

Committee(s):		Date(s):
Culture, Heritage and Libraries	- For decision	14 July 2014
Finance Committee	- For decision	22 July 2014
Subject:		Public
Provision of foreign currency exchange services at the City Information Centre		
Report of:		For Decision
Director of Culture, Heritage and Libraries		

Summary

As part of the service-based review, the City Information Centre (CIC) opposite St Paul's has begun to look at ways in which it could substantially increase its income, offsetting the £241k it costs the City Corporation to provide the service annually. A number of options have been considered and expansion of the Centre's product portfolio to increase sales is already underway. Discussions are also taking place with third parties about other potential revenue streams. One such option is the introduction of a foreign exchange (FX) counter service.

The CIC has undertaken extensive internal and external consultation to understand how best this might be delivered and has established a recommended route for a trial period of one year. That route is to "rent" a counter position to an FX service provider.

In addition, it is suggested that the CIC install FX ATMs inside and outside the Centre (subject to examination of spatial issues and necessary planning consents) – this could add a further £30k in income p.a.

A number of issues have been cited by teams from across the City Corporation during the CIC's investigations, these primarily centre on compliance, staff safety, building security (increased risk of break-in / robbery) and reputational PR.

This report summarises the issues and options and asks Members to approve, in principle, the introduction of this service, subject to officers being satisfied as to the suitability of the arrangements for the City Corporation, and subject to agreeing acceptable terms with any supplier.

Members are also asked to agree to a long-term contract for the service being formally tendered once the trial period is complete and subject to an assessment of its success by the Director of Culture, Heritage and Libraries.

Recommendation(s)

Members of the Culture, Heritage and Libraries Committee are asked to:

- Agree, in principle, that the City Information Centre (CIC) offers foreign exchange services through a supplier renting counter space and via the installation of up to two cash machines (internal and external), subject to officers being satisfied as to the suitability of the arrangements and subject to agreeing acceptable terms with any supplier.

- Delegate authority to the Director of Culture, Heritage and Libraries, in consultation with fellow officers, to negotiate a lease/licence and agree suitable terms with a supplier and to take any steps necessary to implement the proposals, instructing the Comptroller and City Solicitor accordingly.
- Recommend that the Finance Committee agree to waive procurement regulations in accordance with regulation 9.2 to enable a one-year pilot of the service to take place.
- Agree to the Director of Culture, Heritage and Libraries proceeding to the formal tender of a three-year contract for this service in consultation with the Chamberlain and subject to compliance with procurement regulations, following his assessment of the benefits of offering the service specifically in terms of income potential, demand and value of the service to customers.

Members of the Finance Committee are asked to:

- Receive for information the contents of this report and the recommendations of the Culture, Heritage and Libraries Committee.
- Formally waive the procurement regulations in accordance with regulation 9.2, so enabling the City Corporation to procure the service for a one-year trial period to commence, with the option to extend the trial to a maximum period of eighteen months if the tender process for a three-year contract is not complete within the trial period and continuity of service is required.

Main Report

Background

1. The City Information Centre (CIC) opened in its current, purpose-built premises in November 2007. It employs eight multi-lingual staff (4 x F/T and 4 x P/T) and runs a seven-day-a-week operation helping visitors to London achieve the most from their stay.
2. The CIC is the only *official* Tourist Information Centre (TIC) in central London and is widely considered to be a leader in its field, training GLA “Ambassadors” (2012-14), spear-heading a nationwide TIC exchange programme with Tourism South East, chairing the pan-London TIC group and partnering with VisitEngland in 2012 (and on-going) to be their approved London centre for national product. It is a much-valued asset locally and plays an integral role in the City Corporation’s provision of services to London and the nation.
3. The CIC’s net cost to the City is £241k p.a. (2013/14). It generates gross revenues of around £601k from the sale of tickets, souvenirs and books, and delivers profits of around £82k on ticket sales.

4. In early 2014, as part of the service-based review, your Officers were asked to consider the services the City Corporation provides and explore ways in which they may be delivered differently and at less cost to the City.

Current Position

5. As part of this exercise, the City Information Centre began to look at ways in which it could generate greater profits and as a result introduced new products to its sales portfolio. It also considered whether the provision of a foreign exchange (FX) service would deliver sufficient income to warrant perceived set-up costs and if this would be a something that customers would not only use, but value as well.
6. Initial investigations indicated that as much as £80k (net) could be generated by the introduction of such a service (with most set-up costs being covered by the supplier or offset against profit), while data collected by staff at the Centre revealed that the CIC has received approximately 1,400 unprompted enquiries about foreign exchange (FX) services over the last financial year and about 250 enquiries in the last 2 months (c. 4 per day). This suggests that the introduction of an FX service would be seen as a positive enhancement to our existing service provision by many customers, especially those from overseas who accounted for around 85% of all CIC users in 2013.
7. The idea of providing an FX service at the CIC is not new. A paper was received by your Policy and Resources Committee in March 2008 proposing that Thomas Cook provide a similar service, generating £10k in income and delivering staffing support to a value of £15k. It was hoped that the overall value of this partnership (£25k) would offset the additional cost of delivering a new seven-day-a-week operation (increasing from six). The proposal was rejected because the value was not considered enough to warrant investment and the additional income sought was awarded to the CIC as a budget enhancement.
8. 2014 is a different landscape, with potential income from an FX service now substantially greater than it was in 2008 (up to 33% of CIC expenditure in comparison to the 11% that the Thomas Cook proposal would have generated (the CIC budget being estimated at £231k at the time)).
9. Research undertaken by VisitEngland has revealed that few TICs across the UK provide an FX service giving us no real data or experience to inform our thinking and against which we can benchmark income potential. This is not surprising as many visitors to the UK will enter through London and have numerous opportunities to change money before travelling to cities outside of the capital. There is also less demand on the FX facilities that exist in other cities than there is on those in the City. This, plus the captive audience of visitors to the CIC, has led potential suppliers to suggest an optimistic return for the provision of an FX service at the Centre and Members are asked to acknowledge that, while projected income is a best guess, it is probably best case scenario.
10. In the immediate environs of the CIC, there is a limited provision of FX services (a newsagent in Paternoster Square offers this service and there are exchanges in Fleet Street and Cannon Street). Across the City, provision is

better but, anecdotally, most see customers having to queue at peak times (eg lunchtime) and, with the exception of the newsagent local to the CIC, none yet identified offer a service at weekends (which the CIC could do).

11. A number of hotels and travel agents within London and nationally offer an FX service. In most cases, staff deliver the service themselves (on behalf of a supplier) and, in most instances, this is done over an open counter. The Paternoster Square newsagent has no protective barrier between customer and operative and the Post Office in Eastcheap operates an open counter service (low glass). This provides a model for the CIC to follow (subject to any relevant security measures suggested by the City Police, Security and Contingency Planning etc) and negates the need for significant building works to take place in order for an FX service to be commissioned. Pictures of the examples cited are given in appendix 1.

Options

12. By market testing, the CIC has informally discussed the idea of an FX service with three potential suppliers, asking them to consider a one-year trial period so that either party may withdraw if the service is not a success. From this, the options for delivering the service have been identified as follows:
 - a. provision of a Euro/Sterling cash machine generating up to £20k per annum for an external machine and £10k per annum for an internal facility
 - b. provision of a cash-based open counter service with the supplier “renting” and staffing a space and FX services only being available from that counter position (one of the low-level, wheelchair positions is suggested); this option is estimated to deliver up to £80k per annum from rental income and commission in year one, rising in following years after set-up costs are recouped
 - c. provision of a bespoke (caged) bureaux de change inside the Centre, purpose-built, branded heavily and staffed by the supplier; this option is estimated to deliver up to £65k per annum from rental income and commission in year one, rising to £80k+ in subsequent years after set-up costs are recouped
 - d. the CIC staff being trained by the supplier to deliver an FX service themselves from all counter positions so mitigating any queuing concerns (at the one position); this option is estimated to deliver up to £60k through commission and staffing supplements in the first year with commission rising if the pilot year were successful and the supplier won the contract for a three-year term.
13. Clearly, option 12b is the most beneficial route in that it delivers the highest return with the least level of investment (installation and training). It is therefore recommended that this route is adopted for a one-year trial period, noting that income is indicative at this stage and can only be confirmed once set-up costs have been calculated and set against commission, and demand for the service is more fully understood (affecting commission levels).

14. In addition, the provision of an FX cash machine (ATM) both within and outside of the CIC is suggested (and can be accommodated alongside option 12b). This would be subject to appropriate sites for the ATMs being identified, any necessary planning permissions being obtained and set-up costs being appropriate to a one-year trial period only.
15. Option 12d is attractive in that it enhances our service level with all counter positions able to offer FX services, so alleviating any queue situation. It also mitigates customer frustration in the CIC's busiest months when all counter positions are busy with enquiries and – as per option 12b or 12c – the staff member manning a position for the FX exchange is free but unable to help customers with visitor enquiries because s/he is not trained to do so and does not have access to City Corporation systems. Conversely, this option places significant risks with the CIC and concerns have been raised by HR and others about staff safety (this is discussed more fully in paragraph 33).
16. Option 12c is not preferred because the installation of a bespoke unit to provide this service will reduce floor space and thus leaflet racking and queuing space. Heavy branding would also be considered inappropriate within the CIC and may set a precedent that is difficult to unpick.
17. Of the three potential suppliers with whom we have informally discussed the idea, one has declined to offer anything more than the cash machine, noting that the investment required to do so could not be justified for such a short tenure; the other two can supply the FX service as described in 12d, with only one able to provide all options.
18. It is likely that the service will be contracted on a mixed concession / commission basis, with the supplier paying some rent and a share of profit to the CIC. Final amounts and percentages will depend on the supplier and the level of investment and risk the supplier takes to deliver the service (the income estimates in item 12 are based on data received through soft market testing).
19. It should be noted that any agreement that allows either shared occupation of the CIC with an FX supplier or enables an external organisation to install and maintain ATMs will need to be regularised by the City granting either a lease or licence. In any proposal, the City Surveyor will be consulted and the Comptroller and City Solicitor will be instructed to complete an appropriate lease or licence. It is not anticipated that anything other than minor works will be required to accommodate proposals in this report.

Proposals

20. Given the income potential potential of an FX exchange service which has been identified, it is recommended that a one-year pilot is approved to be implemented as soon as possible to encompass (at least part of) the peak summer period. Subject to the success of the trial (to be measured by the demand for it, the value customers place on it and level of income achieved), it is also recommended, that an on-going service is installed at the CIC working with the City of London Procurement Service team (CLPS) to ensure compliance with our procurement regulations and protocols.

21. Members are therefore requested to delegate authority to the Director of Culture, Heritage and Libraries to appoint an FX supplier to the CIC for a one-year pilot period, subject to consultation with the teams listed in para 30 to ensure all relevant matters for proper implementation of the proposal are satisfactory to the City Corporation, the City's insurers and any other external body that will be affected by the proposal.
22. It is also proposed that the one-year pilot be undertaken subject to a waiver to the City's Procurement Regulations from the Chamberlain under regulation 9.2 and agreement from your Committee, noting that some market testing has already been carried out with three potential suppliers, of which only one can offer the preferred delivery route.
23. Members are also requested to delegate authority to the Director of Culture, Heritage and Libraries to extend the trial period up to a maximum period of eighteen months if the tender process for a three-year contract is not complete within the year and continuity of service is required because success warrants it.
24. Subject to the success of the trial, Members are asked to agree to the Director of Culture, Heritage and Libraries proceeding to a formal tender process for a three-year contract for this service, to be led by CLPS and which would conform with the City's Procurement Regulations.
25. The success of the pilot would be assessed on two specific criteria:
 - a. **income for the CIC** (while initial estimates show income could be as much £110k these may be optimistic; a total annual income of at least £20k would need to be achieved to warrant continuance)
 - b. **demand / service level** (if income is less than £20k but more than £5k, assessment will be made via the CIC's annual user survey of the current and potential demand for the service and its value as a service enhancement for customers)
26. If the continuance of the service is not assessed by the Director of Culture, Heritage and Libraries as beneficial, any equipment and alterations made to accommodate the service will be removed or corrected at the supplier's expense excepting those measures that enhance the building's security and which would cost the supplier to "make right" (eg the removal of back office panic buttons).
27. At this stage, administering a formal tender process for the one-year pilot is not recommended because it will be time-consuming and will exclude a number of suppliers unwilling to invest in such a short tenure (thereby limiting the pool from which to choose a supplier and so comply with the City's Procurement Regulations as well as ensure best case income for the CIC).

Corporate & Strategic Implications

28. The proposal to deliver FX services at the CIC enhances our value to customers and helps to improve the City visitor experience, aligning with action A3.11 of the City's Visitor Strategy 2013/17: "to deliver service improvements at the CIC by introducing WiFi, feedback systems, new products and QR coding"

29. The proposal also aligns with KPP2 of the Corporate Plan 2013/17, our priority to “maintain the quality of our public services whilst reducing our expenditure and improving our efficiency”

Implications

30. A very wide process of consultation has taken place with HR, Security and Contingency Planning, City Surveyor's, Chamberlain's, Comptroller's, PRO, City of London Police and the CLPS to understand the issues around the CIC delivering this service and to ensure that these are addressed. The headlines are as follows:

- a. **Negative PR – why is the City providing banking services?:**
consultation with the Director of Public Relations suggests that the City Corporation entering into the provision of this service is defensible in the current climate of cuts and that the service is appropriate to the business accommodating it
- b. **Staff safety:** while the suggested route primarily places risk on the supplier's operative manning the FX desk (an open counter), risk for all CIC staff is increased with the additional level of money kept within the building; the City will also become a technical landlord and responsible for ensuring basic legally-required safety considerations.

All appropriate risk assessments will be undertaken including a resilience review of the building's design with regard to robbery and target hardening, staff will be fully trained in conflict management (the Maybo programme has been suggested), regular cash collections will be a part of the contract and enhanced safety measures (such as more cameras and panic buttons) will be installed at the supplier's expense.

- c. **Financial compliance:** with the recommended route being managed and delivered by the supplier, compliance is the responsibility of the supplier; a separate safe, PDQ lines and till will be installed at the supplier's expense and any equipment required to counter fraud will also be supplied by them
- d. **Building safety:** the supplier will be required to supplement existing building security to comply with insurer and/or independent risk assessor requirements; this must be undertaken at the supplier's expense but may be offset against year one income.

The risk profile of the CIC will increase and as such will be captured on the appropriate risk registers. Delivery of the service cannot therefore commence until all the controls have been implemented and deemed as working. In its current state the CIC could not safely deliver the service but with the appropriate controls in place this risk can be mitigated.

- e. **Roles and responsibilities:** as part of the process of engaging a supplier, CIC and supplier roles and the liabilities for which each will be responsible will be clearly identified and policies (eg insurance) revised to reflect increased risk.

Conclusion

31. The City Corporation is investigating a series of money-saving measures in order that it can continue to deliver valued services for its residents, workers, visitors, London and the nation. The City Information Centre is a vital resource for all these audiences and one that has received plaudits from across the industry for its contributions to the visitor experience in the capital and across the UK.
32. The introduction of an FX service at the CIC increases its value to customers while reducing the strain on the public purse. If successful, the service could save as much as 33% of the Centre's running costs, ensuring a more secure future for it and for the provision of visitor information in London.
33. Issues of safety, reputational PR, compliance, insurance and training have all been discussed and it is recognised that any provision of service will need to address officer concerns in these areas.
34. It is therefore recommended that Members agree to a one-year pilot of an FX service during which time demand and concerns can be assessed more fully and – depending on success – inform the development of an on-going three-year contract that is formally tendered, so reducing the cost to the City Corporation of funding the CIC on an on-going basis.

Appendices

- Appendix 1 – pictures of open counter FX services currently offered in the City of London

Nick Bodger

Head of Cultural and Visitor Development
Department of Culture, Heritage and Libraries

T: 020 7332 3263

E: Nick.Bodger@cityoflondon.gov.uk

Appendix 1 – pictures of open counter FX services offered in the City of London



Thrive News in Paternoster Square offers FX services using an open counter



The Post Office in Eastcheap also offers FX services using an open counter (position to right of picture is the FX counter)