payment by debit card incurs a bank charge of 30p. The same payment by Visa credit card incurs a bank charge of £2.25 and payment through business credit cards incurs a bank charge of £2.85
7. It should be noted that in the case of Council Tax and Business Rates we are collecting monies on behalf of others but we bear the entire cost of the credit card transaction.
8. Other councils that border or almost border Uttlesford either charge for visa card transactions or do not accept visa cards at all.

| | |
|-------------------------------------|-------------|
| Chelmsford Borough Council | Charge 1.3% |
| Braintree District Council | Charge 1.9% |
| Harlow District Council | Charge 2% |
| East Hertfordshire District Council | Charge 2% |

| | |
|---------------------------------------|-------------------------|
| Epping Forest District Council | Don't take credit cards |
| South Cambridgeshire District Council | Don't take credit cards |

The charge in all cases is on a cost recovery basis and the different percentages are what each council has managed to negotiate with their bank.

9. The cost to the council of credit card payments is approximately £30,000 per annum. This recommendation will almost certainly not result in an additional income of £30,000 as the use of credit cards will decline but it will enable the council to cover its credit card costs. It is unrealistic to believe the council will save the full £30,000 as the likelihood is that people will switch from credit cards to either debit or Allpay cards rather than Direct Debit. Therefore the estimated savings are £28,000 per annum.
10. The council's cash receipting system is currently being upgraded in order to comply with current legislation. This upgrade is necessary to allow credit card charging to take place. This upgrade is due to be completed in February 2011.
11. Approximately four years ago the council had a big drive on promoting direct debit payment as this is both easy for the customer and the most cost effective collection method for the council. It is intended to undertake a similar push again lasting for a period of at least two months prior to charging coming into force.

Risk Analysis

| Risk | Likelihood | Impact | Mitigating actions |
|---|------------|--------|--|
| People switch from paying by credit card to paying by Allpay or debit card which whilst cheaper will not achieve the full savings | 3 | 2 | £2,000 which is the equivalent of 6,650 transactions has been allowed for as a reduction in the estimated savings figure to cover this eventuality |

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.