

FINANCE

How is the cashless revolution progressing?

ParentPay analyses the progress of cashless payment systems in the education sector, examining the benefits to schools as well as the main barriers to adoption

The cashless schools revolution began in 2004, when Croydon Council became one of the first local authorities to adopt a fully cashless system which enabled both online and cash based payments through PayPoint. Croydon's innovative move went on to win awards and lead the way for schools across the UK to follow suit and become cashless.

Schools that have given parents truly cashless payment facilities have in return seen increased uptake in school meals and vastly reduced administration burdens.

Marianne Lewis, who was responsible for commissioning the cashless project for Croydon Council, added: "It's been a great success. Schools reported that administration time associated with cash income had reduced by up to 80 per cent in some cases, enabling them to re-deploy financial and administrative resource to more important tasks in their schools, whilst meal income revenue almost doubled within two years across the LA."

HOW MANY SCHOOLS ARE PLANNING TO GO CASHLESS?

What level of appetite is there in schools to meet this high parental demand for cashless online payments? To find out more, ParentPay carried out schools focused research between March and April this year, with 1,110 schools across the UK responding to the cashless survey. The same survey (questions) were answered by schools in

February 2015 with similar response levels; offering a useful benchmark, helping to track the progress of the number of schools who are going cashless on an annual basis.

The encouraging news is that in the 2016 survey 72 per cent of schools said they have already taken steps to go totally cashless, with one in five of these schools already reporting they are totally cashless, in comparison to 67 per cent and one in six respectively in 2015. So within the last 12 months there has been a five per cent increase in the numbers of schools who say they are going (or are already) cashless.

As in 2015, the 2016 research showed that for some schools (28 per cent in 2015/34 per cent in 2016) it was important that provision was made for cash based payers, allowing children or parents to bring cash into schools for various items, whilst in many secondary schools pupil's still queue to pay the money into a cash re-filer in the canteen, requiring students to take cash into school.

WHAT ARE THE BIGGEST CHALLENGES TO GOING FULLY CASHLESS?

School staff stated what they thought the biggest challenges would be in going fully

cashless: 43 per cent said they believed parents prefer to pay with cash; 43 per cent believed parents hadn't got access to the internet; nine per cent said cost to school; and five per cent stated online security.

PARENTS CAN STILL PAY BY CASH WHILE SCHOOLS GO CASHLESS

It's interesting to see that nearly half of respondents believe parents wanting to continue to pay by cash was a barrier to their school becoming fully cashless. Schools can still go cashless and offer cash payments through one of 33,000 PayPoint stores, which enables those who prefer to use cash to pay for their utility bills and school payments without students and the school having to receive, handle and manage this cash. There is a PayPoint store located within a mile of 96 per cent of the UK population.

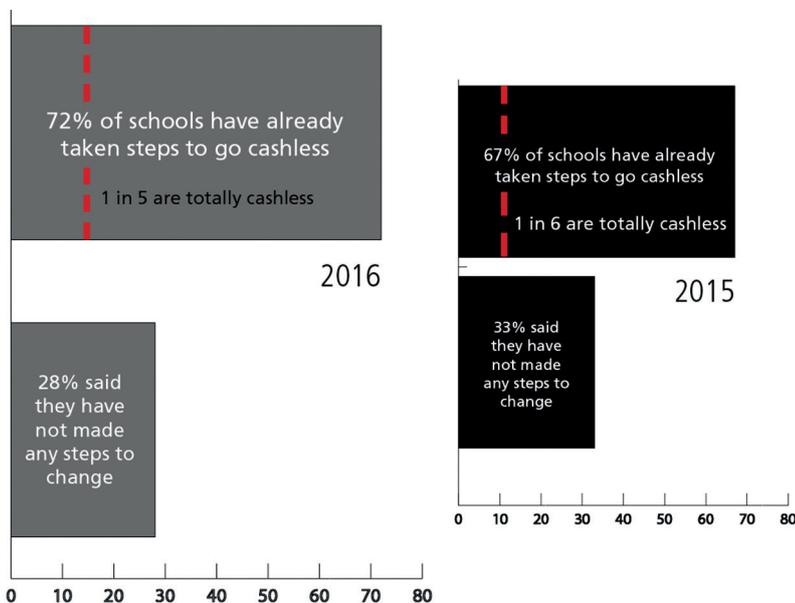
The other misconception and commonly used argument against removing the option to pay with cash is that not every parent is happy or even able to use the internet to make payment; either because they receive their income in cash, don't have internet access or potentially because of financial difficulties. So many schools, which think they can't ever go cashless because they have a social demographic of cash based payers, will always have to accept cash even if they do offer online payments.

The vital fact that is missed by many schools in these circumstances is that those same parents can and probably already do use PayPoint to make a huge range of cash payments such as utility bills. In addition to this, as 3G/4G internet access via mobile phones is becoming increasingly accessible, with 3G or 4G available to over 90 per cent of the UK's population, these barriers aren't as big as some assume.

The benefits of direct cashless payments to both parents and schools are numerous. Cash brought into schools by students can get lost, or stolen and can also encourage bullying. It also becomes very obvious which ▶

Schools can still go cashless and offer cash payments through one of 33,000 PayPoint stores

Figure 1: ParentPay carried out schools focused research between March and April this year, with 1,110 schools across the UK responding to the cashless survey.



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◀ children are eligible for free school meals (FSM). In fact a previous LACA/ParentPay survey revealed that 4.9 per cent of those entitled to a free meal do not take up their entitlement, possibly due to parents not wanting their children to face potential embarrassment and discrimination. On top of this, hundreds of hours of administration time is spent receiving, handling, recording and managing the cash. In fact, in many schools using a cashless payment system a £15,000 per annum saving in administration time and cost has been calculated.

Maria Tillett, business manager at Theale Green Community School, joined the school from a background in banking. Immediately surprised by the amount of administrative time that was taken up by collecting money, Maria now has over 85 per cent of parents paying online through the school's payment system. Coupled with the administrative efficiencies and related cost savings, the school has seen a tremendous increase in those students accessing FSM, (from 50 per cent to 95 per cent uptake) as they no longer feel stigmatised.

Ian Buss, head of education at Lloyds Bank adds: "For many schools, change and the management of that change is the biggest barrier. The schools that successfully convert to a 'cash free' environment do so by communicating this effectively with parents and staff, and then insisting on the change and refusing to accept payments by cash and cheque from a set date."

By incorporating cash collection systems such as PayPoint, it means that schools can still meet the needs of all parents, including those who prefer to pay in cash, while realising the benefits of not having children bring the money directly into school. Schools can become 'fully cashless', removing the need for parents to send cash or cheques to school to pay for school dinners, clubs, trips, fees and other services.

Monica Morley, school business manager, and Sara Smithdale, senior finance officer, at St John Payne Catholic School in Essex, explain why the school went fully cashless and the lessons learned in the process. Monica said: "Back in 2008, the time required for collecting, reconciling and banking cash and cheques was almost becoming unmanageable; we had to do something to tackle this issue.

"Parents were already shopping and banking online so I couldn't see why they wouldn't also want to pay for school items online. In 2008/09 we started to use the online system and within a year we were starting to see benefits. With over £75,000 collected on trips and other items, we saved numerous administration hours, which were put to good use elsewhere."

So if a payment system with PayPoint functionality incorporated removes any of the potential barriers to adoption, are there any other considerations? The only other issue is the cost. Payment systems have to be purchased and online

It can be a good idea to carry out a simple cost analysis based on the time it takes administrators to collect payments and manage the cash

debit/credit card and PayPoint payments do carry a small transactional charge. However, with the significant financial benefits realised due to the reduction in administration time and the value added to parents, i.e. protecting their children and cash, the argument against going completely cashless starts to disappear.

HINTS AND TIPS

We do, however, recommend that schools make the following considerations when selecting and investing in a cashless payment system:

1. *Make a business case* – it can be a good idea to carry out a simple cost analysis based on the time it takes administrators to collect payments and manage the cash. Suppliers should be able to provide case studies and referrals that may support your arguments.

2. *Decide on your final objective* – for example 'going completely cashless by September 2017', and build a strategy for achieving this. Ask the supplier/s you are considering working with to provide evidence of what is realistically achievable and check this by contacting schools already using the system.

3. *Do the maths* – build a quote comparison between suppliers for the cost of a cashless payment system, but remember you need to encompass the total cost of ownership, including any annual costs, all long-term costs such as training, support (is the support line at a premium rate?), upgrades and whether you can easily import new student data directly from your school management information system (MIS).

4. *Provide for cash based payers* – does the solution offer socially inclusive payment options such as PayPoint?

5. *Protect against fraud* – ensure your chosen system offers a secure payment collection service to avoid the dangers of collecting

money from parents' debit/credit cards.

Whoever a school uses to collect payments should be PCI compliant, ideally Level 1, so ask for the supplier's certificate to prove it. Equally, if you chose to take card payment collection responsibility yourself, consider the cost of security compliance training for staff.

6. *Reporting* – ensure your system allows you to record and report on universal infant free school meals (UiFSM), free school meals (FSM) and paid for meals. A good system will offer a broad reporting functionality including income reconciliation, electronic payment receipts, audit trails and banking reports.

7. *Alerts/reminders* – providing balance alerts to parents can help reduce the need to chase parental debt and in turn reduces administration time.

8. *Healthy supplier* – we also recommend checking the financial stability of your preferred supplier. If they are BESA members they will have had to be trading profitably for more than two years and must adhere to a code of best business practice.

9. *Best Value* – this refers to consideration such as how 'fit for purpose' the product is, its 'value' (based on the total cost of ownership), service level agreements, such as whether the company issues new, ideally free upgrades through an investment in development and support services including training. A list of all BESA member suppliers can be found at www.besa.org.uk.

10. *Have a plan* – prepare to consult with pupils and parents over a period of transition so that it does not come as too much of a shock. Be prepared to insist on the change to parents if you want to make the move completely – any initial doubters are almost always complete converts in the long run. ■

FURTHER INFORMATION

www.parentpay.com

Figure 2: school staff stated what they thought the biggest challenges would be in going fully cashless

- 43% believe parents prefer to pay with cash
- 43% believe parents haven't access to the internet
- 9% cost to school
- 5% online security

