

LONDON BOROUGH OF CAMDEN

Ward: ALL

Report Title

PREPAID CARDS FOR DIRECT PAYMENTS

Report of

BCC Project Accountant

Report to

Direct Payments and Support Brokerage
Steering Group

Date

21st July 2011

Summary of Report

This report highlights the progress to date on the prepaid card pilot for Direct Payments, and recommends that the card is incorporated into business as usual for Direct Payments.

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Recommendations

To note the progress on the implementation of the Prepaid Card pilot scheme for Direct Payments, and to support the incorporation of prepaid cards into business as usual by:

- Continuing to offer the card to all new DP customers as at present.
- Agreeing a strategy of raising awareness of prepaid cards and their benefits to customers at an early stage of the care assessment process so that more people are encouraged to take up the DP option.
- Publicising the benefits of the card to all existing DP customers and encouraging them to convert from their existing bank accounts.
- Further encouraging existing DP customers to convert from bank account to card when they have their annual review.
- Updating policies and procedures so that they refer to prepaid cards as the default option for delivering DPs.
- Ensuring the above complements the wider DP strategy 2011-13 and action plan.

- To ask the Prepaid Card project team to develop a detailed plan to operationalise the above and report back to the next DP and SB Steering Group

To note that a specification is being developed for a corporate Camden card and that the future requirements for a Direct Payment card will be included in this proposal.

To agree to extend the contract with PFS to 31st March 2012, to be funded from the remaining Social Care Reform Grant monies.

To agree that criteria should be developed for circumstances when a managed payroll service should be offered as an alternative to a prepaid card.

PREPAID CARDS FOR DIRECT PAYMENTS

Background

In February 2010, the Better Care Choices Programme Management Group (BCC PMG) agreed to pilot the issue of prepaid cards to customers who receive direct payments. The purpose of the pilot was to establish the reliability of the technology, to develop appropriate systems and procedures and to seek customer feedback prior to rolling out a scheme for all DP customers in 2011/12.

BCC PMG also approved the establishment of a project team including representatives from DISC, Age Concern, Camden Direct Payments, Finance, Care Management, Communications, and Corporate Purchase to Pay.

At the same time as ASC was considering a pilot for DP customers, colleagues in CSF were also developing a scheme to make funds available to young people at school using prepaid cards (COOL project). A joint specification was developed with CSF, and after a competitive process Prepaid Financial Services (PFS) were appointed as the card provider for both Direct Payments and COOL in June 2010. The first cards were issued to DP customers in October 2010.

An initial evaluation of the DP project was taken to the BCC PMG in January 2011, which was largely positive. It was agreed that the contract with PFS should be extended to the end of September 2011 to allow the scheme to bed in further and to enable more time for a specification to be developed for the service that is required after the pilot phase.

The pilot began with a small number of existing DP customers who volunteered to take part, and the card has also been offered to all new DP customers. **As at the end of June 2011 we have 78 active cardholders,** and a further 10 cards that have been issued and are awaiting activation. **For new customers the prepaid card is now the most frequently used method of receiving a DP. 74% of new customers in the first quarter of 2011/12 are receiving their payments on card,** with 16% opting for a managed payroll service and 10% using a traditional bank account.

Positive Outcomes of Prepaid Cards to Date

The benefits of prepaid cards for direct payments are:

- **It makes the management of direct payments easier for customers** because
 - there is no need to set up a bank account,
 - payments can be made online and the balance of funds and account statement can be checked 24/7,
 - for customers who do not have online access payments can be made and balances checked via the PFS help-line,

- there is no need to send monitoring information to the Council as records are provided direct to the Council by the card provider.

The above benefits have been successfully tested and proved through the pilot scheme. Feedback from customers has generally been positive. Since the pilot started only one customer has decided to stop using the card and revert to a traditional bank account.

- **The monitoring process is more efficient and effective.** The DP Monitoring Officer can view individual customer accounts online without having to spend large amounts of time chasing up monitoring returns. The DP Monitoring Officer is also able to download an electronic management report from PFS which means that unusual transactions and patterns of expenditure can be identified much more easily than with paper-based monitoring. For example it is possible to identify cash-withdrawals, or payments at shops and make follow-up enquiries of customers with these types of expenditure. Potential safe-guarding issues or inappropriate use of funds can be identified immediately rather than months after the event, as is the case with paper-based monitoring. If the customer is holding an excess amount in contingency this can also be followed up and if appropriate payment can be suspended until the contingency is back to the agreed level.

Further issues to be addressed

The focus of the pilot has been on proving the concept and demonstrating that prepaid cards can deliver both benefits to customers and also a more efficient and effective monitoring process. The Council now needs to consider how it wishes to develop the scheme further. The following issues should be addressed:

- By making it easier for customers to manage their Direct Payments the prepaid card has the potential to make DP a more attractive option for customers and thus to support the overall strategy of increasing the number of customers receiving a DP. So far we have focussed on offering prepaid cards to customers at the point when they have already decided to take-up a DP. For the future we should raise awareness of the benefits of prepaid cards much earlier in the process so that customers are able to make an informed choice about whether the card would better meet their needs than a Council-managed personal budget.
- As referenced above the majority of new DP customers are opting to take a prepaid card, and we expect this trend to continue. However that still leaves around 400 existing customers with traditional bank accounts. In the long term we will fail to realise the benefits of more efficient monitoring and the prepaid card scheme may not be viable unless the vast majority of DPs are delivered through this route. We could adopt a policy of making prepaid cards compulsory for all DP

customers, but this may be counter-productive as some customers who have long-standing bank accounts may oppose it if they feel co-erced. Rather than tie up resources in responding to challenges and complaints it is the view of the project team that we should publicise the benefits of prepaid cards. This could be in the form of an initial mail-shot to all customers to encourage early take-up. The benefits of the card could also be reinforced at annual review – so that over the course of twelve months our target would be to have a significant majority of existing customers switch to the card.

- Policies, procedures and information for Direct Payments should also be updated so that prepaid cards are embedded as business as usual.
- So far the Council has piloted prepaid cards for DPs and for the CSF COOL project. A working group led by Terry Brewer (Chief Procurement Officer) and Lesley Piggott (Assistant Director of Finance – Revenues) has begun to consider the options for the wider use of prepaid card and smart card technology across the borough with view to drawing up a specification and beginning a procurement process later in 2011. ASC has been represented on this group by John Stansfield with a view to sharing the learning from the DP pilot and also ensuring that the corporate specification will meet the specific needs of ASC and our DP customers.
- While the corporate card project is under development it is important to maintain the momentum of the roll out of the existing DP scheme. It is therefore recommended that we negotiate a further extension of the current PFS contract to the end of March 2012, during which time we will actively pursue a policy of significantly increasing the number of DP card holders as outlined above.
- In addition to prepaid cards and traditional bank accounts, some customers (24 in total) are using a managed payroll service. Under managed payroll the direct payment is paid to an agency who manages payments on the customer's behalf and provides the monitoring information direct to the Council. Further consideration needs to be given as to the circumstances when managed payroll should be offered as an alternative to a prepaid card.
- If the above points are agreed then it is proposed that a detailed action plan is developed and taken forward by the project team, with regular reports coming back to the Direct Payments and Support Brokerage Steering Group.

Costs and Savings

The cost of the DP prepaid card scheme is currently a flat rate fee of £2,500 per month payable to PFS, or £30,000 in 2011/12 to be funded from the remaining Social Care Reform Grant monies (subject to agreeing terms with PFS for the proposed extension).

This is a significant investment in supporting what is still a relatively small number of customers. While this has been necessary to establish the pilot, it does not represent value for money in the longer term unless the number of cardholders significantly increases. It is therefore critical to make progress over the remainder of the year on the action points outlined above in order to demonstrate that the prepaid cards can be made viable in the longer term.

If numbers were to remain at 78 card holders, the annual cost is £385 per card which is not sustainable. If we increase the numbers of cardholders to 500, the annual cost per card will reduce to £60.

Beyond the pilot the cost of card provision will very much depend on the corporate specification and the responses received from potential providers. One of the aims of the corporate scheme will be to reduce costs through economies of scale.

In the longer term prepaid cards have the potential to generate efficiencies by helping to manage the pressure on monitoring officers as the number of DPs increases. As the number of DPs increases so will the need for monitoring resources, and the use of prepaid cards will help in managing this pressure.

Savings are also achievable through more effective monitoring and earlier identification of cases where funds have either not been used or have been misused so that we can curtail payment. Expenditure on DPs in 2010/11 was £4.4m so a saving of just 1% in this area would more than pay for the annual card fee of £30,000.