

The National Prepaid Cards Steering Group

A Guide to the Use of Prepaid Cards in Local Government

“Prepaid cards are a great way to get things done, they’re easy to use and safer and more secure than cash”

– LB Camden

“Prepaid cards allow us to focus on monitoring high-value processes, they allow all Council departments to manage more effectively”

– LB Brent

“I’ve been able to take responsibility for my entire budget by using the Prepaid card for activities and equipment”

– Derbyshire CC care leaver

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Introduction

This guide to the use of Prepaid cards in Local Government has been produced by the National Prepaid Cards Steering Group, supported by MasterCard.

For the first time a group has been formed which has brought together councils who are using Prepaid cards, councils who are interested in implementing Prepaid card programmes and wanting to learn more about others' experiences, and representatives from the supply side in the form of Programme Managers, who provide the end to end managed service, and MasterCard.

The Steering Group has discussed many of the issues facing councils and suppliers in an open and constructive way which has enabled Programme Managers to better understand the real needs of councils and so tailor their products to enable councils to extract the best possible value and return on investment from their implementations.

One result of the continuing work of the Steering Group is this guide. The Steering Group defined the contents as being what they considered to be of most use to other councils who wanted to know more about the many opportunities that Prepaid cards have to offer.

An online resource library has been created which contains many of the presentations, business documents, business cases and implementation materials that the councils and Programme Managers have used in the course of their work. This should allow councils to make more rapid progress by learning from the experiences of those that have gone before and adapting the documentation for their own use.

The Steering Group would like to extend their thanks to MasterCard for creating and supporting the group, allowing it to operate independently and providing the resources to enable this guide to be created.

Using Prepaid cards helps with some of the main challenges facing Councils today

There are many scenarios where value can be derived from a Prepaid card solution, outlined below are the most prominent challenges and issues Councils face where Prepaid cards have been demonstrated to add value.

Cashable (i.e. where the Local Authority can release savings and attribute a financial value):

- Operational service costs (measured in FTEs and direct costs):
 - Budgets in Local Government are under pressure.
 - Disbursement of funds to both employees and citizens is often governed by manual high cost processes.
 - Full end to end costs associated with paper authorisation processes require time and effort.
 - Full end to end costs associated with cheque and cash processing are extensive.
- Cost of financial controls (measured in FTEs):
 - Expenditure tracking and evidencing is predominantly paper based.

- Auditing, error tracking & validation of returns comes at a considerable operational expense.
- Current processes for delivery of Direct Payments are not scalable with existing resources;
 - i.e. either more employees are required to deliver the services associated with personalisation or the method of delivery has to change.

Non-cashable (i.e. where financial value of the benefit/cost is difficult to attribute):

- Risk management:
 - Information with regards to expenditure & cost is generally only available cyclically with limited reporting capabilities to identify fraud and non-compliance with legislation & contracts.
 - When organisations do not deploy sufficient controls due to budgetary constraints they expose themselves to the cost of
 - legislative nature
 - non-compliance
 - fraud
 - breaches of security
 - By using Prepaid cards the costs and penalties of the poor management of risk can be avoided.
- Adherence with the personalisation agenda and political risk of not doing so:
 - Central government policies are heavily focused on increasing personalisation & the openness of public services.
 - Central government targets and policies are driving uptake for personalised services such as Individual Budgets and Direct Payments.
 - There is a strong driver from government to deliver funds directly to citizens rather than as managed budgets.
 - However, using traditional payment methods (e.g. cash, cheque & BACS) for these services can lead to unacceptable loss of control and oversight over the funds by the responsible public sector organisation.
 - This requires a fresh look at how financing for these increasingly self-directed services is delivered to the citizens.

What are Prepaid cards and how do they work?

Prepaid cards operate in a similar way to normal credit and debit cards except that funds are preloaded onto the cards by the council and then spent by the card holder until the balance is exhausted. As they do not incorporate a credit facility the cards cannot become overdrawn and are not linked to a bank account. Funds can be loaded onto the cards by councils or by their clients at any time. As all transactions are recorded automatically it is possible to track when uploads and subsequent spend take place and monitor how the funds are spent.

Common ways of using Prepaid cards

- Budget management and monitoring. Prepaid cards provide an effective way of managing budgets such as disability allowances, travel expenses and as a replacement for traditional petty cash as all transactions are recorded and made available for analysis.
- Disbursement. As both money loaded onto the card and its subsequent spend can be effectively monitored on a real-time basis Prepaid cards provide an ideal way of overcoming the traditional problems associated with managing disbursements using manual methods.
- Instant issue. Councils deal with many circumstances in which they have to issue funds in an emergency. This could typically happen in areas such as children's services, dealing with asylum seekers and handling staff payments. Councils often carry a stock of Prepaid cards which can be issued and existing cards can be loaded with funds extremely quickly.

What are the typical elements of a Prepaid card programmes?

As with most technologies their effective use relies on a combination of technical features and the surrounding processes which make the most of them. The most effective implementations incorporate an effective blend of technology and people.

- A typical process. Whilst there is no uniform way of using Prepaid cards due to their flexibility many programmes have common elements. Councils can hold a stock of cards which they can issue as necessary, or order cards on demand from their provider. Clearly there are security issues which have to be dealt with and steps taken to ensure that the recipient is valid and is not using the card as an opportunity for money laundering. These issues are dealt with in more detail elsewhere in this guide. Funds are uploaded to the cards by the council or by the client either directly or through the service provider. The ways in which the funds can be spent can be controlled by blocking spend by category and by restricting access to such facilities as cash machines. When the client uses the card to make transactions, the details are recorded and made available for analysis either via portals, downloadable files or reports.

As problems arise cards can be cancelled, withdrawn and are usually replaced upon expiry.

- Card loading. Councils submit details of the amounts required to be uploaded to cards to their programme manager who makes the transfer on their behalf. Clients can upload funds to the cards in a number of ways depending upon the programme manager. Some councils

prefer client funds to be transferred to them and then uploaded centrally. Others have designed their processes so that clients can upload funds via a portal, website or via Paypoint. To deal with more vulnerable service users some councils have worked with providers to establish telephone support services which enable clients to upload funds and make payments using the telephone.

- Direct debits/standing orders. Some programme managers can set up their programmes to provide similar facilities to traditional bank accounts. Regular payments can then be set up to be made via direct debits and standing orders to ensure that regular suppliers get paid on time.
- Online card management. Online banking facilities allow clients to monitor their transactions and balances directly, make payments and upload funds. This has the added advantage of helping to provide life skills to clients who have previously not have the opportunity to take advantage of such facilities.
- Card details/branding. The cards themselves can be branded by councils to integrate their use within existing initiatives or to create new brands to catch the imagination.
- Merchant categories. Every supplier who accepts payments by card falls into a merchant category. Lists of merchant categories can be found online. It is possible to specify in which merchant categories spend is allowed and which are restricted within a Prepaid cards programme. It is also possible to block the use of cash machines. This option is commonly incorporated into programmes as all of the advantages of being able to monitor spend are lost if the client is able to simply convert funds into cash. Moreover, merchant categories can be restricted to a list of suppliers pre-approved by councils.
- Telephone banking/support. Whilst online facilities are a great advantage for the majority of clients there will always remain a proportion who are unable or unwilling to use them. Some councils have worked with service providers to set up telephone banking to overcome these difficulties. Other councils are looking into the feasibility of providing telephone banking in multiple languages, though this is likely to be an expensive option if provided by the programme manager rather than the Council's own staff.

What typical business benefits can Prepaid cards deliver?

Steering group members have identified the following potential benefits of using Prepaid cards, many of which will apply to any implementation. Identifying which of these benefits apply to your intended use and how they may be evaluated in terms of a business case is a necessary first step in assessing the suitability of Prepaid cards for your intended application.

Lower cost of operation

Prepaid cards can dramatically lower the cost of carrying out many business processes by automating and streamlining operations which are traditionally carried out using traditional bank transfers or handling cash. By automating steps such as transferring funds to clients not only will costs fall but the quality of service will also improve as the client will receive the funds more quickly.

The cost of using Prepaid cards compares very favourably to traditional payment methods such as raising cheques. Independent research indicates savings on administration costs of up to 36%.

Source: "Budgets by Card: How Prepaid can transform the delivery of individual budgets", Ticon White Paper, March 2010"

Replaces cash handling

Handling cash transactions takes a lot of mundane time and effort and diverts staff from carrying out more meaningful tasks. In addition it is difficult, if not impossible, to monitor what the cash has been spent on. By using Prepaid cards much of this time and effort can be reclaimed. One council has reported that it expects to save the equivalent of four members of staff simply by avoiding moving large amounts of cash around from place to place. Council staff are usually relieved to not be subject to the risks of handling cash. In addition, Prepaid is also a more secure method for clients with funds secured in the event of loss or theft.

Better monitoring

One of the greatest benefits of Prepaid cards is that they provide a much more effective way of monitoring what money spent on. As all transactions are recorded electronically and details are available for analysis it is possible to monitor spend across different programmes, monitor spend on individual cards or focus on card users that have become high profile.

By accessing spend data through portals or by downloading transaction details the time and costs associated with more traditional methods such as asking for client bank statements are minimised.

More effective use of staff time

As staff have to spend less time carrying out laborious, paper-based administrative tasks they have more time to spend on high-value activity. One example given by a steering group member is in the use of Prepaid cards for disability allowances. Before their introduction staff chased clients for spend details and then carried out manual checks when the details arrived, if they arrived at all. As transaction details are available immediately more focus can be placed on tracking underspend to highlight where funds can be reclaimed if the allowance is deemed to be too high or where clients have developed additional problems which don't allow them to spend the money.

Supports the personalisation / commissioning agenda

The government's drive towards commissioning and the personalisation of spend gives clients much more control over what their money is spent on. This can create a problem for councils in checking that money has actually been spent on what it is supposed to have been.

Prepaid cards give clients the required control over who and what their money is spent on whilst giving councils the ability to monitor that spend.

Spend can be directed to better outcomes

By monitoring spend councils can ensure that it is directed towards good outcomes. Camden's COOL card is tightly controlled and allows young people to spend money on after-school clubs, gyms, cinemas etc. whilst not allowing cash withdrawals or spend in unauthorised categories.

Before it was introduced such controls were not available when young people were given cash.

Tracking client contributions

In circumstances where clients are required to provide a personal contribution towards their care councils report that it has been difficult to ensure that the contributions are made and then spent in an appropriate manner. If clients are required to upload their contributions to Prepaid card then it is easy to check that it is being done and that the money has been spent appropriately.

The ability to upload client contributions has been identified by the steering group as a key component of the specification of many Prepaid programmes.

Better / quicker client service

It is important in these times of financial constraint to maintain, if not improve, levels of client service. As Prepaid cards allow funds to be loaded immediately and provide real-time monitoring of spend it is possible to respond immediately in times of emergency, either initiated by the client or by the Council. If branded Prepaid cards are introduced the organisation's identity and reputation can be more closely allied to the benefits the client will experience.

Income generation

Some forward thinking councils are examining whether the introduction of Prepaid cards can lead to income generation opportunities. Merton's use of Prepaid cards to handle direct payments has led them to offer service whereby client's accounts are managed by the Council and attract a monthly charge. They plan to extend this service to generate enough income to pay for the Prepaid programme itself.

No major investment in IT systems

The payback periods of Prepaid programmes are much shorter than most technology based solutions as there is no major investment in IT systems. The ability to integrate with existing financial systems remains however as all transactions are available in comma separated values (CSV) files

which are easily converted for electronic input, no expensive re-keying is necessary. Most programme managers are able to offer further integration with financial systems if it is required.

How would our clients benefit from using Prepaid cards?

Once initial worries about new ways of receiving payments have been overcome there are many advantages to using Prepaid cards and both the council's clients and staff report very positive reactions to their use.

The primary benefits are:

- Prepaid cards are generally available to all, regardless of financial circumstances, and give the freedom to shop, access funds and spend in ways which were not previously available.
- No need to handle cash. Some Council staff spend a lot of their time ferrying around cash and often feel vulnerable when doing so. Similarly clients report being generally happier using a card to make payments rather than obtaining and handling potentially large amounts of cash. The use of Prepaid cards minimises or eliminates the risks associated with the handling of cash and leads to increased levels of personal safety for both staff and clients. The costs of payment conversion are also avoided.
- Promotion of life skills/social inclusion. When Prepaid cards are used by clients who have little or no experience of using credit or debit cards or having traditional bank accounts they help to develop their life skills. Unbanked clients typically pay around 8% to cash in cheques and convert them to cash. Clients become familiar with making payments by card, using secure personal identification numbers (PINs) and making payments online in a safe and secure manner.
- Access to better services/prices. The prices of many products and services are lower when they are purchased online. Prepaid cards can provide access to these prices for some clients for the first time. Unbanked clients do not have to forfeit a percentage of a payment made by cheque in converting it into cash.
- Quicker access to funds. As soon as funds are transferred onto Prepaid cards they are available to the client. There are no intermediary steps with bank clearing or obtaining cash. In emergency situations funds can be loaded with immediately for instant use.
- Easier monitoring. Prepaid cards can easily be used to replace traditional methods of handling staff expenses and payments. Instead of staff having to make their own payments, keep statements and fill in forms to reclaim expenditure they simply use preloaded cards and their transactions are automatically recorded. This also reduces the cost to the council of handling expenses and staff are freed to focus on high value activities such as monitoring spending patterns.

How much do Prepaid cards cost to operate?

The list of fees and charges below is representative of the range of different charges which may be made by a programme manager. Different programme managers price up their overall service package in different ways. Some state individual prices in some of the categories below, others choose to amalgamate them or provide overall fees. When assessing different provider's pricing, steering group members strongly recommend developing a profile of typical volumes for your intended use of Prepaid cards over the first three years of use (number of cards, average number of transactions per card per month, cards held awaiting use etc.) and using it as a model for comparison.

Councils need to choose whether to accept these charges as part of the overall costs of running their Prepaid cards programme or to pass them onto their clients. This is not an easy decision to make and is often influenced by the overall financial element of the business case and the predominant political culture of the department or council running the programme.

Fees and Charges

- Set up – a one-off set up fee when the programme is instigated.
- Annual fee per card.
- Card issue fee – charged when a card is created and issued.
- Additional card for a single account - a charge made for a second and subsequent card linked to the same balance, often used where a client wishes to allow a carer or personal assistant to act on their behalf.
- Inactive card – charged by some providers if a card is inactive as there are no transactions made to provide an income stream to cover their costs.
- Replacement of a lost card.
- Transaction fee – charged every time the card is used for normal Point of Sale transaction, often included in the annual card fee.
- ATM use – a very common charge, and usually charged per use.
- Standing orders and direct debits – usually charged per instance.
- Bounce back - charged if the Prepaid card has insufficient funds to pay a standing order or direct debit.
- BACS transfer- charged per transfer to or from the Prepaid card.

- Merchant blocking – a charge made to block or allow funds to be spent in certain categories, usually charged per programme.
- Cancellation of card – a fee levied if the council wishes to cancel a card before its expiry date.
- Load fee – charged when money is loaded onto a card by the council or client.
- Claw back fee – a charge made to return balances to a council if, for example, a client should die.
- Client service – charges negotiated for services provided by the provider such as helpdesk facilities, telephone support etc.
- Tiered rates - charges are often tiered to reduce as the volumes of cards used increases. Steering group members report discount structures where transaction costs are reduced once break points at 500, 1,000 and 5,000 cards are achieved. Tiered rates can be applied per programme, per council or under a framework contract that applies to multiple councils in a particular area or nationally, such as an OGC framework contract.

Table of typical charges

The table illustrates the range of fees and charges levied by different programme managers. It should be used for illustrative purposes only as it demonstrates that the programme managers levy charges in different ways. However, it can be used as useful tool in assessing basic ballpark charges for an initial outline business case.

Typical Fees and Charges	Range Summary
Set up fee per programme	£0 - £1000
Annual fee per card	£0 - £36
Card issue	£2 - £4.95
Additional card for a single account	£2 - £4.95
Inactive card	£0 - £4.95
Replacement of lost card	£2 - £4.95
Point of sale / online transaction fee	Free to client
ATM use	£0.99 - £1.00
Standing orders and direct debits	£0.35 - £1.50
Bounce back	£20
BACS transfer	£0.35 - £0.50
Merchant blocking	£500 - £1000
Cancellation of card	£10
Load	£1 or 1.5% per load, often free as part of monthly charge
Claw back	Free
Client service	Typically free for 9 - 5 call centre in English

Where would Prepaid cards be used?

During their discussions on Prepaid cards and by sharing their direct and anecdotal experiences the Steering Group members were able to create a long list of ways in which cards are being used or their use being extended.

Problem solving

Prepaid cards offer solutions to a number of problems and issues that a council faces.

- Dealing with clients who do not have a bank account.

HM Treasury research shows that a significant proportion of citizens without bank accounts are also either unemployed or on a low income, or are elderly, lone parents or housing tenants and likely to be in receipt of benefits. All councils will therefore have the problem of issuing funds in other ways than by cheque or BACS transfer, typically this involved handing out cash which brings with it issues of accountability and security. Prepaid cards need not be linked to a bank account so solve this problem as well as providing incidental benefits associated with social inclusion and enhanced life skills as clients have access to facilities to which they would otherwise have no access.

- Monitoring that funds are spent appropriately.

Whether funding is made to a bank account or in cash it is traditionally difficult and time consuming to check that the funds are being spent appropriately by manual methods. This usually involves asking for receipts and statements and carrying out a manual reconciliation. Steering group members report that they spend considerable time chasing clients for their data and then, as they have relatively few people in their teams, can have a backlog of six months in checking the details. As well as restricting the use of Prepaid cards to certain categories of spend all transactions are automatically logged electronically and made available for analysis. Reports can be automatically triggered when, for example, funds are regularly underspent or the pattern of spend changes. Councils can therefore ensure that funds are being sent appropriately and more easily manage the risk of inappropriate or fraudulent use.

- Taking money back when necessary.

If inappropriate use is detected, or funds are regularly underspent it is notoriously difficult to reclaim the money. Funds on Prepaid cards remain the property of the council and can therefore be transferred back from the card at any time. The ability to reclaim funds forms an important part of many council's business cases. Merton Council has developed a standard process to handle the situation where money has to be reclaimed but the client has also made their own contributions to the funding on the card. All money is transferred from the card back to the council and then existing spend is evaluated to check it was made on appropriate services. Once this has been done the amount that the client or their estate is entitled to is calculated and the transfer made.

Using Prepaid cards as an agency

Councils are using Prepaid cards in new and innovative ways in addition to streamlining functions such as direct payments. Steering Group members use their Prepaid card programmes or report other use in areas such as:

- Benefits – in addition to making the payment process as efficient as possible, Prepaid cards allow accurate monitoring and reporting of benefits spend where necessary.
- Social/Health Care – councils use Prepaid cards for direct payments but also to help young people leaving care and when grants are made for special equipment.
- Transit subsidies – frequent allowances can be put onto Prepaid cards and then used for transit/transport in a number of ways.
- Emergency assistance – Prepaid cards can be issued and loaded instantly making them ideal for use in circumstances where emergency payments have to be made.

The advantages of using Prepaid cards in these and other ways are explored more fully later in the guidance.

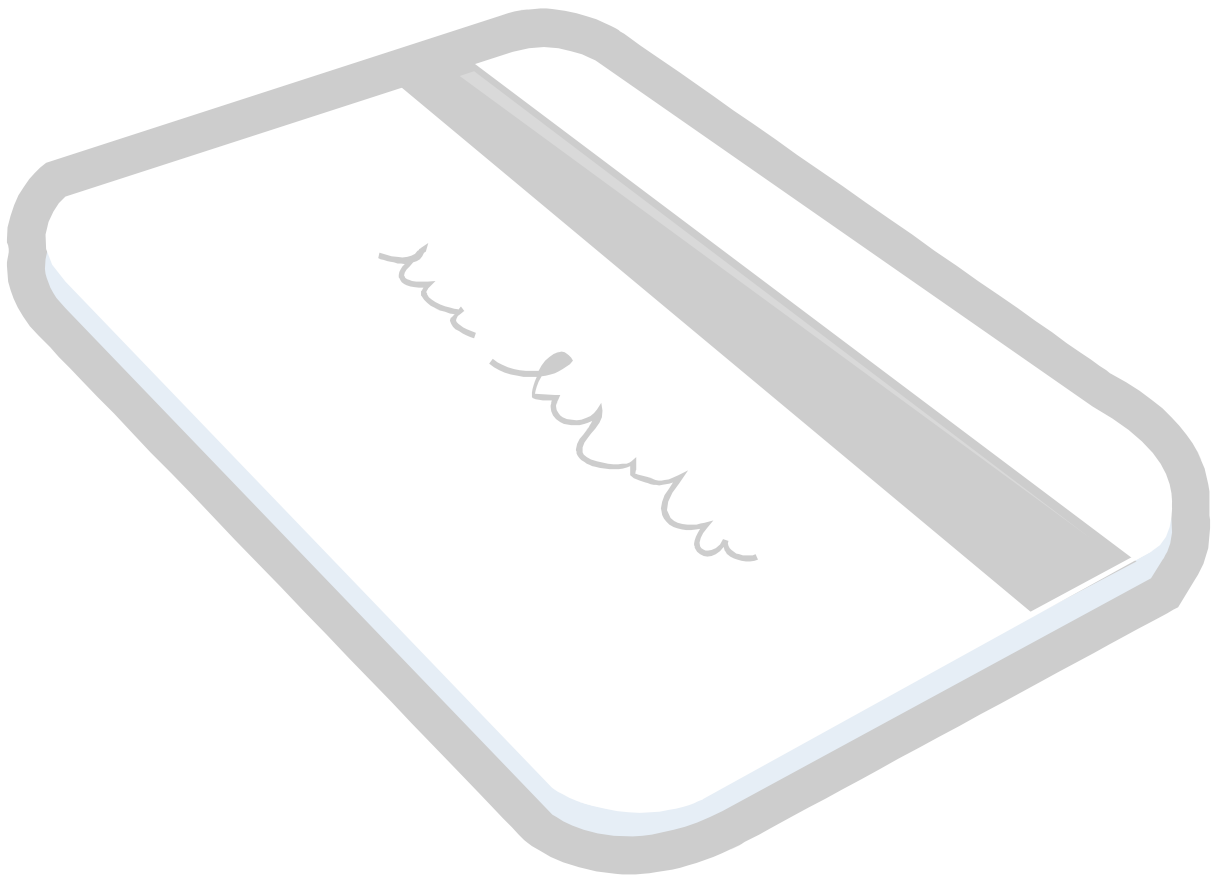
Using Prepaid cards as an employer

The benefits of using Prepaid cards as a lower cost, higher efficiency method of replacing traditional payment methods apply in many situations when used by a council in its role as an employer:

- Payroll – Prepaid cards are an ideal way of quickly paying temporary and agency staff or making assistance payments to new members of staff.
- Petty cash – it is commonly accepted that handling petty cash and monitoring its use takes large amounts of time and effort to manage relatively low levels of risk. Prepaid cards allow the process to be streamlined and costs greatly reduced. Some Councils using Prepaid cards now simply manage petty cash by making spot checks on appropriate use and if misuse is found take action based on a disciplinary process which the client signs up to as a condition of using the card. This approach is seen as particularly useful when the council or its tenants are carrying out housing repairs as the cards can be limited to use in a small number of appropriate spend categories.
- Travel and other expenses – in a similar fashion any staff who receive expenses use a significant proportion of their working time filling in claim forms and processing receipts, which are then checked for accuracy by an administrative team. It is not uncommon for each department in Council to handle this function with their own teams which simply duplicated the already high, non-productive cost. Councils are using Prepaid cards as a way of taking a single, corporate approach and savings

money. Elected members have shown that they are keen to receive their expenses on Prepaid cards as it solves any transparency issues at a stroke.

- Relocation – in an increasingly competitive employments market councils will pay relocation expenses to attract high calibre staff. Loading these payments onto a Prepaid card ring fences them and gives an early demonstration of the councils commitment to the new member of staff.
- Voucher replacement – Prepaid cards provide an easy, low-cost alternative to offering luncheon vouchers or daily expense allowances to people who visit or work on an ad-hoc or periodic basis.



Background - Why did we choose Prepaid Cards?

Approximately two and a half years ago we began our journey at Merton to support 30% of our clients to receive a personal budget. To help us achieve this various Self-Directed Support groups were set up each tasked with looking at different areas i.e. Information Technology. I chaired a group looking at financial deployment options.

Within the group we examined how our clients could currently access personal budgets and what we needed to do to ensure all our clients were able to have full choice and control over their budgets. A proportion of our social care clients could not presently receive personal budgets due to having substantial debts to the authority or having fluctuating capacity.

A conclusion was reached that in order for Merton to ensure it was being fully inclusive we needed to introduce Prepaid cards and a Managed Accounts service. It was agreed that the cards would be rolled out within Direct Payments.

What did we do next?

The role of a project lead for Merton to look at the feasibility of introducing Prepaid cards was decided and a project plan was drawn up.

In order to move these ideas forward an options appraisal was produced for Senior Management to inform and gain their decision. It was agreed to take these ideas forward. Extensive market research to look for service providers and authorities that were using Prepaid cards was then carried out.

At the time we carried out this research there were very few authorities that were using Prepaid cards especially within the adult social care remit.

From this point Merton approached various providers and asked them to provide a presentation and costings. Further down the line we also looked at joining the Havering collaborative contract.

The main requirement for Merton was around the functionality of the card. We had several lengthy discussions within the team regarding our requirements for the cards and what we perceived our clients would also require.

From this point we also carried out some consultation with members of our Direct Payments Forum and with our Direct Payment clients. From our initial findings a draft specification was formulated.

After much research another update for Senior Managers was produced. Agreement was reached with regards to our provider and a report was produced for our Cabinet members.

Once we had agreed a provider a project-scoping document that included details of implementation, specifications, communications, training and timescales was developed. This document was regularly updated by both Merton and APS to ensure the project was kept on target.

What savings were achieved?

Like many other authorities Merton has been subject to many budget cuts and restructuring. Funding for Prepaid cards was always going to be challenging. Our DP service is run in-house and the team is very small. There was not an option to reduce team members in order to achieve savings.

Initially some work was carried out with an external consultant to look at savings through efficiencies. Although a report was produced outlying many efficiencies this was not accepted as a cashable saving.

We then looked at the requirement of an additional staff member for managed accounts. We needed to establish funding for this post as well. Whilst researching other managed accounts it was established that many of these organisations charged for these services. The idea to charge for this service was discussed with our Charging Consultation Group. It was agreed that this was a necessary service and therefore for those who could not afford it, it should be free. We did some further work around this and concluded that for those who required the service they would be given the funding to pay for it within their personal budget. They would also be subjected to a financial assessment to establish if they could contribute towards this service. For those who were identified as not requiring this service they could opt to pay for it. The income generated from this service would be used to pay for the Prepaid cards.

Where are we now?

The Prepaid cards and Merton Managed accounts were launched on the 1st July 2011. By the end of November 2011 we have applied for 143 cards and have 24 clients on our Managed Accounts service. As we are a very small team it has been decided that it would be problematic to maintain two separate finance systems. It was therefore agreed that all existing DP clients of which there are approximately 560 would be transferred onto Prepaid cards. All new clients would automatically receive a Prepaid card.

An action plan was devised in order to transfer our existing Direct Payments clients over with minimum disruption and maximum support. These clients will be fully supported in getting their cards up and running. For those clients who do not have access to a PC we will print statements when requested.

How do the cards work at Merton?

The Direct Payments team has opted to apply for and receive the card initially.

This enables us to accurately monitor the application process. Card users are contacted to collect the card, sign the programme manager's terms and conditions and given any assistance required to activate the card and set up direct debits standing orders etc.

As each card has an individual account number and sort code, the Local Authority can load the card by BACS transfer and inform the card user with no changes to our previous process. Significant considerations in selecting our programme manager meant not having funds in a 'holding account' or having to bear the cost of system integration with that of our programme manager.

The Local Authority loads funds onto the cards every 28 days after the initial set up. Card users can also load their contribution onto the card by Standing Order or by funds transfer (internet or telephone) and keep all the funds in one place.

Utility payments can be made to setting up Direct Debits or Standing orders from the card to pay recurring charges. Money can be transferred to the programme manager's account by Internet or telephone. The cards also have chip and pin functionality for Point of Sale transactions where MasterCard is accepted such as cinemas and gyms.

By accessing our programme managers system via a web-based link, we can view transactions and balances online in real time. Our programme manager will supply a data download which we will use to monitor account balances, funds movement and where no activity has occurred.

What problems did we encounter?

Our major hurdle when implementing the cards was around lack of resources and general information, as we had no other authorities to approach for guidance. Our Legal department was very risk adverse, which resulted in the contract taking several months to draw up!

There have been many lessons learnt both for our programme manager, APS, and ourselves, as this was a first for both of us! An issues log was developed and this is constantly updated when issues arise. This is then sent to APS and other parties for resolution.

Case Study of Client Mr O and Merton Managed Accounts

Merton Managed Accounts (MMA) is a new service provided by Merton Council that started in July 2011. This new service option is provided through Self Directed Support to social care clients and provides a method of receiving flexible care services without the need to perform any financial management tasks. The type of flexibility offered by the service matches that only previously offered by a Direct Payment.

The MMA service is managed by an individual in Merton who provides what is essentially a financial management service with the help of Prepaid cards. Merton have found that Prepaid cards are a great way to manage clients care budgets as they keep individual budgets and transactions separate, meaning there is no need to reconcile large accounts to make sense of a mass of transactions. The separate accounts allow such easy monitoring of client care budgets that the council can flag up those clients who do not seem to be receiving the services they require. Additionally individual statements can be printed and provided to each client if and when required.

About Mr O

Mr O was one of the very first individuals to receive a MMA and he found some real life changing benefits from the new service.

Mr O has the capacity to make informed decisions, however he has a short-term memory problem. Due to these short-term memory problems, Mr O lost the ability to problem solve and lost the ability to organise his own affairs, finances and physical wellbeing.

Additionally Mr O has a history of drinking and when confronted with a small amount of money and the choice between alcohol and food, alcohol would often prevail. Due to this reason Mr O was unable to receive a traditional direct payment, as it was highly likely that the money would be spent on alcohol or that care invoices would not get paid due to their short-term memory problems.

After he was referred to Social Services the Social Worker assigned to the case spent large amounts of time trying to support the client by doing his shopping and trying to keep his flat tidy and his benefits sorted. Mr O would often collect his weekly benefits and spend the funds on alcohol and ignore bills etc. It was becoming increasingly challenging for the Social Worker to support this individual.

When MMA was launched it was identified that this individual would be an ideal candidate. It was agreed that Mr O needed a personal assistant to help him keep his flat tidy, purchase shopping and make meals to encourage MR O to eat. They would also assist in paying bills and doing tasks such as laundry.

Reports from Merton Social workers are very encouraging. Since switching from directly provided agency services to a flexible Merton Managed Account package (provided with the help of Prepaid cards) the client has transformed in appearance, confidence and attitude which has been noticed by all including the client's family and friends. Mr O now wants to get back to work. Of course it has to be noted that Mr O improvements are somewhat owed to a brilliant personal assistant but the fact remains that this client would have missed out receiving such life changing assistance if it was not for the new service provided by Merton's Managed Accounts Team and Prepaid cards.

Next Stages

The transferring of our Direct Payments clients onto a Prepaid card is being carried out as part of a phased approach in order to support our clients. We envisage this will take several months to complete.

Top Tips!

To ensure that your Prepaid cards work in all areas across your authority it is essential that you look at the functionality required for each department. The functionality for direct payments is very different to other service areas i.e. asylum seekers, as the requirements are very different. You need to be clear with your requirements and work with your programme manager to ensure Prepaid card functionality supports your chosen service areas.

Background

The Camden COO-L Prepaid card is offered to young people entitled to council assistance and allows disadvantaged young people to take part in activities of their choice thus increasing their participation in positive activities and contributing towards their educational achievement. The programme is now being broadened to include young people with working parents.

Providers of positive activities have been recruited to participate in the programme and offer discounts to COO-L card holders

Practicalities

These are the steps by which the cards are used by the Council and the young people

- Funds are loaded onto the young person's COO-L Prepaid card by the council.
- Activities are then selected from the COO-L website without adult intervention. Examples include youth clubs, Duke of Edinburgh Award activities, gym, cinema and swimming sessions, taekwondo, arts, music and drama sessions. An increasing number of popular London attractions such as the London Eye, London Zoo and the Science Museum are also participating.
- Payment is taken by the provider when the young person visits using chip and pin, or by phone.

Eligible young people receive either a £15 or £40 per month bursary which is used to top their COO-L card. Parents / guardian also can top up the cards.

The brand is promoted by holding promotional events to spread the word such as a sports centre open day, "Give it a GO" sports day at Parliament fields, celebrating parents event and a Glee themed performance day at the Shaw Theatre.

Business Drivers

The programme supports the Council's objectives by optimising the effectiveness of the funding granted to young people and channelling their attention towards positive activities. This early intervention means that fewer young people will become disenfranchised and the associated on-costs of dealing with problem behaviour are avoided. It's all about personalisation giving young people, with the power to make their own decisions and manage their spending.

The COO-L card has improved bookings compared to our online web accounts and easy to monitor use of the bursaries by young people via extracting spend reports. One immediate advantage was that the use of ATM's is excluded so that the problems associated with monitoring cash spend were eliminated. In addition the card cannot be used at retail and food outlets.

Approach taken to recruiting card users

COO-L concentrated on engaging a cohort of 1,200 young people resident in the area who are eligible for free school meals including Looked After Children and those with Learning Difficulties and Disabilities. Initially 200 Prepaid cards were issued but this has now been increased to 500 Prepaid cards.

Potential users were offered the Prepaid card on a voluntary basis and take up has been extremely high. Young people and parents report high levels of satisfaction with the programme.

A range of online and leaflet assistance is available to help young people use the Prepaid card.

Obstacles overcome / pitfalls to avoid

The main obstacle faced in setting up the programme was designing a programme that was tailored for the needs of young people and the Council. It is important to choose a programme manager which is flexible and adaptive. Prepaid Financial Services created a phone based service and their staff attended disability awareness training sessions in order to provide the best service.

The best advice is to just get on with it, start with the best intentions and then tailor what you offer as you learn and make progress. Don't over analyse everything during the planning process or you will never get going.

Benefits

The main benefits to the client are:

- Encouraging young people to take part in positive activities.
- Providing funds for young people to take part in activities they cannot currently afford.
- Provide a safe way to carry money using chip and pin.
- Encouraging young people off the streets.
- Making activities cheaper.
- Teaching money management skills.
- Deploying pay-on-delivery for activity providers.

The major benefits to the Council are:

- Improving the effective use of council funds.
- Improving monitoring of spend.
- Creating a brand which shows the Council in a positive light.

Costs and Savings

Costing will all depend on how many Prepaid cards and what programme you will run and who else in the council will join you in the procurement to drive down costs. Housing and social care and COO-L procured the same provider with totally different programmes plus we had an existing relationship with Prepaid Financial Services when they were running the Tower Hamlets Prepaid card programme.

COO-L is part of the youth service. We get a budget allocated to run activities for young people. COO-L delivers positive activities to young people and gives the money directly to the young people so they choose what activities they want to take part in. It is about using the money the best way to deliver activities.

Running the COO-L Prepaid card for our youth service has increase young people participation in positive activities and reduced anti-social behaviour. The budget that is allocated to the COO-L project delivers positive activities and is a proven model that works. The budget is spent in the most effective manner which will impact on savings.

Next stages

The next stage for the COO-L Prepaid card is to increase Prepaid cards to 500 and to pilot the cards to working parents who can use the them for their young people and they do not need to be on free school meals. The parents will be responsible topping up the card. The aim is to make use of the Prepaid card an accepted norm and therefore attract more activity providers and lower activity costs

Many other London Boroughs have expressed great interest in the programme and early discussion have taken place on whether it is feasible to roll out the COO-L programme as a single London brand available to all Councils and young people.

Top tips / recommendations

- Communicate with other local authorities to see what has been done.
- Attend the MasterCard Prepaid Steering Group to learn more about Prepaid cards and meet other local authorities running Prepaid card programmes.
- Now you can have a look at your business case/spec and change the implementation and other factors based on the lessons learnt from your discussions from other local authorities.
- See if there are any other departments that can join you to reduce costs via a joint procurement.
- Procure your programme manager and get started with your implementation.
- Camden COO-L has a working solution so if you have a youth service budget and are looking to deliver positive activities to your young people the COO-L Prepaid card can be your solution to deliver these activities.

Background

London Borough of Brent has been using Prepaid cards to deal with payments to adult service users, asylum seekers and with their own staff. This case study examines the redesign and procurement of a new Prepaid card programme to initially be used for the payment of adult service users.

The main driver for the introduction the programme has been the difficulties in manually monitoring payments, a large backlog had built up and it was felt that opportunities were being missed to track underspend, client contributions and inappropriate use. By analysing better management information excess balances could be recovered and fraud prevented.

A decision was taken to re-specify and repurpose and then retender the Prepaid cards programme as it was discovered that only 50% of the target users had internet access and the existing programme provider was unable to provide a telephone service to handle the non-internet clients.

Underlying principles

The Council’s experience of using Prepaid cards helped then to establish some general principles to be incorporated into the new specification and implementation. These included:

- Establish a payment monitoring system based on ‘exception reporting’ to enable staff to focus on high-value flagged exceptions and hence maximise the return on the investment made.
- The implementation should be driven by social care staff to ensure that the programme is optimally designed for the needs of the clients and Council. Corporate body staff were also represented throughout the project management cycle.
- The replacement programme would be proven in Direct Payments and then extended to cover staff cards and asylum seekers before further opportunities sought in different areas of the Council’s business.
- All activity should support corporate objectives such as the Council’s drive to support the government’s personalisation agenda, the need to create efficiencies and save money and being able to make such savings using existing staff resources more effectively.

Design factors

In order to satisfy corporate objectives and take into account the information requirements required to generate the savings, Brent developed a coding system for Prepaid card transactions which would allow them to analyse information effectively and integrate transactions within existing social care and, as importantly, corporate finance systems.

This coding system allows the information to be used to improve the quality of care provided in addition to monitoring spend to generate savings.

In essence the Council needed to know, for all users of the Prepaid programme:

“This client is this type of service user, is being paid from this budget, and is spending their money on these activities”

Once in place transaction data can be aggregated into meaningful information aligned to the specific needs of the staff member using it and used to provide answers to questions such as:

“How much of the older people budget is being spent on wages?”

“Are clients paying their own carers or using outside agencies?”

Client spend will be able to be easily matched against their care package specification to check that it remains appropriate to their identified needs. The capability to generate easy answers to these and other questions will enable better management of care packages and open up potential procurement opportunities to drive down costs.

Lessons learnt

The team responsible for the project has identified a few core lessons for others:

- Be persistent and phrase the benefits of the programme in terms which offer something to the person you’re trying to persuade, whether that’s a senior manager or potential client.
- Try to identify which concerns are based in reality and which are subjective. Try to address the former and explain by example why the latter are illusory.
- At all stages aim to gain the trust of budget holders, other stakeholders and clients by showing that you’re incorporating their interests into the design of the programme.
- Have clear objectives and firm project management, and use and reshape the work of others

The move to the use of Prepaid cards will be mandatory for all existing clients and the only option offered for new clients. The main benefits outlined to clients are that they don’t have to generate and send in their own paperwork, they have 24 hour access to their spend information and balances through the online portal and that their carers are paid much more quickly than previously.

The team have also found that it is important to also explain to the clients the benefits of the programme to the Council as the majority see the need to better use the budgets available and reduce administrative costs.

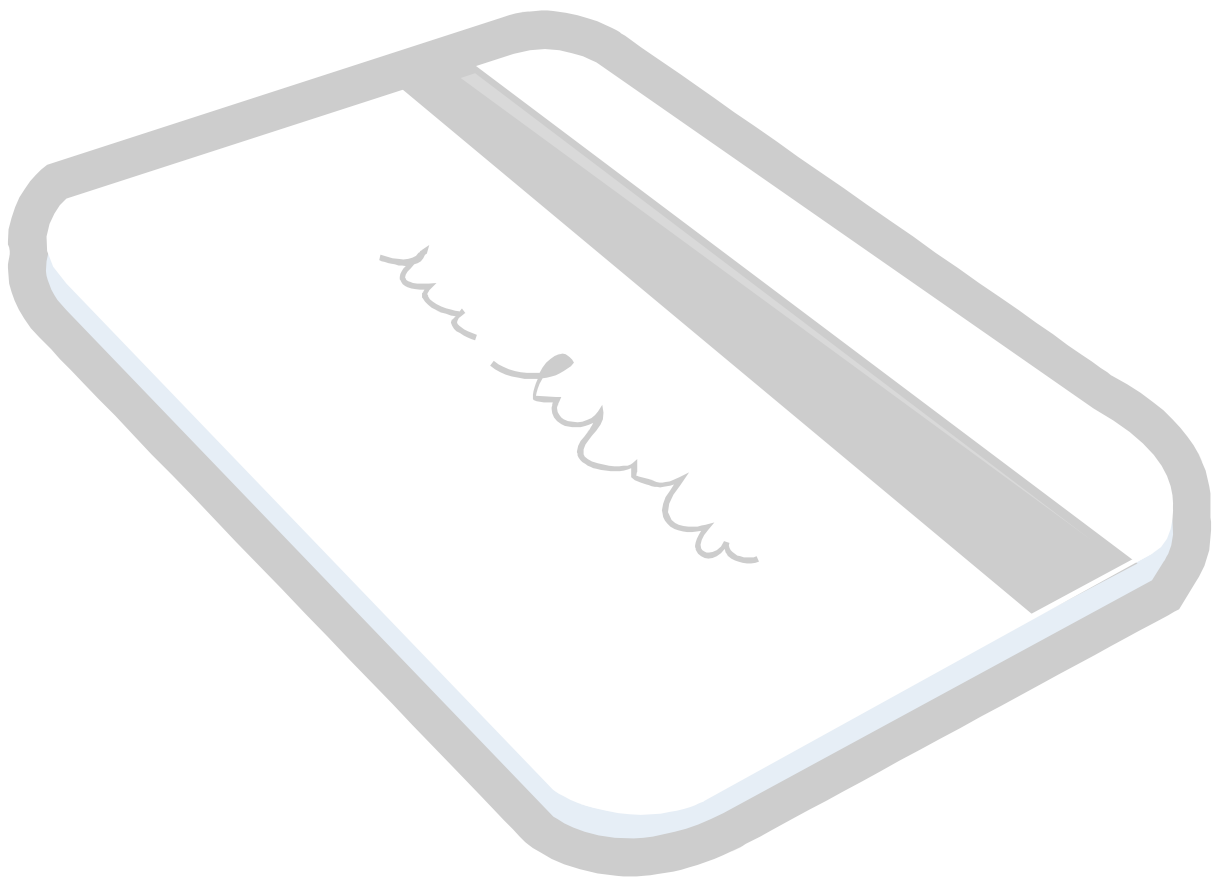
Most clients are keen to take advantage of the benefits that Prepaid cards have to offer and have been known to complain that they don’t get the card quickly enough once it’s been explained.

The reintroduction of the scheme has also provided an opportunity to revisit and establish formal legal agreements between the Council and its clients. Clients and their representatives have to sign a new legally binding agreement before they can receive a Prepaid card.

Financial benefits to Brent Council

Prior to the introduction of Prepaid cards all monies were paid gross and client contributions were reclaimed. This was an expensive, time consuming and costly exercise and led to an £8m debt showing on the accounts. With the Prepaid cards programme everything is now paid net as it is an easy matter to flag where client contributions have not been made. If a client contribution isn't made then a case review is automatically triggered and questions asked about whether the full amount is truly required for the care package.

Brent Council pays out some £5m per annum in direct payments and hopes to save approximately 10% of this through some of the techniques outlined here.



In which other service areas might Prepaid cards be used?

Area: Supported Payment and Day Support Activities

How might they be used?

We have identified that a number of service users receive direct payments to pay for supported employment and day support activities – indeed two suppliers within York will only accept payment from the service client as part of developing money management skills.

Service users presently receive funds into a designated Bank account, however provider payment involves cheques or cash when card payment is the preferred option

Why, and to whom, is this useful?

Day care and supported employment providers have raised concerns in the past about accepting cheques from service users, not least because there have been issues with insufficient funds being available for cheques to clear. Clients are discouraged from using cash, as there is no audit trail and the vulnerability of the clients increases the risk of loss.

What are the potential benefits?

By having easy access to better monitoring information about where the direct payment funds are being spent much more streamlined effective monitoring can take place which benefits both the council and clients.

Providers will be able to immediately process payment, and if declined for lack of funds, can discuss immediately with the service user and flag to the local authority, rather than waiting for the delays caused by the cheque clearing cycle.

Unused funds are easily clawed back (e.g. payment to clients to use services on Bank Holidays when the organisations are not open can result in the claw back of at least 1 weeks direct payments per annum), and cards can be immediately cancelled if service stops.

Is anyone doing it at the moment?

York - initially with clients that are assessed as not having to pay a client contribution

How might they be used?

Prepaid cards are used in all aspects of client money management from purchasing of goods and services on the high street and online to paying utility bills.

Why, and to whom, is this useful?

Clients living in the community are supported by personal assistants or carers to remain in their homes. Providing a Prepaid card to a support worker enables the deputy to manage finances remotely through the use of management information.

Clients in residential accommodation can have their personal expenses allowance (PEA) paid onto the Prepaid card which again can be used to purchase sundries as and when required. Again, the management information available meets all of the monitoring requirements required by the Court on an annual basis.

What are the potential benefits?

Previously, cash had to be drawn to enable carers to get shopping and clothing for clients. With no audit trail once cash was handed over, this left the client open to financial abuse and the deputy not fulfilling his statutory obligation to safeguard the clients' finances. Bills had to be paid by cheque raised through the council ledger or paid through BACS as part of council payments. As these payments were part of a bulk remittance, reminders were often issued by utility companies. On two occasions, despite detailed discussions and walk through of remittance advices, the client had vital utility services disconnected.

The use of Prepaid cards has significantly increased the efficiency of the service. With only one member of staff handling all of these cases, having cards in 'trusted' hands in the community alleviates the need to draw cash, fulfils statutory responsibilities and provides the necessary data to complete court monitoring returns, whilst the council retains the ability to withdraw the card at a moment's notice.

Is anyone doing it at the moment?

York has court orders for 27 people with another 13 pending. A Prepaid card is ordered for every client when they receive of a court order

How might they be used?

Statutory maintenance payments are made to young people leaving care every two weeks to cover expenditure such as travel, clothing and education. Some young people also benefit from a single large payment of up to £1,500 to assist with setting up a home. Where young people do not have bank accounts the payments are made in cash, with all of the attendant problems that entails. This case study does not detail the generic benefits of not handling cash as they are dealt with elsewhere in the guidance.

Prepaid cards are being introduced to both manage the risks associated with cash payments and provide better management information on the expenditure incurred for each client.

Why, and to whom, is this useful?

This use of Prepaid cards is useful to the Council as it greatly streamlines the manual processes that have to be put in place with the cash payment option. Currently the young person has to make a visit to the Council's offices, and while they wait a social worker has to be present to complete the appropriate application form which is then authorised by management before the young person is paid. Business Support Officers then log the transaction manually. All of this takes time, and as applications happen on an ad-hoc basis the social worker and manager's time is spent on non-critical, unplanned tasks.

By using Prepaid cards no visit is necessary which saves both the young person and Council staff's time. Card top-up's can be carried out at specific times, though a contingency procedure must be in place to deal with emergency payments.

Young people also find the cards useful as their payments are ring fenced and therefore easier to manage and they don't have to make as many costly trips to Council offices

What are the potential benefits?

The Council makes cash payments of approximately £100k per annum to young people and analysis has shown a saving of 1.5 FTE's by introducing Prepaid cards. In addition it has been shown that young people make fewer emergency payment applications when they don't have to visit the Council's offices. There is a lot of anecdotal evidence about young people 'playing the game' and demanding cash at 4.45 on a Friday afternoon knowing that they are likely to be paid quickly and without too many questions.

As the Prepaid card transactions are recorded and integrated with the in-house the Social Care system, it is easier for social workers to make sensible decision in partnership with the young person based on the context of their spend history and care plan. This type of information is simply not available when payments are made in cash.

Duplicate payments are reduced as money on the Prepaid card cannot be 'lost', an event which would usually result in an emergency payment request. In a similar vein it is a simple matter to prove that payments have actually been made.

Young people are able to work towards more independent life skills. They learn to use a Prepaid card and manage their PIN, and as the card cannot go overdrawn the money is available for better outcomes. Occasions arise where funds have to be transferred back to the Council and this can be carried out easily and remotely without the young person having to find the cash and return it in person.

In cases of genuine emergency the Prepaid card can be topped up remotely. This benefits all concerned as social workers no longer have to take time to deliver cash to a remote location if the young person is stranded.

Is anyone doing it at the moment?

The London Borough of Hammersmith & Fulham is in the process of procurement and aim to implement the programme with around 100 young people. As part of their tri-Council initiative they hope to extend the use of Prepaid cards to their two partner Councils.

Asylum Seekers – Looked After Children

The looked after children provision has traditionally used cash payments in a very similar fashion to fulfil the Council's statutory obligation.

The benefits outlined above apply to both the Council and asylum seeker though the client benefits are often enhanced due to the difficulties they often encounter in establishing bank accounts.

Once the child has been accepted as 'looked after' their Home Office reference number acts as sufficient authority and security for a Prepaid card to be issued.

How might they be used?

There are many areas of a Council's business where there are clear advantages to using Prepaid cards over traditional cash. These include:

- Housing repairs and general maintenance:

Housing repairs can be carried out by council staff, subcontractors or tenants.

Council staff perform a variety of maintenance work and often have to pay for necessary materials at the time of repair as Councils now own less property in which stores can be maintained.

Materials are bought as they are needed reducing the need for central stores and eliminating travel time between the site and the stores.

- Expenses management:

The processes around expenses, receipting and claim forms are notoriously expensive and laborious. Prepaid cards reduce the costs considerably and lead to more effective spot checking as transaction information is readily available.

- Cashless catering:

Schools and day centres use petty cash on a daily basis to handle their catering needs. Prepaid cards can be used by individuals or groups of people to reduce the costs and improve the management of the process.

- Visiting staff / allowances:

Councils are making increased use of a transient workforce and often employ people on an ad-hoc or interim basis. Prepaid cards are ideal for efficiently handling on-site and travel expenses, meal allowances etc. Training facilities can use Prepaid cards to provide refreshments for students or allow students to buy refreshments themselves

Prepaid cards allow individual or regular top ups which can then be spent in restricted merchant categories. Usually, when replacing petty cash mechanisms, ATM access would be blocked. All spend is automatically recorded eliminating the need for submitting receipts, making reimbursements etc. and allows expenditure to be checked and analysed. If emergencies happen the Prepaid card can instantly be topped up remotely from the Council offices. Once a Prepaid card has been issued it is reusable and can be left in the client's possession until next needed, which reduces the overhead cost of setting up the card for its first use.

How do I create an outline business case for Prepaid Cards?

At the beginning of a potential project management teams usually require an outline business case in order to decide whether or not it is worth allocating resources to further development. Different councils have different requirements for their business cases but most contain fairly standard elements. The steering group recommends that an outline business case is created at an early stage in order to give management an idea of the scope and costs of the project and to avoid time being wasted on projects which have little chance of being taken forward.

The process of creating an outline business case does not need to be complex or take much time. Its purpose is to outline what the project is, why it is needed, whether there are any options and to indicate approximate costs and possible savings.

Most outline business cases will contain some or all of the following elements:

A description of the project

This section should give a summary description of the project, what it aims to achieve and its key objectives. Always bear in mind your expected audience and don't assume that they will understand the details of how you operate, any acronyms you use and how you deliver services. It's a good idea to explain here how things will be at the end of the project and describe why they will be better.

Why it is necessary?

Define a problem or opportunity for which Prepaid cards provide a solution

You should describe here the problem or opportunity that is being addressed by the project. If you have any information, facts and figures, or data that support the reasons for your proposed action then they will help to support your case.

Do not provide too much detail at this point, just enough to give the required context.

Links to stated objectives

Projects stand a better chance of going ahead if they can be seen to support the objectives of the Council, Department or team. It is generally better to have strong links to a small number of objectives rather than vague links to all of them.

Scope

Management teams always worry that projects start with the best of intentions and then expand as they progress and don't satisfy any of the original intentions. Explain here what is and is not included within the scope of the project. This will help you to maintain the focus of the work as it progresses and deliver the outlined benefits. The more accurately you state what is going to be delivered and to who the better.

Deliverables and Benefits

This section should provide details on the deliverables and benefits that will be achieved and will generally state:

- a description of the benefits
- how you will demonstrate that the benefits have been achieved
- how the benefits will be measured
- who is responsible for the benefit being achieved

Deliverables and benefits are usually defined as being 'SMART'

(Specific - Measurable - Agreed - Realistic - Time-based)

in order to be seen as credible.

By accurately describing the benefits here you will be able in the future to make an assessment of the impact on these benefits should the scope of the work change.

Typical cashable and non-cashable benefit area

Cashable:

- Direct operational cost elimination. For example by removing cheque & cash processing costs.
- Enhanced controls such as switching ATM usage on or off or by introduction of spend category limitations (e.g. no online transactions). Reduction of fraud risk and costs.
- General activity based cost savings that can be derived from reduction of paper authorisation and move to electronic means, e.g:
 - Proactive management: automatic processes for approvals, rejections , notifications & processing of funds.
- A scalable solution that has a lower incremental cost per service client than traditional delivery processes.

Non-cashable:

- Adherence with the personalisation agenda through delivery of actual Direct Payments rather than "managed" budgets.
- Risk reduction.
- Preventative financial controls inclusive of live expenditure tracking and transactional level reporting capabilities. Reducing time and effort spent by management on audit and review. Opportunity to streamline external auditing processes and burden this brings on an operation.
- Benefits to employees:
 - Ease of use & enhanced security (e.g. no large amounts of cash carried) in comparison to other methods of payment.
 - No need for out of pocket expenditure.
- Benefits to citizens:

- Ease of use & enhanced security (e.g. no large amounts of cash carried) in comparison to other methods of payment.
- No bank account or credit check requirements.
- No need to queue to process cheque payments. Immediate availability of funds upon load.

The actual levels of benefit that can be derived for these will vary by:

- Each case (e.g. internal corporate use, Direct Payments or other business-to-consumer application of the card solution).
- The number of cardholders that are being migrated from existing manual processes to the card programme.
- The complexity of configuration.
- The actual costs of the programme (which are largely driven by the complexity of configuration).

Critical success factors

Critical success factors are the things that have to happen for the project to succeed. By outlining these factors management will be able to see and understand the main drivers of success, where the potential risks are and start to gain an idea of the resources required to make the project a success. When the work is underway you will be able to assess if there is any risk to the success of the project by relating circumstances to the critical success factors.

Assumptions

Think carefully about any assumptions you have made in putting together your proposal. They may be based on existing policies and procedures which, without your knowledge, may be the subject of planned changes or new corporate or government policy. Again, you will be able to check as the work progresses whether your assumptions are still accurate and whether as a result the project is still worthwhile.

Options/alternatives

It will strengthen your case if you can show that you have considered different options and alternatives to deliver the objectives. Steering group members indicate that the most powerful option to include here is the option of 'doing nothing' as it highlights the risks of either continuing to waste money, provide a poor service or non-compliance with legislation for example.

If you can explain the options using the same terms as for your proposed action, albeit in a reduced form, it will help you to justify your preferred plan.

Consequences and impact

Having identified the benefits of the work and outlined the risks you should also assess the wider consequences and the impacts once the project has been completed.

These may include:

- changes to the volumes of work expected. Transaction volumes may rise or fall, you may need more or fewer staff.
- the opportunity to introduce new or modified services based on an enhanced capability.
- the opportunity to use the same technology and techniques to improve service delivery and reduce costs in other areas of Council once the success of the project has been established.

Who will deliver the project and how they will do it

By stating who will deliver the project, internal resource, service providers, external consultants, corporate team etc. The management team will be able to assess the impact on the capacity and capability of the people affected to deliver the project.

If external procurement of technology, people or services is required the time needed to complete its in accordance with the council's procurement rules should be taken into account.

The whole project plan is not normally required here but an outline of who is required, what they will do and when they will do it will form the basis for any decision.

How do the finances stack up?

This section is one of the most important parts of the business case as almost all have to be approved from a financial point of view.

You should include both internal and external costs together with an indication of timescales.

Internal costs could be items such as staff costs, printing, procurement, marketing and training. External costs might include items such as setup fees, transaction fees and the costs of external support and staff training.

Often the best way of providing costs is to produce a model based on the scope and volumes specified earlier in the business case. For example, if the aim is to use, say, 500 cards each of which is used for a given number of transactions per month then an accurate profile can be built of the external costs of the programme.

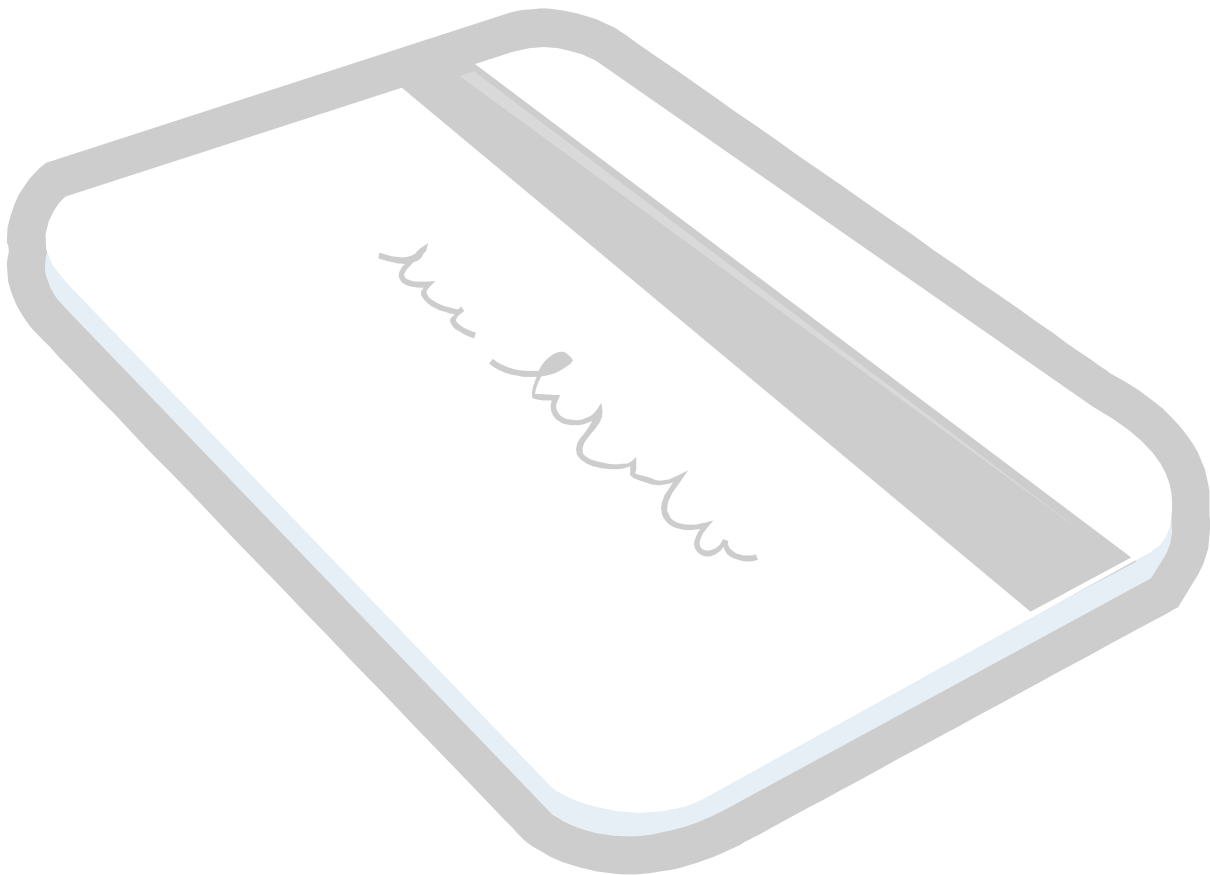
Further guidance and examples of costs can be found elsewhere in this resource.

If there are opportunities to generate income from the project then you should make an accurate and realistic assessment of the number of clients who will contribute towards the income stream and the amount their contributions are likely to be. If one of the aims of the project is to reduce staff numbers then these savings should also be included based on average salaries and on costs.

It is important from a financial planning perspective that an indication of when costs, savings and income will actually occur is given.

Supporting documentation

You should include any reports, studies or figures that support the business case here.



How do I arrive at my current costs?

Many councils have a poor understanding of the costs of service delivery. Whilst many departments and teams know what their budget is they don't know how much, on average, it costs to deliver a unit of work, for example a direct payment to a benefits recipient.

Cost information is essential to be able to:

- Baseline – to measure current performance in order to identify where improvements are required.
- Measure improvements – to plan and track the impact of changes on overall performance.

Pathfinder councils working as part of the National Process Improvement Project (NPIP) used a standard process called Rough Cut Activity Based Costing (ABC) to determine their unit costs of delivery and identify where money was being wasted on unimportant tasks as part of the delivery process.

Activity Based Costing is a method of allocating costs to services. In councils the focus tends to be around quantifying staff time. The technique is referred to as Rough Cut as it is designed to give an indication of where approximate costs fall. It is most helpful when used in areas of high volume, low complexity transactions where the nature of a single transaction tends to remain reasonably consistent. As such it is an ideal technique to use in evaluating the cost benefits of the use of Prepaid cards.

Calculate staff costs

The detailed guide on how to carry out activity based costing is available in the resource library but the main stages involved are:

- Define scope – clarify the start and end of the process being costed and identify who is involved in delivering the process.
- Apportion direct staff time – this is the critical stage in the costing process and involves gathering staff salary data and assessing what percentage of their time was spent on each part of the process under investigation. This is done by asking staff to estimate the amount of time they spend on each part of the process. The information is gathered through interviews or by asking staff to complete timesheets. If several staff carry out the same functions then only one person's data need to be collected and then multiplied.
- Once this is done the percentage of staff time is multiplied by the individual staff salaries to give an idea of the financial value of the staff costs for each part of the process.

- Add other costs - this involves adding in all other costs that are directly incurred by completing the process (i.e. the more times you do the process the more it costs). Examples of these costs could include the cost of raising a cheque, transferring money and printing forms for completion.
- Split into value adding and non-value adding activities.

Costs are broken down into three categories for further analysis:

- Value adding activities – those which directly provide value for the client and typically involve the professional skills of the staff member. For example, providing advice to clients on how to use the Prepaid card.
- Sustaining activities – those which the client does not see but the council has to carry them out. For example, providing management reports on performance of the Prepaid cards programme. You should try to do these as efficiently as possible using the opportunities that Prepaid cards have to offer.
- Non-value adding activities – those which the client does not see and the Council is not **required** to carry out. For example, in handling staff expenses this could involve retyping a form which has been handwritten. When introducing Prepaid cards you should look to eliminate as many of these activities as possible or replace them with technology.

Calculate unit cost

Once the total costs of each part of the process have been established they should be divided by the number of times and activity occurs and broken down into unit costs of delivery. For example, the average cost of each direct payment made or the average cost of dealing with a telephone enquiry.

This then allows comparison to be made with the same costs of delivery using a newly introduced Prepaid cards programme. If the new programme will affect the volumes of transactions used to determine the unit cost then accurate predictions can be made on future budgetary requirements.

Use findings

Once the costs have been calculated they can be used to carry out one or more of the following:

- to benchmark performance.
- to identify where process savings should be made and investigate how Prepaid cards can help.
- to measure the potential impact of the introduction of Prepaid cards.
- to baseline costs and measure progress and savings.

Frequently Asked Questions

One of the Steering Group members, CorporatePay, offered answers to typical questions that arise when Councils are considering introducing Prepaid cards.

How are funds typically loaded onto cards?

- **By the Council**

Transfer of funds via BACS, Faster Payment or CHAPS to a designated client funds account managed by the programme manager. Mechanisms of loading cards will vary by program manager. Correct referencing in transfer of funds is important to ensure load operations are carried out swiftly and efficiently.

- **By the Client**

Different programme managers will have various capabilities in this area. What is generally possible is to enable fund transfer via clients banking tools (telephone, online) to the designed client monies account. Correct referencing in transfer of funds is important to ensure load operations are carried out swiftly and efficiently.

Who owns the funds?

The ownership of funds needs to be determined by the contracting authority at the time of commissioning of the Prepaid card programme as it can have an impact on the configuration of the solution. In CorporatePay's experience different fund ownership rules will be applied to different use cases such as:

- Direct Payments.
- No Recourse to Public Funds & Asylum Seekers.
- Youth programmes & allowances.
- Corporate/Business Expenses.
- Petty Cash.

Of further note is that different authorities will approach the ownership of funds questions differently for each of these use cases.

What happens if the client dies?

Whether triggered by service client death or another event (e.g. leaving care, change in care requirements), the contracting Local Authority will have a process and a method of reclaiming funds that it is owed by service clients. This process should already take into account the existing questions of fund ownership and any apportionment of funds on an account where mixed funds exist.

At the outset of the programme this process should be identified by the contracting Local Authority and together with the programme manager should be translated into the relevant steps for a card program. The mechanical execution of these may vary by client or programme manager, but in general principle there will be an appropriate method for reclaiming funds from an account. There may be some restrictions to this process for example, refunds may only be processed to contracting Council's bank account from which the funds have originated from.

What happens if the programme manager providing the end to end service folds?

In the event of a program manager ceasing its business operations, the issuing bank or the liquidator of the program manager's estate will need to be contacted to return client funds. Below is an extract from the 2nd Electronic Money Directive which clarifies this and other points:

The original EMD (1EMD) was implemented in the UK in April 2002. A second EMD was published in the Official Journal on 10 October 2009 and was implemented in the UK on 30 April 2011 through the Electronic Money Regulations 2009 (EMRs).

In summary, the main changes to the regulatory regime are as follows.

- ⌚ Electronic money issuers are no longer allowed to set a time limit on the e-money holder's right to redeem (although a proportionate fee can be charged for redemption in certain circumstances). They are also not allowed to refuse to redeem e-money if it is worth less than €10.
- ⌚ Electronic money issuers are not allowed to grant interest or other benefits related to the length of time e-money is held.
- ⌚ EMIs can provide payment services that are unrelated to the issuing of e-money without additional authorisation/registration and engage in other business activities, subject to relevant EU and UK law.
- ⌚ Businesses with average outstanding e-money not exceeding €5 million can apply to be registered as small EMIs. They will not be able to passport into other EEA states.
- ⌚ The initial and minimum ongoing capital requirement for authorised EMIs has been reduced. There are initial and minimum ongoing capital requirements for some small EMIs.
- ⌚ All EMIs must safeguard funds received from customers for e-money so that, if it becomes insolvent, the e-money issued will be protected from other creditors' claims and can be repaid to customers.

What steps are taken to ensure we don't fall foul of the money laundering regulations?

Broadly to comply with AML regulation it is necessary to know the client, this typically involves verifying their identity via at least two data points. The detailed application of the process will vary by programme requirements and product limits.

What might prevent an issuer from issuing a Prepaid card to one of our clients?

Requirements and rules governing card issuance will vary by the specifications of the program that the program manager is operating. Areas that may prevent prepaid card issuance can include:

- Age restrictions.
- Ability of the client to pass Know your Client checks (if required by the specific programme).
- Cardholder being on sanctions or politically exposed persons (PEP) list.

Is it possible to produce reports?

Functional capabilities of programme managers will vary based on the platforms they operate to service their clients. This will impact the data that can be extracted as well as the types, format, configurability and key event scheduling of the reports that can be provide. CorporatePay's platform can output reports for each Prepaid card or all Prepaid cards in a programme and can flag alerts for non-use of cards, approaching card expiry and other user defined criteria.

How do we restrict what the Prepaid card can be used for and its use at cash machines?

Restrictions to Prepaid cards are applied via raising appropriate restriction flags on the usage of the cards within the program manager's or the underlying card processor platforms. The most common way of achieving this is via blocking or enabling Merchant Category Code (MCC), which will prevent or allow spend to occur at specific merchants belonging to a category code.

These generally require configuration during the setup stage of a card program.

Can we block the use of an active card if we feel it's necessary?

Capabilities and mechanism to block or restrict usage of cards will differ by program manager.

A lot of our regularly used small suppliers and service providers say they can't afford to take Prepaid card payments. How do they get paid?

Card acceptance within the supplier base can often be a challenge for a successful card programme within the Local Authority use cases such as Direct Payments where expenditure often occurs on services from either small ltd. companies or sole traders who currently rarely have access to merchant terminals.

In these circumstances programme managers would generally recommend the Council adopting a supplier enrolment strategy which works with the local supplier base to drive the adoption of Prepaid card settlement mechanisms. Some of the benefits of adopting Prepaid card settlement can include:

- Access to a wider client base that may prefer to settle via card.
- Considerably quicker receipt of funds than payments via cheque or bank transfer

An alternative available with a Prepaid card program (provided no ATM restrictions have been applied) is to withdraw the funds via an ATM and settle in cash.

Is it possible to use Prepaid cards as smart cards which give access to other services?

With the right level of investment into a custom program it is possible to further develop the Prepaid card beyond its application as a settlement tool and use it for access, discounts to drive service adoption and client loyalty. However, costs of such a custom application of Prepaid cards tend to be prohibitive for local area adoption and only work on a global or national scale.

Monitoring spend is an important part of our business case. What level of spend detail is available to help us monitor effectively?

Capabilities and functionality in these areas will be dependent on the programme manager's platform. As a minimum the program manager should be able to provide transactional level of information by cardholder which would include:

- Time of the transaction.
- Merchant description.
- Value.

Access to this data may be restricted based on program type that is being operated and fund ownership.

What are the issues around offline transactions?

Credit cards can be used offline when paying for items such as train tickets or petrol where the card terminal is not always online. The transactions are batched and then transmitted once the terminal has an online connection. Clearly when Prepaid cards are used in this way it is not possible to check at the time of the transaction that there is sufficient funding on the card to cover the transaction value so it is possible that the card can become overspent, raising the issue about who pays for the outstanding amount. Steering Group members report instances where information about such potential misuse has been passed around card users quite quickly.

Prepaid cards issued by MasterCard **cannot** be used for offline transactions so the problem does not arise, the cards are simply declined when the transaction is attempted. Users should be made aware that this sensible restriction on use is in place.

Can we integrate Prepaid card data with our financial systems?

Level and types of integrations available will differ depending on the platforms operated by the programme manager. As a minimum the client can expect capabilities to output transactional records as described in question 10 for onwards formatting and processing into their preferred finance package.

Much of the source materials for this guidance have been created using the input of four Programme Managers who provide Prepaid card programmes, and the Councils with which they've worked.

CorporatePay

CorporatePay is an innovative MasterCard Programme Manager that operates highly successful corporate, government, consumer and virtual products. Our industry acclaimed portfolio includes my Travel Cash currency cards, the ExpenseCard™, our corporate expense solution, and a range of co-branded as well as white label programmes for general purpose consumer cards, corporate fund and government benefit disbursement. Our wholly owned PCI-DSS compliant technology platform, which includes advanced account management functions, is also available for licencing to MasterCard's customers as a quick route to market for bespoke Prepaid programmes.



CorporatePay offers flexible, tailored and sophisticated solutions that meet specific market and client needs. Our corporate clients benefit from enhanced controls, simple to operate fund administration functions and multiple integration points that allow streamlined incorporation of our technology within financial business processes.

Our Prepaid programmes have been successful in helping our clients to cut costs, drive business process efficiencies and deliver innovative and profitable consumer solutions that drive consumer choice and financial inclusion.

CorporatePay operates both physical and virtual programmes in multiple currencies including GBP, USD and EUR across the United Kingdom with a significant and growing presence in Europe.

We have consistently been recognised in the industry for our original and pioneering work as finalists in "Best Corporate Programme Manager" in the Business Travel Awards 2011 and "Best Business Card Programme" in the Card and Payment Awards 2011.

Whether you are planning to bring an exciting consumer product to market, better manage your employee expenses, make efficient and secure purchases, or cheaply and effectively disburse funds to multiple offices, contact us for further information on how we can help your business unlock the opportunities and benefits that Prepaid card programmes offer.

Prepaid Financial Services (PFS)

Prepaid Financial Services (PFS) Ltd. is a multi-award winning global prepaid programme manager, e-money Issuer and MasterCard® Prepaid Partner, operating out of the UK and was recently awarded as the "**Breakout Company of the Year**" at the Paybefore Awards Europe 2013.

PFS provide prepaid cards and instant cash voucher solutions for one-off and recurring expense payments, designed especially for public sector organisations, with the aim of facilitating secure, efficient disbursement of funds for:

- Welfare benefits, grants & awards, compensation payments, asylum payments & emergency payments to citizens to meet the challenges posed by the abolition of the discretionary social fund and
- Expense payments to manage staff expenses, corporate purchases & season ticket management, delivering cost savings and administrative efficiencies.

PFS's real-time integrated solutions are also assisting Local Authorities to grow critical social care services whilst meeting unprecedented Government outlined austerity measures but also delivering the flexibility desired by recipients with the aim of driving better engagement, interaction and ultimately, better outcomes for recipients.



Since our launch in 2008, PFS has rapidly established itself as a trusted, dependable and credible prepaid provider to a range of clients across the globe. PFS is authorised and regulated as an e-money issuer by the Financial Conduct Authority (FCA) in the UK and have passported our e-money license across the SEPA region to enable card issuance in up to 32 countries.

PFS provide all call centre services in-house from our offices in London. Our client service team cover 11 different languages (English, French, Romanian, Slovenian, Dutch, German, Spanish, Ukrainian, Russian, Urdu, and Arabic) and we provide the client service for 90% of our card programmes.

PFS is dedicated to providing best in class solutions and service to its partners and clients and this is reflected in the recognition received by clients such as Brent Council, with the Brent Direct Payments Initiative winning the **"Best Corporate/Government Funded Programme"** Category at the Paybefore Awards Europe 2013 as well being highly commended at the Cards and Payment Awards and featuring in the Wall Street Journal.

Numerous public sector organisations are already benefitting from the unique prepaid solutions for Local Authorities provided by Prepaid Financial Services. If you are interested in finding out how your organisation could benefit from the real-time integrated prepaid disbursement and payment solutions for Loans, Grants, Benefits and Expenses, contact a member of the PFS sales team on +44 (0)207 125 0321 or e-mail sales@prepaidfinancialservices.com

Advanced Payment Solutions (APS)

With more than 1 million cards issued and £1.5 Billion in payment turnover, APS is one of the world's most innovative payment solutions companies and the most awarded Prepaid programme manager in Europe, including the 'Best Prepaid Programme Manager 2011' at the 2011 Prepaid Awards and 'Best Corporate / Government Prepaid Programme UK' at the 2012 Prepaid Awards.

The company's flagship product, the award-winning Cashplus® Prepaid Gold MasterCard®, is the UK's first and best known general purpose Prepaid card for consumers and small businesses.



ADVANCED PAYMENT SOLUTIONS

APS has been a pioneer over the past seven years, helping to lead the rapid development of the Prepaid industry. It has achieved this by

developing a deep understanding of UK Prepaid consumers and building innovative and often unique offers and services to help improve the way that they manage their money and payments.

For example, APS has introduced an electronic banking capability, which has paved the way to offering Faster Payments deposits and the advanced Direct Debit service, which is unique in the Prepaid card industry.

The results that APS have achieved with its current portfolio give a clear picture of the major role that the company plays in the Prepaid sector, providing payment solutions to thousands of businesses and partnering with some of the most trusted organisations in the financial services industry, including MasterCard, Co-operative Bank, RBS, and the Post Office.

As at April 2013, APS works with 18 local Councils around the UK, on 40 different programs, including the London Borough of Merton, Bury Council and Nottinghamshire County Council, who are now using the Cashplus Prepaid MasterCard to help them meet their 'Putting People First' vision of finding new ways to improve social care in England. The types of programmes include, but are not limited to,

- Direct Payments
- Personal Budgets
- Managed Accounts
- Appointeeships.

By providing the Cashplus Prepaid MasterCard to their clients, there are a number of benefits for the councils, including better security, more control and more transparent auditing of what is actually being spent by clients.

There are also significant benefits for users of the service. Prepaid cards eliminate cumbersome manual processes in getting funds to clients. Furthermore, Cashplus® from APS provides unique benefits not available from other providers. It enables free multiple fund loads across the faster payments network via existing bank accounts which means councils and clients can jointly make same day loads leveraging this faster payments network. Cardholders can also set up direct debits and/or standing orders to pay care providers and other organisations.

For more information, either email APS at Council@apsgroup.com or contact Stuart Woolley on 0207 100 5885.

Further information

During the production of this document many of the contributing Steering Group members have kindly provided background papers, slide packs, business documents etc. which they have agreed can be placed into an online repository for the benefit of those who wish to investigate the possibilities that Prepaid cards have to offer.

The online repository can be found at www.mastercard.co.uk/publicsector and will be updated as new resources are made available.

At the time of writing the repository contains:

From participating Councils:

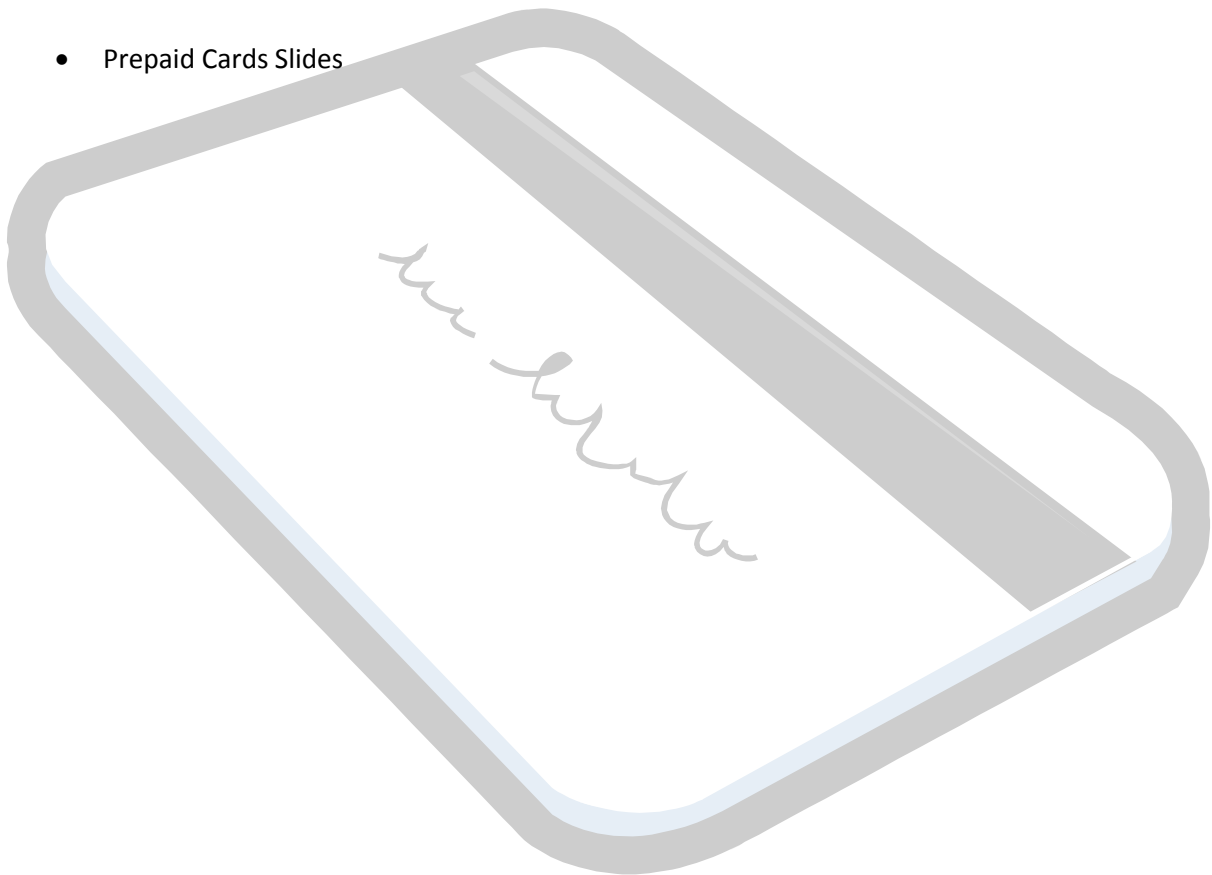
- London Borough of Brent
 - User Guide
 - Staff Cards FAQ
 - Cardholder Agreement
 - Council / Client Direct Payments Agreement
 - Tender Specification
 - Requirements Specification
 - Conditions of Contract
- London Borough of Camden
 - Coo.I Card Leaflet
 - Coo.I Card Brochure
 - Coo.I Card Evaluation Report
 - Direct Payments Guide
- London Borough of Hammersmith & Fulham
 - Sample Invitation to Tender
 - Sample Form of Tender
 - Sample Pre-qualification Questions
 - Prepaid Cards Business Case
 - Options Appraisal
 - Project Initiation Document
 - Benefits Spreadsheet
 - Highlights Report
- London Borough of Merton
 - Direct Payments Leaflet
 - Direct Payments Managed Account Leaflet
 - Options Appraisal Report
 - Indicative Cost Comparison Table
 - Specifications Requirement
 - Sample Issues Log

From Programme Managers

- Advanced Payment Solutions
 - Prepaid Cards Slides
 - Copy of commercial agreement
- Prepaid Financial Services
 - London Borough of Camden Cool Card Case Study
 - Creacard Case Study

From MasterCard

- Prepaid Cards Slides



Steering Group Membership and Contacts

Our thanks go to all members of the Steering Group, all of whom have contributed to the production of this guide through their support, participation in meetings, case studies or delivery of background materials.

With particular thanks to:

- David Ingham and Francesca Robinson at the London Borough of Camden
- Sharon Wright and David Walker at York City Council
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- Lorraine Taylor and Diane Spicer at the London Borough of Merton
- Megan McNeill at the London Borough of Hammersmith and Fulham, and,
- Jenny Bazell at the London Borough of Islington

who have kindly offered their time, assistance and materials during extremely busy times.

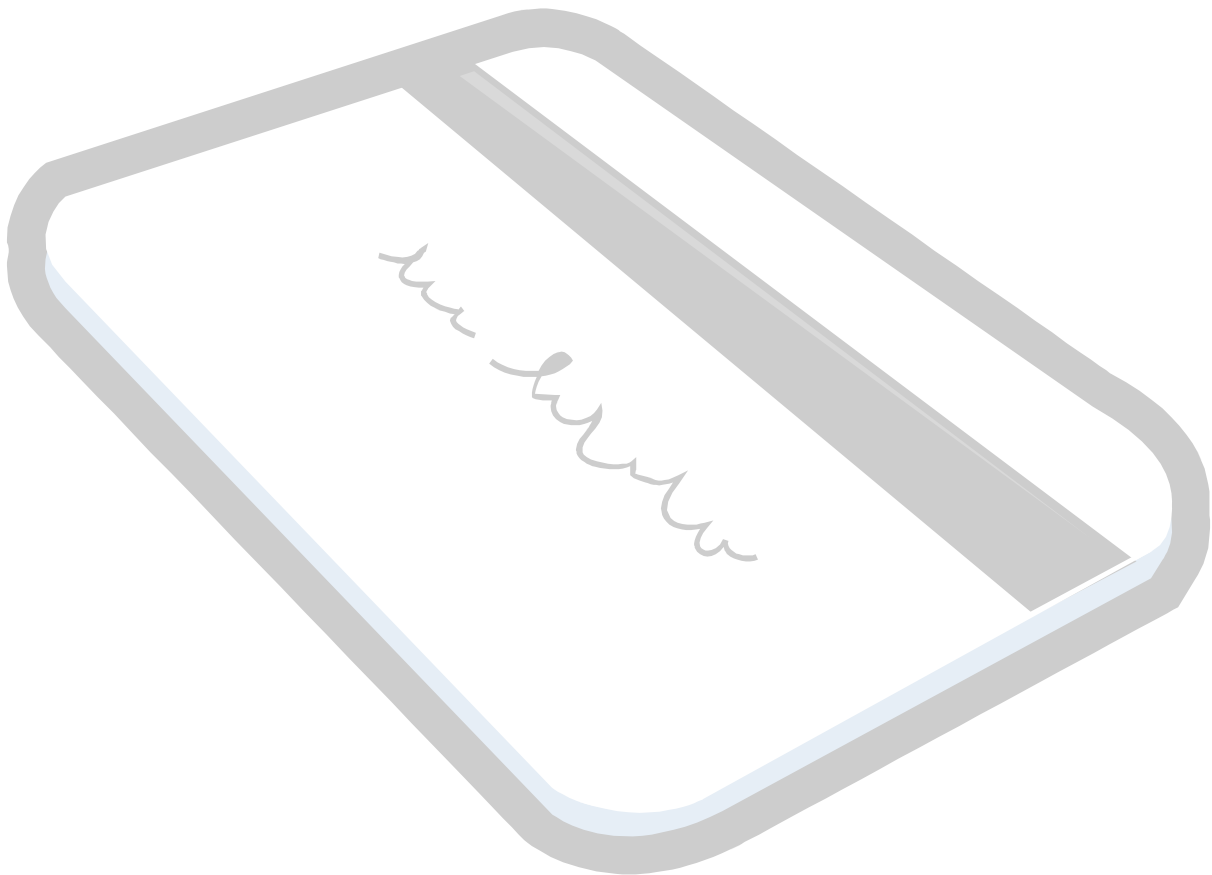
Other Councils represented on the Steering Group:

- Bristol City Council
- London Borough of Croydon
- London Borough of Barking and Dagenham
- Hertfordshire County Council
- London Borough of Lambeth
- London Borough of Lewisham
- Portsmouth City Council
- London Borough of Wandsworth
- Lancashire County Council
- London Borough of Bromley
- Oxfordshire County Council

Programme Managers

- Advanced Payment Solutions (APS)
 - Stuart Woolley
 - Contact council@apsgroup.com
- CorporatePay
 - Rick Brown
 - Jakub Zmuda
 - Contact info@corporatepay.co.uk
- Prepaid Financial Services (PFS)
 - Noel Moran
 - Lee Britton
 - Contact info@Prepaidfinancialservices.com

- MasterCard
 - Louise Entwistle
 - Contact louise.entwistle@mastercard.com
- Author, Chair of Steering Group and independent government advisor
 - Colin Whitehouse
 - Contact colin.whitehouse@sulion.co.uk



Case Study – London Borough of Brent / Prepaid Financial Services (PFS) – One Year On

- £330k surplus balances identified in the first 8 months of operation
- Automatic flagging of potential issues allows scarce resources to be targeted effectively
- Over 1,000 Prepaid cards in use with plans for expansion across the Authority
- Offering Prepaid card direct payments services to other Councils

Background

In the main guide, the London Borough of Brent (LB of Brent) explained their strategy for the second attempt to introduce Prepaid cards based on their experiences with their original scheme provider. Over the course of the last year they have written a brand new specification, carried out a procurement exercise, implemented the new scheme, migrated existing cardholders and are now starting to realise the financial and organisational benefits they'd hoped for at the outset.

Josie Wessels was the Project Manager throughout the initiative and explained that they'd learned a lot from their first attempt at putting a scheme in place. "We had a lot of problems first time around as our service provider didn't follow through on their promises. But actually that helped us to decide exactly what it was we needed so we were then able to design something that we knew would deliver exactly what we needed."

Financial Business Case Elements

Before the original project started the LB of Brent carried out a detailed analysis of the back office procedures involved in managing their direct payments operation to identify potential savings from using Prepaid cards to automate some of the time consuming, manual procedures. Further details can be found on the LB of Brent's slide set in the online resource but the savings included:

- Reduced scanning of paperwork by staff - 55 working days
- Eliminating acknowledgement letters - 37 working days
- Eliminating reminder letters - 42 working days

(These figures were based on the number of recipients of direct payments in early 2010, number have risen appreciably in the meantime so the savings are proportionally greater)

- Reduced accumulation of original documents being safeguarded by LB Brent
 - It was not unusual to have a 3 month backlog awaiting scanning
 - This additionally contributes towards organisation wide savings from using accommodation flexibly and reducing the size of the estate

- Monitoring of accounts in near real time by setting alerts to flag possible inappropriate spend
 - Savings included not having to employ agency staff to carry out compliance checking and monitoring
- Early recovery of excess balances and client contributions - estimated at £300k per annum

It was clear from these figures that the use of Prepaid cards would allow the LB of Brent to satisfy the corporate objective of expanding the use of direct payments and make significant savings without having to employ more staff.

Procurement

The tender specification was completely rewritten prior to issue. The LB of Brent had learned many lessons from their poor experiences with their original scheme provider and were determined this time to create a comprehensive specification which exactly met their needs. A copy of the specification can be found in the online resource.

One hard lesson that had been learnt was to ask potential scheme providers if required features were available now or were in development as many promised developments had not been forthcoming in the past. One of these was the provision of multi-lingual telephone support as this had been identified as being vital to the success of the project. Brent had discovered that a significant proportion of the service users were not capable of using an internet based support service or simply didn't have access to the internet. Brent has large and varied multi-ethnic community which needed support in their own languages as a service based entirely in English would have been of little help.

In order to maximise the value that could be derived from transaction data Brent had devised a system whereby each transaction would need to be coded to their financial system to enable detailed analysis of spend. There was no appetite to have live links between the systems as this would have led to lengthy and costly implementation issues so the data was to be provided in flat file format, allowing the LB of Brent to carry out their own data matching and analysis.

The tender was won by Prepaid Financial Services (PFS), though one of the award conditions was that the LB of Brent had to be satisfied with the early development of the system before a formal contract was awarded. Brent felt that PFS were prepared to start with a clean slate, rather than offering a standard product, which suited the development of a scheme which would exactly match their highly tailored specification.

Implementation

Due to the many difficulties encountered with their initial scheme provider only 35 direct payments recipients were actively using the cards. The LB of Brent had become reluctant to sign up more people as they were afraid that their reputation, and the recipient's care, would be adversely affected. However, despite the problems, all 35 felt that using Prepaid cards had improved the ways in which they handled their payments and were keen to switch to the new improved scheme. The LB

of Brent had actively engaged with this initial group during the redesign of the system and creation of the specification so that their needs and views were incorporated.

A short pilot of the new scheme was carried out and at the time of writing some 400 direct payments recipients are now using the cards, with a mixture of managed and non-managed accounts. All new recipients have been offered the card from the outset and have never known a manual system. The LB of Brent has encountered very few problems in persuading people to use Prepaid cards, they are seen as a great benefit as the money is ring-fenced and security is higher than dealing with cash.

Benefits

The LB of Brent operates a monitoring scheme based on matching data from the Prepaid cards and data from their financial systems and have set up alerts which flag where their resources should be targeted.

Monthly payment amounts are matched with active card balances and if the balance is greater than twice the monthly payment then this is flagged for attention. It may indicate that

- the care package is higher than necessary
- the service user is struggling to use the card or arrange their own care arrangements
- spend is on items not in accordance with the care package

Low card balances seen immediately after payment has been received are also flagged as potential safeguarding or fraud issues.

LB of Brent is keen to stress the benefits of data analysis over the old way of analysing paper statements. Though they wish to improve automation they are still able to monitor in a 'real time' fashion rather than wading through a six monthly backlog of paper statements where if discrepancies were found it was often too late to do anything about it.

Where problems are identified service users are contacted directly by the finance team. Letter templates have been created so sending out letters is a simple matter of running a mail merge which saves many working days. An example letter can be found in the online resource.

In the eight months the scheme has been running the team has seen reclaim rates rise to 90%-95% and have identified surplus balances of some £300k.

The team feels that the LB of Brent is no longer seen as a 'soft touch' by service users who have taken advantage of them in the past and expect to see the number of fraud attempts fall as the perception of effective monitoring continues to grow.

What's next?

Service users are very positive about the scheme as it makes their lives easier. Their comments are captured as a way of creating a positive environment for new card users.

The LB of Brent is embarking on a pilot with the voluntary sector (Age UK and Elder's Voice). The aim is to have them promote the use of cards and allow them to hold cards on behalf of their members where necessary.

They are keen to use the spend data to develop demand based service planning as they will be able to see for the first time the proportions of spend on Council provided, as opposed to private sector, support services such as day care centres. The quality of data is improving and they feel they can carry out serious trend analysis once the scheme has been running for 12-18 months.

Now the scheme is established and has been proven to be successful, the LB of Brent is investigating offering Prepaid cards direct payments solutions to other Authorities and their Health Colleagues.

Other service areas

Staff cards – The LB of Brent is driving down their need to handle cash with the aim of eventually closing the cash office. Approximately 80 members of staff use Prepaid cards for travel expenses etc.

Asylum Seekers – Approximately 500 cards are in use by asylum seekers who have been migrated from the original scheme provider. The LB of Brent is still developing the use of spend data to trigger alerts in the same way as with direct payments recipients.

Top tips

- Get a proper product that works for you at the right price. Don't be tempted to cut features to drive the price down as you won't get the benefits you expect. The return on proper investment is high.
- Involve all key stakeholders in the design of the scheme. In particular Social Workers need to be persuaded of the benefits. Once they're won over implementation is easy.
- Don't go it alone, engage with the Steering Group and other Authorities who can help you get it right.
- You need to get it right first time. The LB of Brent was let down by their initial scheme provider and were given the opportunity of a second chance. In these more austere times they may not have got that opportunity.

Case Study – Lancashire County Council / Advanced Payment Solutions (APS)

- £2m per annum of reclaims expected from a £40m per annum direct payments spend
- Plans to have all 3,000 of their direct payments recipients using prepaid cards
- Prepaid cards will significantly reduce the number of visits to high risk service users, without a drop in service levels
- Developing the analysis of spend data to proactively monitor spending by service users

Background

Lancashire County Council first ran a Prepaid cards pilot in direct payments two years ago but the then scheme provider's card functionality failed to deliver the anticipated benefits. Having learnt a lot from their initial pilot, they next moved the pilot onto Prepaid cards provided by Advanced Payment Solutions (APS) in September 2012.

Financial Services Manager, Andy Brown, has been involved since day one and never lost sight of the benefits that Prepaid cards would offer, even though there were many teething troubles first time around, "Our initial scheme provider just didn't have a product which suited our needs, it was more off-the shelf and couldn't provide functionality to manage the requirements of direct payments. However, valuable lessons were learned and the choice of providers in the market is much better today. There appear to be a number of smaller companies now who are more flexible in working with you to design what's right for your situation".

With an annual direct payments spend of some £40m, it was the transaction and management information that flows from using Prepaid cards that first attracted Lancashire. Monitoring spend used to involve travelling around the county and visiting service users in their own home, which added up to an awful lot of wasted time on the road and needed a lot of people. Even when monies for claw back were identified, it was sometimes difficult to do: now the council can claw-back remotely, very easily.

Lancashire could see that they would be able to use the management information to have an instant, up-to-date view of transactions and could remotely block cards or reclaim money, eliminating the old resource -hungry processes, often based on out of date information. Additionally, any misuse of funds, or difficulty in managing direct payments, could be picked up almost in real time, nipping problems in the bud, rather than dealing with problems after the event.

Safeguarding Adults

One of Lancashire's priorities was to introduce Prepaid cards into their Safeguarding Adults programme as they solve many of the problems they were regularly dealing with. Some vulnerable service users lack capacity to manage their own affairs and financial abuse nationally is a growing problem.

Lancashire's Safeguarding Adults Finance Team (SAFT) manages bank accounts on behalf of some vulnerable service users, but some (and their carers), based in the community, still have a need to access funds to pay for essential items. Rather than paying this in cash the money can be uploaded to a Prepaid card instantly, whenever is necessary. As well as eliminating the security and fraud risks of handling cash the service user or representative doesn't have to visit the Council's offices to pick up the cash, and no-one from the Council has to deliver cash to service users around the county.

SAFT feels it has much tighter control of the finances and can devote less of their time to burdensome administrative tasks, freeing up resource to focus their efforts on much higher value work.

At the moment SAFT uses Prepaid cards for around 20% of its service users that have an identified need to access funds whilst living in the community.

Savings and Benefits

- Identifying Misuse of Funds
 - Misuse, such as inappropriate spend, can be identified very quickly, allowing immediate intervention, rather than discovering misuse a long time after it has occurred
- Identifying Service Users Who Appear to be Struggling to Manage Direct Payments
 - Surprisingly, a number of direct payments do not get spent, indicating that a service user is struggling to organise and manage their affairs – intervention can then occur, ensuring vulnerable people can be supported to receive the care they need
- Direct payments reclaims
 - Typically if a card balance exceeds six weeks' worth of the direct payments, high balances are flagged-up and a reclaim process is triggered, which drops the balance back to a six week level
 - The old way of working resulted in around 5% of the total budget being reclaimed via various routes
 - The management information flowing from Prepaid cards will automate a lot of the work which has previously been done manually thus saving the costs of making the reclaim. It will happen more quickly and the proportion being reclaimed is expected to rise as reclaims and card blocking can be carried out quickly and remotely
- Funds on deceased service users' cards
 - The recovery of unspent funds had previously caused a number of problems and a lot of time
 - When notification of a death is received the Prepaid card can be instantly blocked, freezing any outstanding card balance
 - A grace period to allow payment of outstanding bills is granted before the balance is transferred back to the Council and the card deleted

- Staff savings
 - Prior to the introduction of Prepaid cards 5 people were carrying out visits to direct payments recipients on a rota basis
 - By analysing spend data visits can be targeted on only those who most need them, leaving those who can manage to deal with their own affairs without further oversight
 - By introducing further analysis of management data time spent on chasing outstanding paperwork and carrying out manual monitoring will be cut dramatically
 - This analysis will also be used to help manage high risk service users. After an initial support visits, such service users will not be automatically visited again if their card spend analysis indicates that their care package is functioning as planned
 - Lancashire expects to move from significantly reducing existing ratios of 1 visiting officer per 500 service users, without any drop in service levels

- Other
 - As all data is available electronically there is no need to store all of the paperwork usually associated with making direct payments and monitoring spend. This contributes to corporate estate management efficiencies.
 - Faster monitoring of spend will quickly identify instances where care packages are 'not quite right' so they can be adjusted to better fit the service user's needs in a more timely fashion than has been the case

What's next?

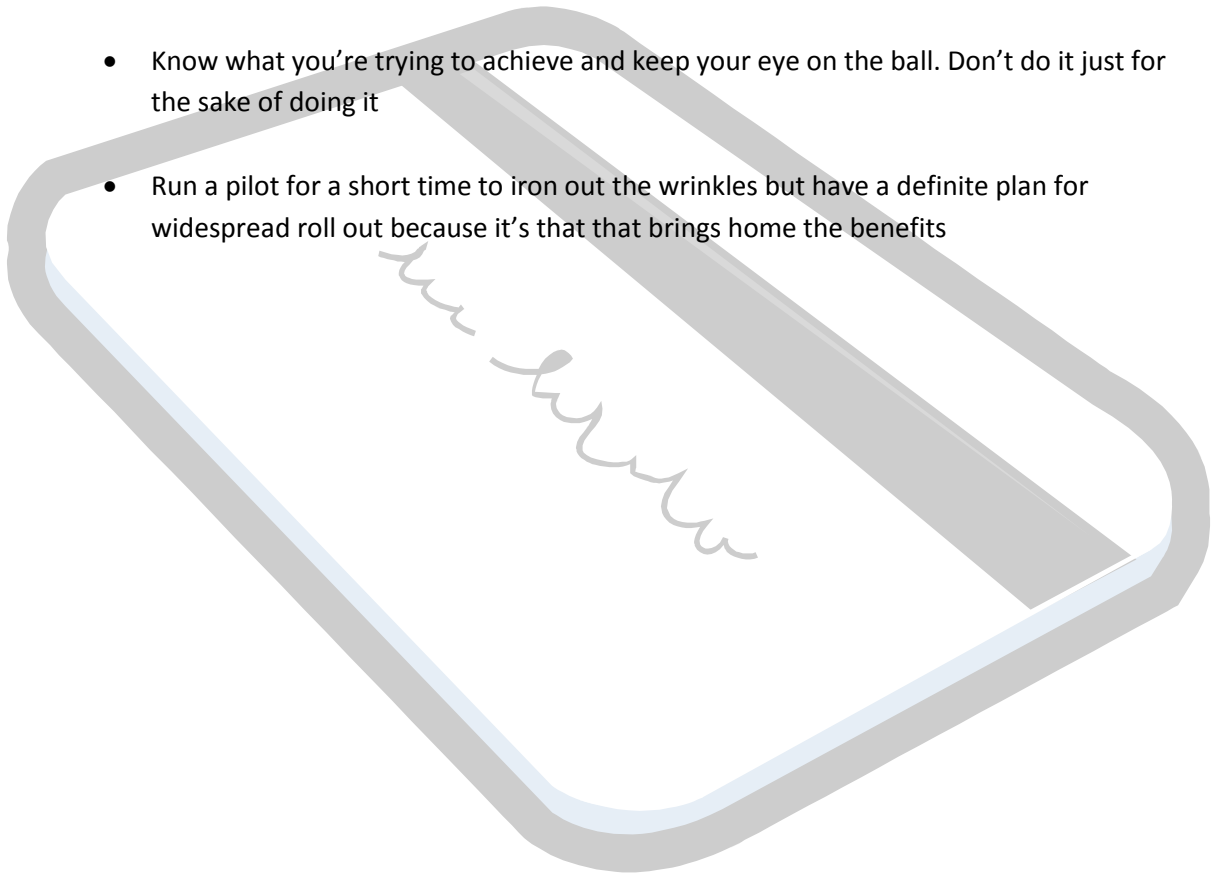
Buoyed by the recent success of Prepaid cards Lancashire is now looking to start extending their use into other services areas, such as care leavers and Children's Act responsibilities, in addition to the new Social fund responsibilities. Additionally, areas outside of social care, such as volunteer's expenses, provide further opportunities to explore where Prepaid cards might be effectively used

The culture of the Council is central to their thinking and underpins any proposed new developments. The Council is keen to move away from handling cash and Prepaid cards are seen as a natural replacement, eliminating the problems and providing opportunities.

In the area of direct payments Andy Brown is confident that they can make better use of the management information that becomes available as a natural consequence of using Prepaid cards. "We've seen that there are plenty of benefits to using Prepaid cards. The management information almost comes for free and we really want to think creatively about how we can use it to extract additional value. We're already talking to other Steering Group members who are further down that road than we are at this point."

Top tips

- Talk to other Councils. Find out what they've done, how they did it, what problems they met and how they overcame them
- Involve your social workers as their attitudes in front of service users can either make your job a lot easier or a lot harder. Explain to them the benefits to the service users, the Council and to them themselves
- Explore the market and find a scheme provider who's flexible and has a track record in doing what you're thinking of. Ask them if what they offer is available today or is in development.
- Know what you're trying to achieve and keep your eye on the ball. Don't do it just for the sake of doing it
- Run a pilot for a short time to iron out the wrinkles but have a definite plan for widespread roll out because it's that that brings home the benefits



London Borough of Merton - Interview with Lorraine Taylor & Diane Spicer, Direct Payments Team

- The more involved you get with the Steering Group, the better your questions get
- Decide early exactly what you want Prepaid cards to do and fit the solution to your needs
- Choose a flexible provider who specialises in Prepaid cards and values your business

The London Borough of Brent is one of the original members of the Steering Group and an early adopter of Prepaid cards. At the time of writing over 25 Councils have visited Merton to ask about their work and learn lessons to assist their own implementations. We asked them about the questions people raise.

What were the issues you faced that lead to you looking at Prepaid cards?

“We started looking at Prepaid cards at the time when self-directed support and personal budgets were introduced. There were lots of key performance indicators associated with them and we were thinking about how we could best meet them.

We were looking at finances and people’s budgets generally and how inclusive they could be, how would customers access their money etc. We wanted to make Merton more inclusive. When we looked at who could currently access direct payments we found there were people who were refused a bank account or whom had debts to the authority who could not currently access direct payments and we realised we needed to bring in a managed accounts service. The current set up was too complex and Prepaid cards could make the process much easier.”

How did you start deciding what you wanted?

“We investigated what providers offered before we invited them in. This seems obvious in hindsight but we found the more we got involved the better our questions were. The better your knowledge base the better your understanding. At the start we took things at face value but learnt to ask smarter questions such as whether what they offered was available now or under development.

The product is pretty much the same from each Programme Manager but you have to think about exactly what you want it to do, how it will work and what the functionality is. Start with the toughest area, such as direct payments, and think about your requirements. Then ask them can you deliver this, and can you deliver it now.

It’s no good trying to fit what you do around what the project manager supplies. When we first looked at the providers some hadn’t changed their product at all over the years. In the end we chose the provider who could deliver exactly what we needed at the time. We didn’t go out to tender as we thought there was only a single supplier who could deliver exactly our specification so we waived contract standing orders. Nowadays of course there are many more suppliers who could offer it so we’d be likely to go to tender.

Unfortunately for us back then there weren’t many councils around using Prepaid cards, unlike now and the ones who were using the cards were using providers who could not deliver our requirements. We’ve now spoken to over 25 Councils about what we’ve done since the Steering Group started and they get a real head start on how it all works and how best to go about it.”

What should we be looking for when we evaluate suppliers?

“We’d have a very firm set of criteria now, most of which would be essential rather than desirable, and all based on our assessment of our own requirements.

Number one would obviously be meeting the requirements specification. We have external care providers who need paying so the direct debit facility is critical. We’d also look at how contributions are put onto the card so it’s easy for customers to make payments on to the card. Getting regular payments credited to the card by standing order was equally important.

We’d also talk through all of the processes to check if the programme manager’s back office support is sufficient for what we need, offering things like telephone support for service users for example.

Terms and Conditions are obviously important, as is the programme manager’s reputation with other steering group members. There’s a big network there, you have to use it.”

How did it go when you implemented?

Nothing prepared us for going live. We’ve found you just can’t prepare for everything, it takes a leap of faith at some point or you’ll still be sitting there three years down the line trying to decide what to do. Don’t do that; don’t wait for years, as you’ll never sort out everything until you actually do it. You need to be brave, but having first spoken to others who’ve already done it as a safety net. Just go for it and then work through things with your programme manager.

One problem we had was people kept ringing to ask what their account number was. We had to check through a list and then tell them. One day we sat down with the programme manager and thought, “Why don’t we print it on the card?” That was it, simple, problem solved.

We like our provider to be flexible and work with us and who will change things, as we need them, we’ve heard through the Steering Group that the larger suppliers don’t seem to make changes very quickly. With a smaller company you’re a much larger part of their business so you get taken more seriously. We could pick up the phone and know things would get done.

Build up your network so you can discuss any issues and find out how other people have solved their problems. That saves you a lot of time and effort.”

How do you adopt new customers?

“We offer Prepaid cards to all new customers. When a new customer is signed up it takes three to five days for the card to arrive. We have it delivered here and when the customer comes to collect it we help them with the setup, unless they choose to do it themselves. We show them how to use it, offer help to set up their direct debits etc.

We find that approach helps diffuse problems at the outset, when they leave they know what to do so we don’t get too many follow up calls. If they manage their own affairs we just give them the card, most people have the capacity to deal with cards. Of course, whoever signs the agreement gets the card, and that may be a nominated carer for example. At the moment we don’t have more than one card attached to a particular pot of money.”

How many cards have you issued so far, to how many customers?

So far we've issued in excess of 600 cards. There is a turnover as customers transfer to other services and are no longer eligible for a Direct Payment. We have terminated and closed down approx 80 cards and recovered funds from those cards. In June our first batch of card renewals will be due.

What about those who have to be migrated or have particular problems?

"We've had fewer problems than we thought we might have. We're down to the last few, less than 25, who are those with particular problems so we're dealing with them one by one and working with social workers to deal with their specific issues. We think we'll always have one or two people who can't deal with Prepaid. At the end of the day this is social care and their needs are paramount, it's not all about savings and ease of use for the Council."

What do you use in the way of reporting? Has it changed what you do?

We are not currently using the reporting system. We have had many difficulties getting the reports accessible to all staff. We are currently working with our provider and are hoping we can start using this functionality very soon as we believe it will help us enormously with our monitoring.

Don't Prepaid cards harm people's choice?

Direct Payments are all about personal choice independence and this continues to be the same. The only difference now is instead of paying into a customer account it is loaded onto a card! As a small authority we decided to run only one way of paying out our monies, and pre-paid is that choice.

Where do you think you'll go next with Prepaid?

"We're getting a lot of questions asked about how they might be used in Children's Services, initially about children leaving care. We don't think it's going to cause too many problems, as the use of the cards is pretty much the same; we just need to build the processes based on what we've learned. We know other Steering Group members have done work in this area so we'll be following up on that."

What are your main messages to help us get this right?

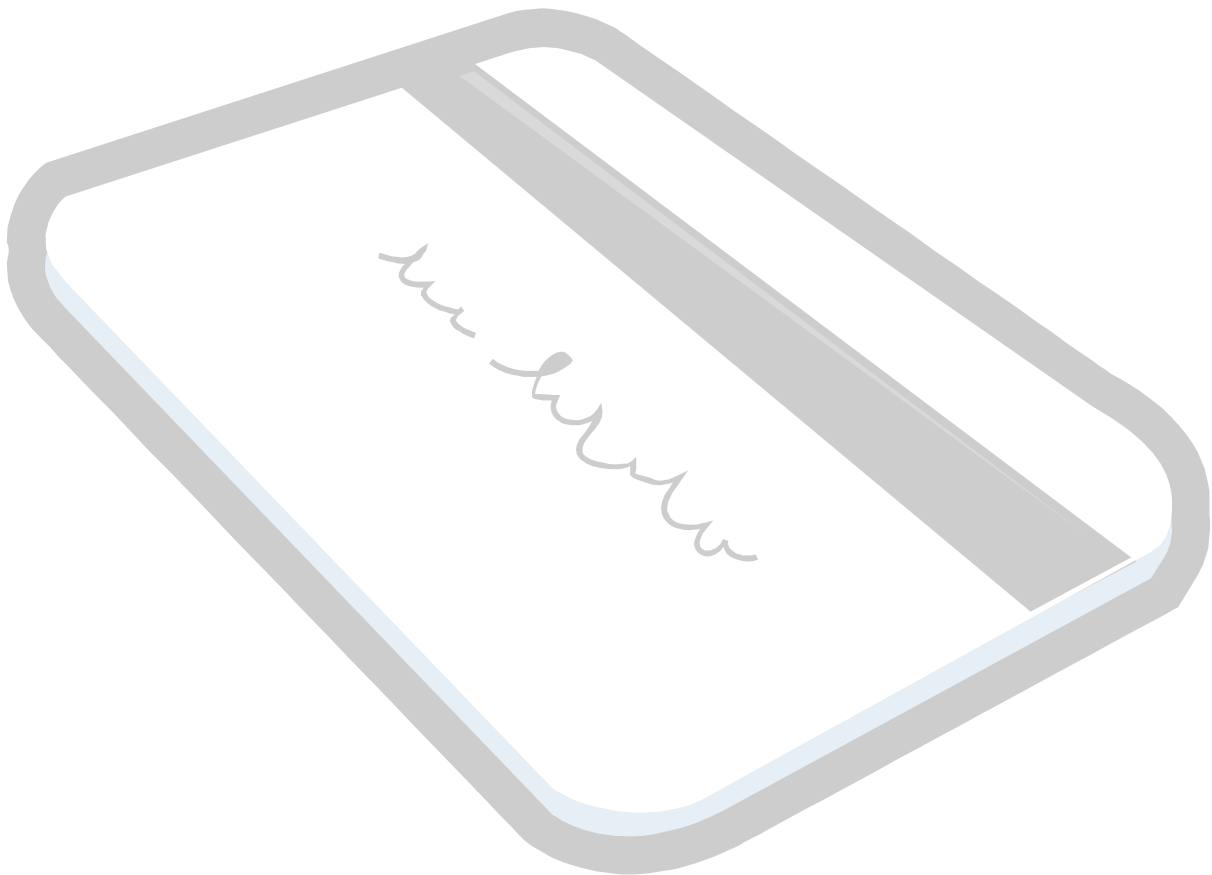
"Think about what it is that you want your cards to do. Think about the functionality and the reality for your customers and find the provider that can do exactly what you want, and do it now. Everything else falls into place. Consider the toughest area even though you may not be starting there. And think about how your system works, if you use outsourced suppliers of care then something like direct debit is essential.

Beware when suppliers say we don't do that but we have something like it, we hear this about direct debits, ultimately it either is direct debit or it isn't.

Don't sign anything until the functionality is in place, not on the promise that it will be available soon.

Involve the right people, the key people delivering this will be the people delivering the current service, not necessarily project teams. We sat down as a team and talked through all our requirements like exactly when people need cash, we found on a case-by-case basis all could be solved by chip and pin so we excluded ATM use. Always ask why something is the case, don't have sacred cows.

And decide who will pay the charges, Merton passes on its charges as the customer is given the money to manage their affairs, if they set up 10 direct debits to pay for various services then they have to pay for that from their budget, that way you are not paying twice!



Case Study – Nottinghamshire County Council / Advanced payment Solutions (APS) – Replacing Cash

- Around £20k-£30k savings by reclaiming funds identified so far on limited targeted roll out
- Prepaid cards seen as the only viable option to replace handling cash
- Over 350 Prepaid cards in use

Background

Back in 2010, Nottinghamshire County Council (NCC) took a decision to start moving away from handling cash due to the high costs involved in running a cash office and distributing cash around the county, and the inherent security issues. As a result of this decision they needed an alternative and looked at a variety of options. Due to their existing relationships with Coop bank as corporate bankers and LloydsTSB on Court of Protection accounts they were able to open bank accounts on behalf of clients but neither bank was able, at that time, to offer a practical solution on cash handling. At that time the Post Office was actively courting such business, but a preliminary assessment showed that the costs involved were high and would not provide the necessary savings.

Martyn Harris, Team Leader for the Adult Client Finance Team, met with the eventual scheme provider, Advanced Payment Solutions (APS) in late 2010 to investigate whether Prepaid cards were a viable option. He quickly saw that they could achieve their aims at a reasonable cost, “We were able to open bank accounts for our clients quite easily but that didn’t solve the problem of those service users who the banks were unwilling to deal with. For them we needed a fast, high security way of replacing cash payments and using Prepaid cards as a ‘bank account lite’ fitted the bill perfectly.”

NCC considers Prepaid cards to be an integral part of the service they offer to clients so took the decision that clients would be liable to pay all charges associated with the use of an individual card.

Direct Payments

The original pilot in direct payments only consisted of 20 cards as there were few examples of using cards in this way at that time and NCC was understandably cautious as early adopters. Usage quickly grew to 60 service users and now 240 cards are in use.

This figure only represents approximately 10% of all direct payments recipients as the focus has been limited to providing cards for recipients who were struggling to open bank accounts.

ATM usage

All ATM usage is prohibited as NCC will shortly be introducing spend monitoring and needed to ensure that spend data was as accurate as possible. Merchant category blocking is also used extensively, though future developments allowing individual merchant control would provide more flexibility.

Savings made

As Prepaid cards were introduced to help the drive to close the cash office, their introduction was not subject to a separate business case. However it is thought that using the cards in a fairly limited way to date has already produced savings of £20k - £30k per annum. Once a more automated monitoring procedure is in place this figure is expected to rise quickly.

Court of Protection

Initial implementation was carried out for Court of Protection clients. It was important that the scheme was flexible enough to enable care providers to hold the Prepaid cards on behalf of the clients if they weren't capable of managing the cards or conducting their own financial affairs.

Clients can hold two cards, one for cash use and another for shopping requirements, and these can be loaded with cash separately.

At the time of writing some 110 cards are in use and have been very well received by clients as they feel they give them a greater degree of independence and improve their life skills as they use them for payments and monitor their spend online. No problems whatsoever have been encountered in terms of persuading people to take the cards.

Next Steps

NCC is looking to extend their use of Prepaid cards beyond the originally tightly focussed groups as the benefits of card use have become more apparent.

One key objective is to start using spend data more effectively. NCC have no desire to forge live links between their own finance system and that of APS as that would introduce unnecessary costs and complications - they will take the data in flat file form and carry out their own spreadsheet based analysis.

Top tips

- Understand exactly what you want the cards to do and keep your eye on that ball as you implement them. Just thinking they're a 'good idea' doesn't provide a good enough focus to deliver real benefits.
- Involving all internal stakeholders right from the outset pays big dividends. Let them know what you're thinking of doing, help them to understand the benefits and then involve them in creating the scheme.
- Make sure you choose a scheme provider who will build a strong relationship and work with you. They will have ideas from other implementations which can really help.
- An effective telephone support service, provided by the scheme provider, is vital to ease implementation and help service users.