



PAYMENTS STRATEGY

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Introduction

The Vale of White Horse District Council (Vale) has a clear vision as detailed in its Corporate Plan (2006 – 2008), “to provide and support high quality public services which are effective, efficient and responsive to the needs of people within the Vale”.

There are six corporate priorities emanating from this vision, one of which is to improve and modernise access to services.

The Vale’s Customer Contact Strategy translates this aspiration into a very clear set of objectives by:

- Developing and promoting cost effective customer contact channels, through the use of a contact centre and through self-service;
- Ensuring a quality repeatable service embracing pre-determined service standards;
- Securing efficiencies from re-designing and automating processes;
- Continually developing access channels in accordance with customer preferences based on feedback and consultation; and
- Developing diversity and equalities within the organisation, to extend accessibility for the hard to reach groups within the community.

This strategy builds on the Customer Contact Strategy and takes forward our Corporate Priority of improving and modernising access to our services. It provides a clear vision of how the Council wants to develop and manage the payment transactions utilising both new technologies and different ways of working.

External Environment

Opportunities to improve the value for money from our own services are being driven by the competition from the private sector and the increasing culture of shared service organisations.

This has been promoted by both the Transformational Change agenda which advocates the use of technology to alter the way services are delivered to improve front line service delivery, and by central government's spending review which requires local authorities to make 2.5% efficiency savings year on year. The transactional cost savings from handling payments more efficiently, and in a way that may encourage customers to make payments more quickly and at less cost is therefore very attractive to the Council.

There is a high take up of broadband Internet in the area, indicating there are sufficient consumers who would be able to transact in this way. PC ownership in Western Europe is around 70%¹. 99% of all premises in the UK can technically be connected to broadband Internet² and take-up of broadband services is expected to settle at around 60% by 2008.³ The last survey of online take-up in the Vale was undertaken in 2002, when 59% of citizens had access to the Internet from home. This figure is certain to have risen significantly since then. In addition, all libraries in Oxfordshire provide free access to the Internet, as do the Vale's two Local Service Points.

In addition, the geography of the Vale, being made up of three market towns and 65 rural parishes, further lends itself to a review of the way payments are made to the Council.

Demographically, the Vale is an affluent area with a well-educated population. Only 1.6% of the Vale's working age population is unemployed, as compared with a rate of 3.4% for England and Wales. In the Vale, 28.2% of people of working age are educated to degree level or higher, which is well above the national average.

(England and Wales average 19.8%). (Source: Census 2001)

¹ ZDnet news, 25 November 2005

² BT.com

³ ZDnet news, 25 November 2005

However, the ageing population and more vulnerable members of the community may rely on traditional face-to-face payment channels, and this may be an issue for consideration in the implementation of the strategy.

There is an abundance of new payments technology and solutions in the market place.

The widespread use and continual development of the internet with the opportunities it brings for customers to self serve is a significant driver forcing the review of payment channels in its own right, as it is both the least cost transaction channel and offers the opportunity to improve and widen accessibility to services.

Environmentally, the local authority is keen to progress telephone and web solutions reducing the need to travel, so conserving energy and assisting reduction of the climate change impacts.

The significant provision of equalities and diversity legislation seeks equal accessibility for all citizens to council services across all access channels. The greater use of the web and the telephone to make payments can help to satisfy some of these duties and improve the quality of council services for all.

Current Baseline Information

The Vale Council receives just under 500,000 payments from customers each year.

The channels for these contacts are set out in Table 1 below.

The Council fully expects the number of payments shown to grow reflecting both increasing demand and growth in the breadth of services but, most significantly, growth in 'new business' as contacting the Council is made easier and more convenient and more people utilize the services on offer.

Current Payment Transaction Numbers by Access Channel			
	2006/07	2007/08 at 30.06.07	2007/08 Projected
Vale Cash Offices (face-to-face)			
Cash	34410	8320	33280
Cheque	24533	6170	24680
Post to Vale			
Cash	24	7	28
Cheque	33899	8549	34196
Post Offices (Assumes 10 instalments)			
Cash	6000	1800	6000
Cheque	6000	1800	6000
Banks (Assumes 10 instalments)			
Cheque *	16284	4885	16284
Direct Debit *	345260	103578	345260
Standing Order *	10600	3180	10600
Telephone			
Debit/credit card	4773	1179	4716
Internet			
Debit/credit card	451	268	1072
Total	482,234	139,736	482,116

* Transaction numbers as at 13.08.07. Assumed 06/07 levels to be the same.

The Way Forward

The diagram in Appendix 1 on page 10 depicts the current position. Customers are funnelled through a number of access channels, with little opportunity for economies or efficiencies of scale to be realised.

Appendix 2 on page 11 shows what is ultimately feasible for the Vale. With this approach the benefits are likely to be in the more cost effective use of channels, through the rationalisation of our cash and post handling functions.

Appendix 3 on page 13 summarises the business case for this strategy. It shows that there are opportunities where an alternative provider has the potential to deliver increased customer access and bring immediate cost benefits. However, the Vale's experience in face-to-face customer service demonstrates that after these initial cost savings, encouraging customers to use electronic payment methods will most likely have to be implemented in parallel before users migrate substantially and the Vale can secure savings from reduced transaction costs.

This strategy moves the Vale towards aligning its payment channels as per Appendix 2, but only where the business case for each milestone can prove increased customer access and reduced costs.

Payment Strategy Aims and Principles

The aims of this Strategy are that:

- Cost effective channels will be developed and marketed to encourage as many customers as possible to self-serve or use our call centre services
- Customer service will be, as far as practicable, coordinated and process managed to ensure a quality consistent service
- Opportunities will be taken through process re-design and workflow to create cashable and non-cashable efficiencies.
- The Council will continue to develop access channels which reflect the changing preferences of our customers

These aims lead us to the following principles that underpin the Strategy:

- Promotion of direct debit within the banking sector
- Promotion of electronic payments using debit and credit cards as the Council's preferred channel of payments.

Milestones for the Implementation of the Payment Strategy

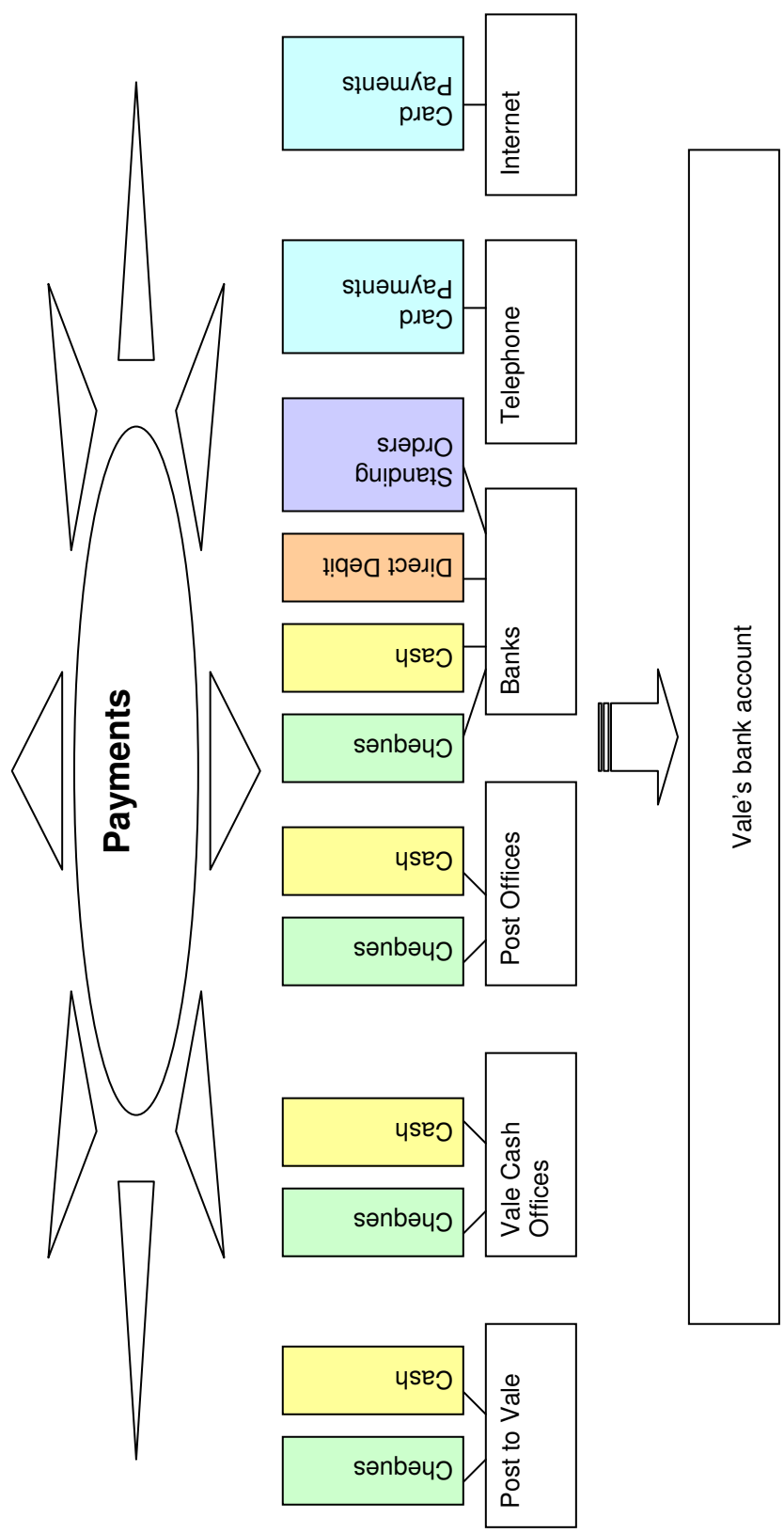
Milestone	When
Assess the viability of a cash receipting and distribution system that will facilitate the distribution of cash, cheques and card payments made in person, by telephone or via the web. Procure and implement if cost effective.	Q4 2007/08
Assess the viability of a payment network scheme for face-to-face payments.	Q4 2007/08
Implement payment network scheme if cost effective	Q1 2008/09
Develop and deploy on-line and telephone payment facilities for each of the Vale's service areas responsible for collection of payments on a needs basis. To include the payment of revenues and benefits via the Capita contact centre.	Q1 2008/09 onwards
Review how the face-to-face payment channels are working (including consultation via the Vale Voice Panel), and assess the viability of the Vale's cash counters or offices.	Q2 2008/09
Assess the viability of a face-to-face electronic payment system for Vale Local Services Points.	Q2 2008/09
Implement the actions from the face-to-face payment review, including the implementation of face-to-face electronic payments if appropriate.	Q3 2008/09
Review how the electronic payment channels are working (including consultation via the Vale Voice Panel), and assess the viability of postal payments into the Vale.	Q4 2008/09
Implement the actions from the electronic payment channels review if appropriate.	Q1 2009/10
Re-assess the viability of any remaining Vale cash counters or offices and streamline the service accordingly.	Q3 2009/10

Links to other Initiatives

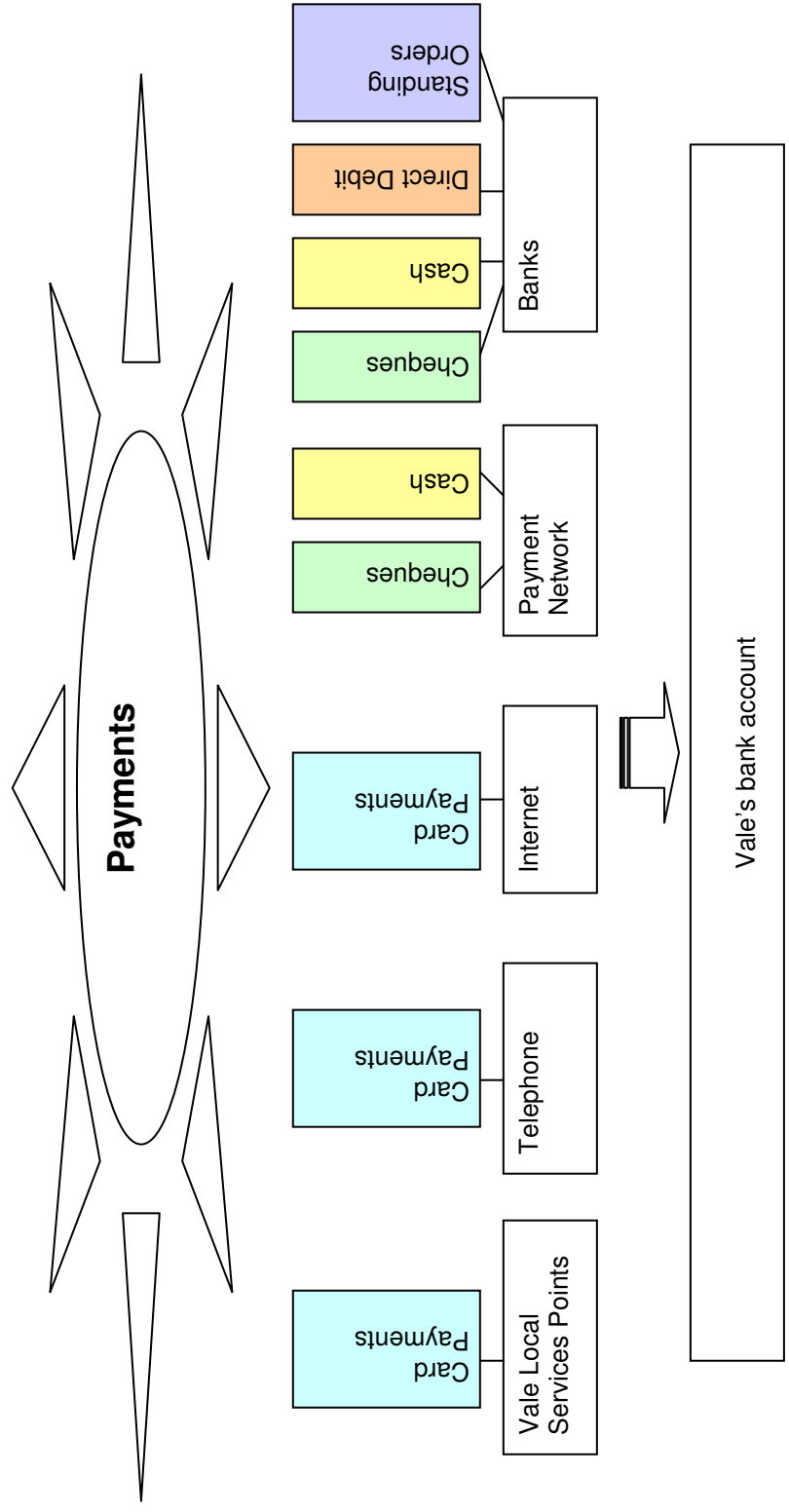
This strategy should be read in conjunction with other initiatives across the organisation.

- Building understanding of modern approaches to customer care
- Re-organisation of central administration functions
- Re-organisation of processing functions

Current Payment Channels



Potential Payment Channels



Payments Strategy Business Case

Current Average Payment Costs to Vale by Access Channel			
	2007/08 Projected Transaction Numbers	Average Transaction Costs £	2007/08 Average Cost of Payment to Vale by Access Channel
Vale Cash Offices (face-to-face) *			
Cash Abingdon	21028	0.69	14509
Cheque Abingdon	15160	0.69	10460
Cash Wantage	9504	1.62	15396
Cheque Wantage	7240	1.62	11728
Cash Faringdon	2748	7.38	20280
Cheque Faringdon	2280	7.38	16826
Post to Vale *			
Cash	28	1.01	28.28
Cheque	34196	1.01	34537
Post Offices (Assumes 10 instalments)			
Cash and Cheque	9178	0.8145	7476.92
Banks (Assumes 10 instalments)			
Cheque	16284	0.05	814.20
Direct Debit	345260	0.018	6214.68
Standing Order	10600	0.05	530
Telephone			
Debit/credit card	4716	0.28	1351.28
Internet			
Debit/credit card	1072	1.70	1818.04
Total	479,294		141,969.40
* These transaction costs are inclusive of recharges.			
Potential Average Payment Costs to Vale by Access Channel			
	2007/08	Average	Average Cost

	Projected	Transaction Costs	of Payment to Vale
		£	by Access
Vale Local Services			
Points			
Card Abingdon	4000	4.50	18000
Card Wantage	1887	4.75	8963.25
Payment Network			
Cash	37897	0.43	16295.71
Cheque	48746	0.43	20960.78
Banks			
Cheque	16284	0.05	814.20
Direct Debit	345260	0.018	6214.68
Standing Order	10600	0.05	530.00
Telephone			
Debit/credit card	10604	0.28	2969.12
Internet			
Debit/credit card	4016	1.70	6827.20
Total	479,294		81574.94

Potential Savings from the following:

NB: not all available immediately, and dependant on individual business cases

- Payment network scheme including reduced Post Office transaction costs. The difference in transaction costs between current and new costs for post office payers = £3,500;
- Closure of Faringdon Cash Office, net of recharges = £21,000;
- Loomis cash collection costs no longer required in Abingdon or Wantage Cash Offices, if these cash offices close and/or only offer electronic payments= £12,000;
- Removal of postal payments into the Vale = £13,000 – 0.5 FTE at grade 4 with 20% on costs. Achievable over a period of time as a process of providing alternatives for customers to pay reduces the practice of sending postal payments into the Vale.

Grand Total: 49,500

Points to note:

- Current average payments costs shown = £141,969 and potential average payment costs = £81,574, representing a potential saving of £60,395. Actual savings are shown as potentially £49,500.
- The reason for the difference between these two figures is:
 - if the Wantage and Abingdon cash offices were to close the overheads for the remaining Local Services Points would remain, leaving the savings to come from salary costs in Abingdon and Loomis cash collection costs in Abingdon and Wantage;
 - the potential costs shown also still include some costs for Abingdon and Wantage as these offices may be involved in taking payments face-to-face by debit and credit card. Finally, the current costs for the cash offices are calculated inclusive of recharges, but the actual saving shown for Faringdon is net of recharges.
- It should also be noted that as Wantage Local Services Point staffing is already at deminimus levels, although staff may be cashiering the associated staffing cost can not be removed from the business even if cashiering is ceased, as the business would not be able to operate;
- There are other services offered in the face-to-face environment for which payment is presently required, e.g. sale of local plans, photocopying of plans; taxi licences, etc. When determining the cash office viability, whether we continue to charge and if so how we collect these monies will need to be considered;
- When considering postal payments there are a number of processes that will be affected, e.g. planning and building control applications.
- There is potential to work with South Oxfordshire when investigating the viability of a payment network scheme.