

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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Contents

	Page
Introduction	3
What are Prepaid cards and how do they work?	5
What typical business benefits can Prepaid cards deliver?	7
How would our clients benefit from using Prepaid cards?	9
How much do Prepaid cards cost to operate?	10
Where would Prepaid cards be used?	12
Case Studies from Local Authorities	15
In which other service areas might Prepaid cards be used?	27
How do I create an outline business case for Prepaid Cards?	33
How do I arrive at my current costs?	38
Frequently Asked Questions	40
Programme Manager Profiles	44
Further information	47
Steering Group Membership and Contacts	49

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 identifies savings of up to £22 per cheque.

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.

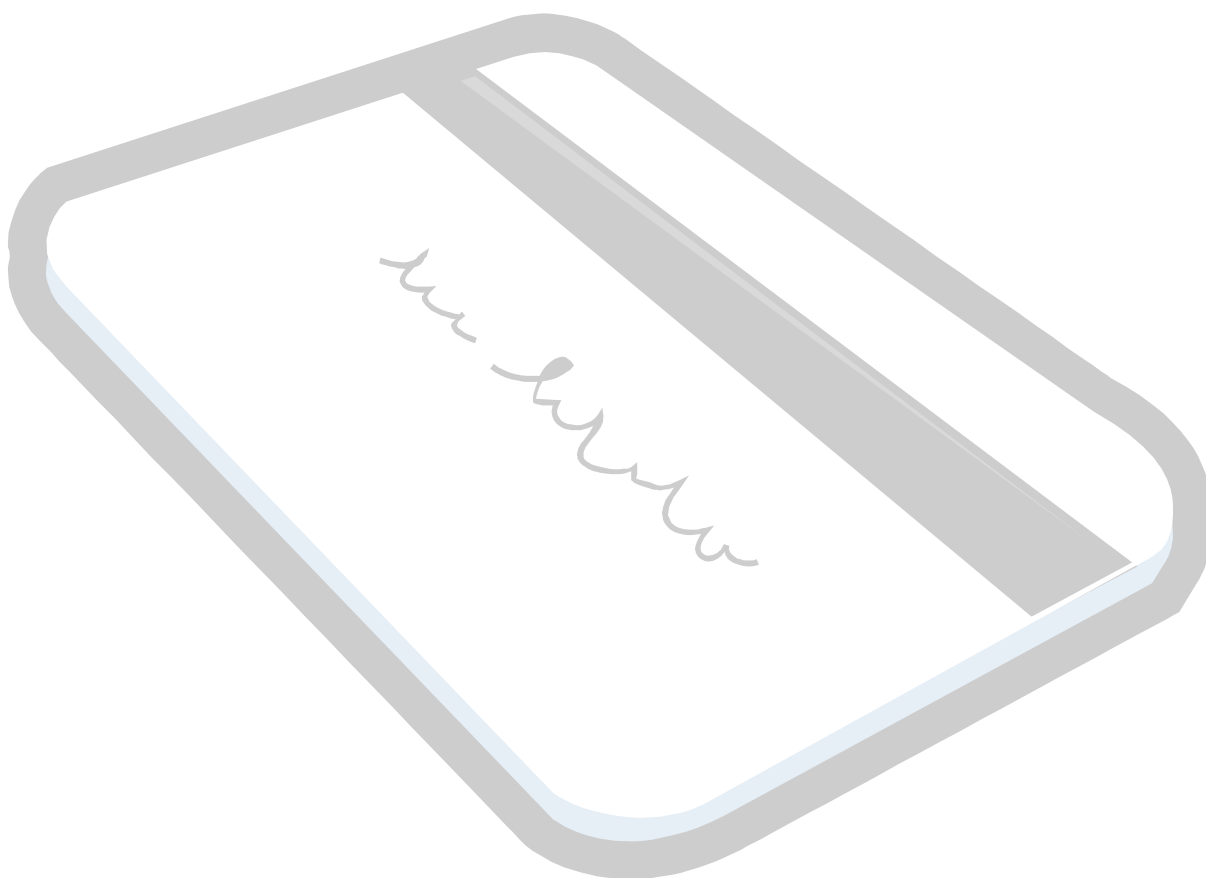
Using Prepaid cards as an employer

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 outlining 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 increased 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 them for their young people and they do not need to be on free school meals. The parents will be responsible for 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 discussions 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 to Derbyshire County Council

In 2009 Derbyshire County Council was invited by the Department of Education to join the national Individual Budget pilot for disabled children.

Individual Budgets work on the principle of increasing individuals' choice and control of their support, without increasing the burden on already tight resources. It builds on lessons learnt from the use of direct payments, empowering young people and their families to develop creative ways to organise their services and support around their own resources.

The pilot is required to offer choice, flexibility and support in how the budget is managed. Young people and families do not necessarily want to take on the responsibility of managing the finances. Families have a choice of allowing the budget paid to them as a direct payment, to allow the local authority or other organisation manage the money or a combination of either. It is hoped that some of the young people on the project can develop the skills required to manage their budgets themselves.

It was expected this would result in more demands for small cash payments of small items such as activities, day trips and transport in order to make the best use of universal services and natural or informal support. This creates a real problem for our own financial systems which struggle to facilitate regular, flexible payments to families or frequent procurement of individualised goods and services on the families' behalf. The administrative time incurred can be disproportionate to the sum involved.

In order to provide 'real' choice and control for families, the project needs to respond swiftly to requests and the amount of time spent by staff in procuring goods and services outside of those we usually buy as an authority needed to be in proportion to the value of those goods. Additionally if families are being facilitated to make cash purchases the accessibility of local offices is an issue, as is ensuring sufficient controls and maintaining audit trails.

It was therefore necessary to increase resource deployment options to make direct payments an attractive option for families. Simple systems for managing budgets were required which young people will manage for themselves in an inclusive manner.

Whilst the pilot focuses on exploring options for families, reducing the amount of administration undertaken by business support and finance services is a positive outcome for the department.

The challenge

Young people and families who are assessed and require support to meet their identified outcomes can choose to receive a Personal Budget instead. They can design their own support flexibly and to suit their own preferences as long as it meets basic criteria and the same desired outcomes. We found that given the choice young people and their families are keen to take part in 'ordinary' activities such as going to a football match or the cinema.

The challenge was to provide a payment mechanism to the young person that provided them with independence and the ability to choose activities within the framework of their support plan.

“Previously if the Local Authority had to agree to fund a particular piece of equipment or activity an invoice would have been sent to the local social work office to agree payment. Small cash payments could be reimbursed through petty cash, but the float held in each office was very restrictive”

Izzy Fisher Project Manager, Young People and Adults

Historically the process was expensive to manage and provided no control on where cash was being spent as well as proving inconvenient for the young people and families.

How did the allpay Prepaid MasterCard Card help?

Young people and their families are encouraged to consider the best way of managing their personal budgets and are offered the choice of using an allpay Prepaid MasterCard Card as a means of paying for activities and equipment identified in their support plan.

The Council load funds on a regular and agreed basis the allpay Card Management System which is available 24/7/365 and either as a batch load or individually. On a regular and agreed basis funds are loaded onto the card. At this time the young person receives a text informing them that the money is available.

The allpay MasterCard Prepaid Card provides a secure and financially inclusive method of payment, putting the young person in control.

Benefits for Derbyshire County Council

- Improved efficiency:
 - Secure and immediate disbursement of funds to young people
 - Online monitoring of where the card is being used helps support the young person in achieving their goals and ensuring that it is in line with their care plan; individual social workers have the ability to view all transactions online
 - Where the card has been lost or stolen allpay's Card Management System can stop the card immediately and issue a new card ensuring that any remaining funds are automatically assigned to the new card
 - Any surplus funds remaining on the card can be clawed back.
- Easy to use online system:
 - Cards ordered, despatched and with the young person in four days
 - Immediate loading of the card 24/7/365.
- Cost benefits:
 - Online monitoring provides real time information and reduces the manual paper work previously employed to check expenditure.

“Using the allpay Prepaid card has simplified the process for dealing with large quantities of receipts and invoices for low value goods. It cuts down significantly on the time and cost of processing individual invoices and reduces the problems associated with staff having to deal with cash payments.”

Izzy Fisher Project Manager, Young People and Adults

Benefits for the Cardholder

The key objective of introducing the allpay MasterCard Prepaid Card was to provide a positive experience to the young person but it also delivers these further benefits:

- Socially inclusive allowing the person to make their own choices and participate fully in society to enable them to live as independent a life as possible
- Financially inclusive with cards issued to young people regardless of their financial status
- The card offers choice - it can be used to withdraw cash from any ATM, to buy goods and services online or over the telephone as well as making payments at point of sale
- It puts the young person in control - they can access their card balances and transaction history online or by calling allpay. They can also request card balances using their mobile phone.

The cards have been very popular with young people and their families. One 16 year old man proudly told us that:

“I have been able to take responsibility for my entire budget by using the Prepaid card for activities and equipment. My parents don’t need to worry about it.”

Other parents who have used the card have commented how convenient and transparent the system is. Accessing the account online means they know exactly how much budget remains and can review their spending to ensure it is still in line with the original plan.

Case Study – London Borough of Brent’s implementation of Prepaid cards

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.

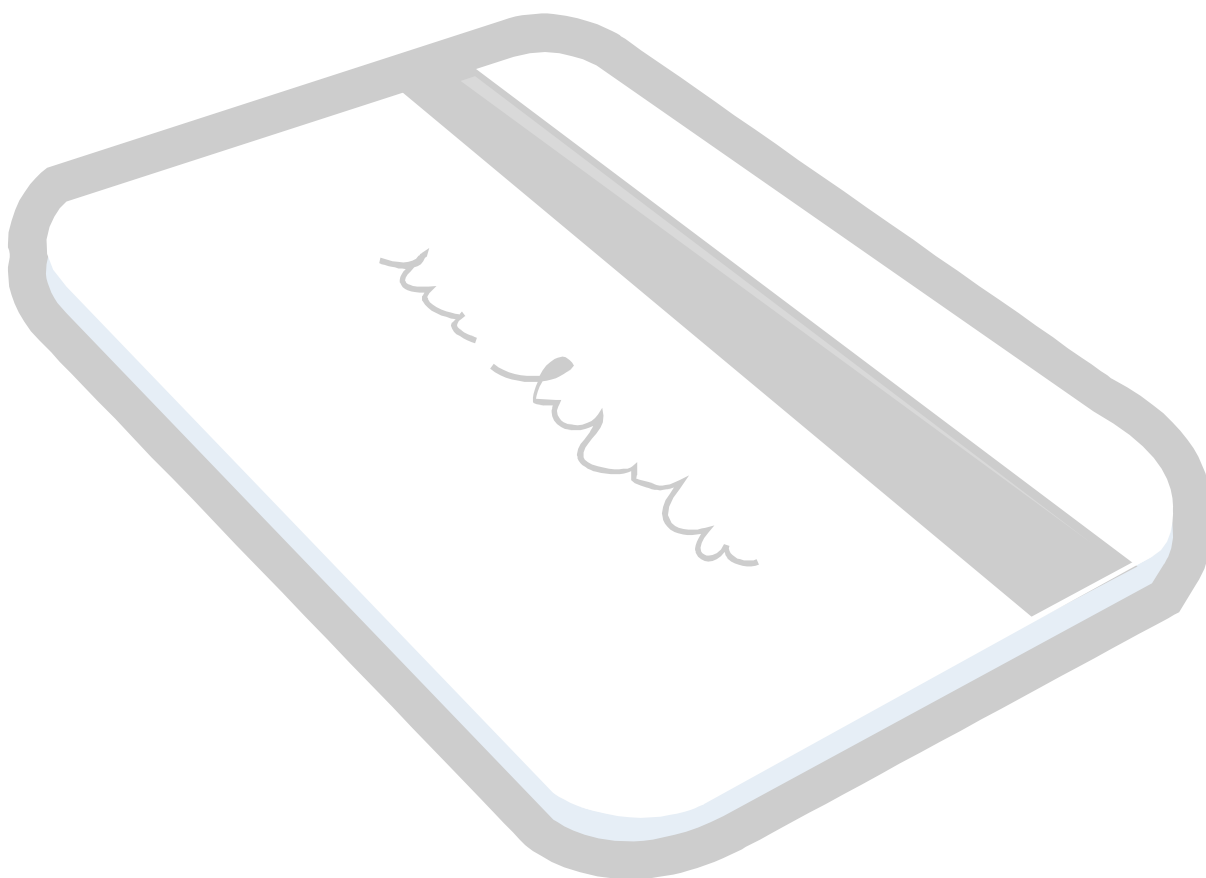
Most clients are keen to take advantage of the benefits that Prepaid cards have to offer and have been known to complain that they don’t get the card quickly enough once it’s been explained.

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.

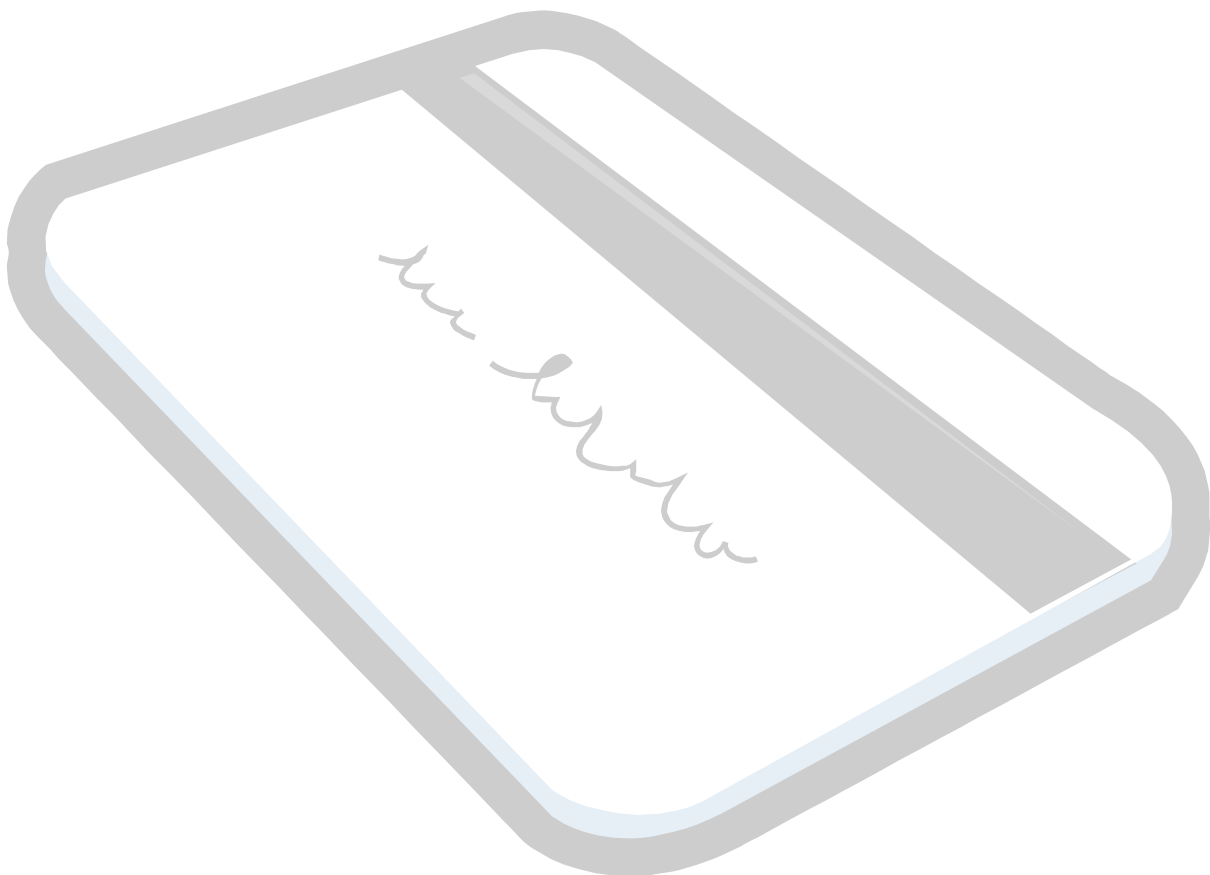
Further guidance and examples of costs can be found elsewhere in this resource.

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 provided. 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.

Programme Manager Profiles

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.

Allpay Limited

Allpay Limited is the UK's leading payments specialist.

Established in 1996, its core business concentrates on providing payment services - primarily to the public sector – and handles around £3.4 billion a year, across 42.2 million transactions.

The company's aim is to work with each of its clients to save them money through creating modern payment systems that are both cost effective and very convenient for the end consumer.



Allpay manage the whole end to end process for you.

We can provide the quickest implementation with no set up costs.

What makes the Allpay experience so special is we do everything for you in-house from our fully accredited MasterCard production and bureau facility. Our £2 million investment into this facility means we can produce bespoke card and stationery runs for any order size, even relatively small volumes.

Working for you, from under one roof, we can be highly responsive to your specific needs and offer unrivalled lead times.

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 complaint 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 Ltd. (PFS) was established in 2008 to provide Prepaid Card solutions to consumers and businesses.

PFS is based in Mayfair, London and is regulated by the FSA. PFS is owned and operated by a core team with decades of experience in payment card services and banking technology. Our staff have worked with the largest high street banks and card companies and understand the sector intimately.

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.

Our fully scalable Prepaid platform has been proven in the field, as a low cost alternative to cheque and voucher based disbursements. Central and Local Governments are embracing the functionality and control that Prepaid cards provide.

The PFS Prepaid card solution caters for benefits pay out, travel, teen, expenses and payroll requirements. Prepaid products can also be issued over the counter to recipients for emergency funding and on-going payments, reducing and potentially eliminating the need to hold cash on the premises, along with the associated insurance and risk costs.



Government payment cards provide valuable 'choice' for the receiver. The power to elect where funds are sent can be critical. The Prepaid card enables a cardholder to receive funds into an account they control and access funds as they would with any 'regular' bank account. The ability to use this card on the internet and over the phone provides the cardholder with access to goods, services and prices that may have been unavailable to them previously.

PFS is growing rapidly, partly due to the expansion of Prepaid in the market, but primarily through our client commitment and referred business. PFS are highly professional, vastly experienced and offer a flexible, scalable and secure product suite.

Advanced Payment Solutions (APS)

With more than 600,000 cards issued and £750MM 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.

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.

APS has been a pioneer over the past five 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 recently 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.

A number of Local Councils, including the London Borough of Merton, Bury Council and Nottinghamshire County Council 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.

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:

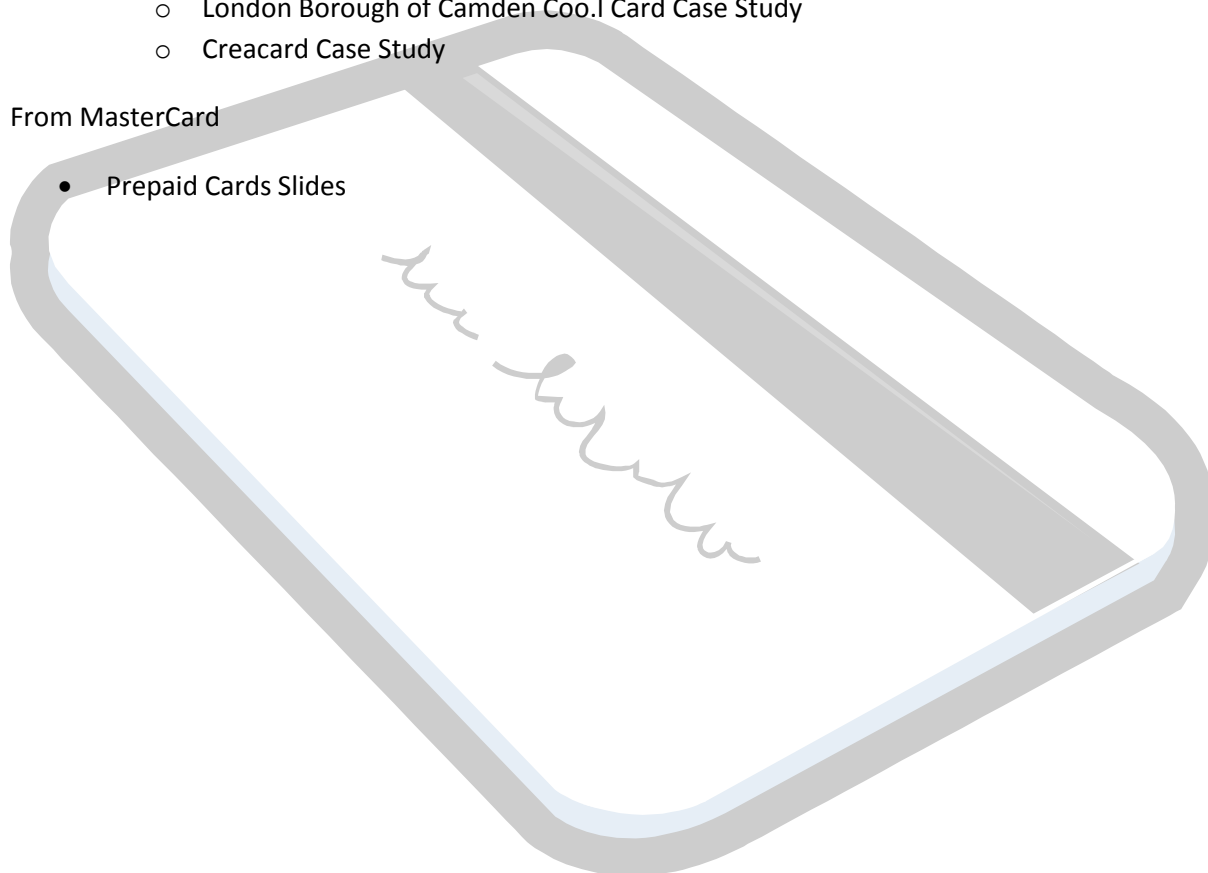
- London Borough of Brent
 - User Guide
 - Staff Cards FAQ
 - Cardholder Agreement
 - Council / Client Direct Payments Agreement
 - Tender Specification
 - Requirements Specification
 - Conditions of Contract
- London Borough of Camden
 - Coo.I Card Leaflet
 - Coo.I Card Brochure
 - Coo.I Card Evaluation 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

- Allpay
 - Prepaid Cards Brochure
- 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

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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

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