



# **The practical uses of prepaid cards in Councils - The National Prepaid Cards Steering Group and Brent Council**

**UK Prepaid Club 27<sup>th</sup> June 2013**

# Governments across the world share a common set of objectives, which are driving policy and payment options...



## Cost reduction/efficiency

Governments wish to **improve efficiency, effectiveness and extend their capabilities**, whilst containing costs in a testing climate

## Fraud reduction

One of the roles of the state is to **prevent crime, corruption and fraud** with respect to the usage of government services, as well as in the private sector

## Financial inclusion

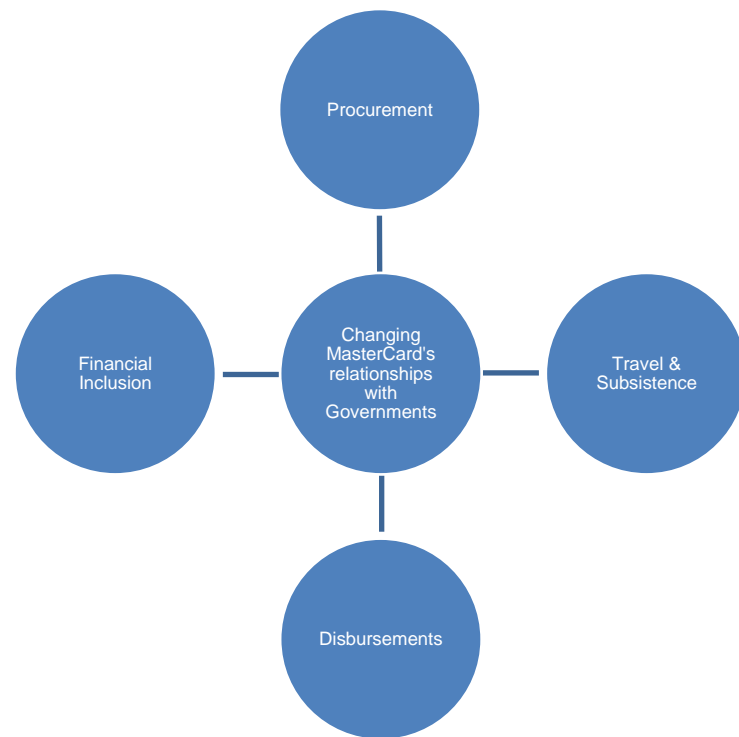
**Access to financial services is integral to sustainable economic growth.** Citizens who have limited financial access or security lack economic opportunities and are more vulnerable

## Transparency/civic engagement

**Transparency gives better information** on governments and gives business and individuals **greater means to both understand and take advantage of government services** and hold governments **accountable** for their provision

## Connectivity

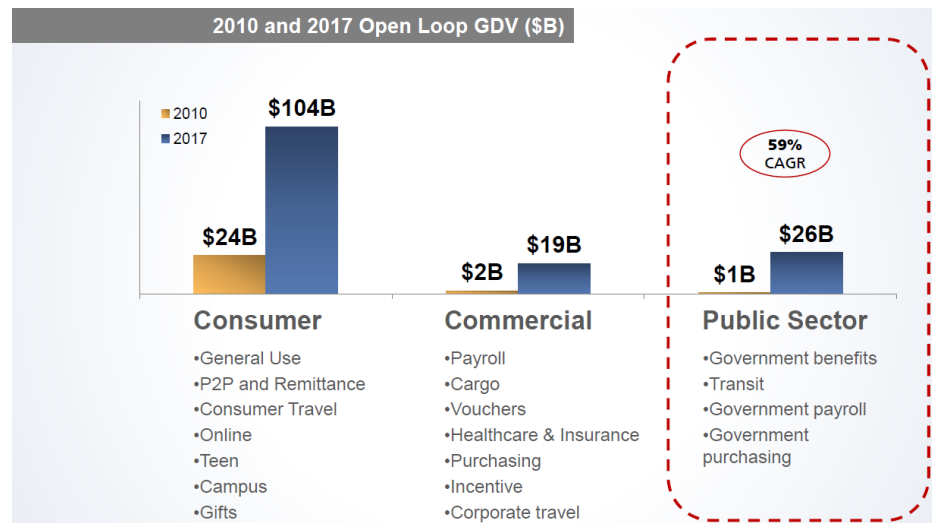
Connectivity is one of the key drivers of economic growth. **Being able to take advantage of new technologies relies upon extensive networks** and appropriate services



# Prepaid is well placed to capture a significant share of the growth of electronic payment solutions



In 2012, The Boston Consulting Group forecasted a huge growth in prepaid volume driven by the Public Sector



Estimated 2017 Open Loop GDV (\$B)

	US	AP	MEA	LAC	Europe	Canada	Total
Government Welfare/Benefits Total	120	3	3	20	23	8	177
Government Payroll	-	-	9	-	-	-	9
Transit	1	-	1	3	3	-	7
Government Purchasing	0.2	0.1	0.1	0.02	-	0.04	0.4
<b>Total</b>	<b>121</b>	<b>3</b>	<b>13</b>	<b>23</b>	<b>26</b>	<b>8</b>	<b>194</b>

The main growth driver for prepaid in the public sector space is Government welfare & social benefits



# Social Disbursements – Carta Acquisiti



## Italy – Central Welfare Disbursement Programme - Carta Acquisti

Italian Central Government wished to replace the legacy welfare programme for 1.3M low income individuals which was distributed on voucher and cash as: increasing high costs; benefits not spent as intended; policy agenda to challenge the increasing shadow/cash economy. Italy has 29% unbanked population therefore EFT transfer to bank accounts would not support all claimants. Italian Government recognised a prepaid solution could deliver a low cost, traceable solution available to all recipients.

The Italian Government awarded the national tender in 2008 to Poste Italiane. Poste Italiane already had proven card issuance expertise and could deliver effective card management programmes, call centre and local distribution network (through 14K post offices). Poste Italiane also owned by the Gov. with possibility to influence the decision process and solve ongoing issues.

### Functionality

Prepaid Account centrally loaded €80 bimonthly (first load €120) and up to € 140 for specific subgroups. Non reloadable by consumer

Additional loads from claimant City supported

Card ran on a dual network – MasterCard and Post Office

Card accessed an existing merchant discount scheme via a barcode on the card. Discounts offered at local supermarkets and selected utilities. Standard discounts of 5% offered at supermarkets but some special promotions or higher discounts at selected retailers, e.g. Vodafone

Some exclusions on the card to focus benefit spend in supermarkets, pharmacies and utilities etc. Cash withdrawal from ATM blocked.

Claimants supported by: multichannel balance inquiry (Post Offices, ATMs, Websites) and free call centers 24/7

Educational and awareness programme designed to tackle financial inclusion and support those unused to payment cards. Distribution via Post office Branches enabled face to face dialogue with staff to explain usage and costs.

### Results

1M issued cards to date with 500K loaded bimonthly. Total load value of €900M

High activation rates even in previously unbanked segments. Fast adoption and usage levels increase in early months

Programme data and MI can track all spend and identify fraud. Fraud management programmes in place.

The programme has enabled commercial organisations to contribute to a public disbursement programme

Cost reduction and tackling the shadow economy




# Social Disbursements – US Direct Express



## US Federal Government Social Benefit Disbursement Card

The Financial Management Service (FMS), a bureau of the US Department of the Treasury, needed a cost-effective electronic payment solution for four million Social Security recipients without a bank account.

 and their technology partner ACS were awarded the contract in 2007 and launched a Prepaid Debit MasterCard in June 2008

### Functionality

Simple enrolment via mail, phone, online or local SSA office

Monthly payment with immediate access to funds and funds protected up to FDIC Max limit and MasterCard zero liability

Cash back at selected retail outlets, 35 Million MasterCard acceptance locations, 1.2 M ATMs (some surcharge free)

Budgeting and spend controls – deposit notification, customised low balance alerts, balance updates, online acct info and bill pay options

24/7 Customer Service toll free or online.

Customised financial education programme through enrolment

PayPerks educational and financial inclusion programme launched 2013.

### Results

Over 3M enrolments to date

On track to deliver over \$1BN in savings over 10 years

In a 2009 Survey of Cardholders, 95% were satisfied with the card and 86% said they would recommend it to other recipients.

Cardholder reported it gave them a sense of pride and equal financial footing compared to having to cash their benefits cheque

Delivers policy agendas of 100% electronic benefit disbursements and financial inclusion to previously unbanked

<http://paybefore.com/aboutus/default.aspx?id=30784>

# Social Disbursements – South Africa SASSA Card



## The South African SASSA Central Welfare Disbursement Card

The South African Government goals were to reduce the cost and increasing fraud of the legacy welfare programme. The goal was to drive financial inclusion and to reduce the illegal collection of benefits by introducing a provide biometric identification of claimants.

The tender was awarded to CPS (Cash Payment Services) a subsidiary of Net1\* Universal Electronic Payment Systems Technologies in January 2012.

### Functionality

Debit MasterCard with EMV and UEPS functionality

POS usage at 35 M acceptance locations worldwide and ATM access

Voice and finger Biometric identification requires monthly check before funds are released.

Instant issue cards with real time benefit loads.

### Results

10M new cards were issued into the South African market by end Q1 2013.

Previous system SASSA paid between \$3.25 and \$4.38 per grant distributed. The fees has now been capped at \$2.07 per grant distributed

Additional saving on the elimination of illegal and unlawful collection of grants

# Social Disbursements – Nigerian National ID Card



## The Nigerian National Identity Smart Card with Payment Capability

In May 2013, the Nigerian National Identity Management Commission and MasterCard announced at the World Economic Forum on Africa the roll-out of **13 million** MasterCard-branded Smart Cards with payment capability as a pilot programme.

This is the largest roll out of an electronic payment solution in the country and the broadest initiative of financial inclusion across Africa. Upon the pilots successful completion, 100M cards will be issued.

### Functionality

The card will have 13 different functions, including MasterCard Prepaid functionality.

Enrolment will combine the unique identification number of all citizens with captured biometric data. In the future, the card will support the following applications: Driver's License, Voters Registration, Health Insurance, Tax.

The CHIP and PIN on the card supports electronic payments. Cardholders can deposit funds, receive welfare benefits and withdraw cash.

Access to 32 Million acceptance locations and 1.3M ATMs worldwide

### Results

Chris 'E Onyemenam, the Director General and Chief Executive of the National Identity Management Commission, said "We have chosen MasterCard to be the payment technology provider for the initial rollout of the National Identity Smart Card project because the Company has shown a commitment to furthering financial inclusion through the reduction of cash in the Nigerian economy

"MasterCard has pioneered large scale card schemes that combine biometric functionality with electronic payments and we want to capitalize on their experience in this field to make our program rollout a sustainable success for the country and for the continent."

# Designing a new engagement strategy

The work of the National Prepaid Cards Steering Group

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# Background to the work

- Approached by MasterCard in Feb '11
- Different approaches to engagement had been tried but nothing had worked
- MasterCard had a poor presence in the market and didn't know why their strategy wasn't working
- The question was, "How do we turn this around?"

## Why a specific Local Govt. engagement strategy?

- Councils are highly risk averse and are most comfortable with solutions proven to work in their own sector
- Very reluctant to engage directly with private sector, very guarded and highly suspicious of being 'ripped off'
- Strongly influenced by experiences of other Councils
- Proven most successful engagement strategy is to implement a niche solution and then use advocates to promote
- Best option is always.....use Councils to sell to Councils

# Why me?

- 14 years direct experience in local government
- Former Senior Govt. Advisor with Department of Communities and Local Govt.
  - Created and directed several national best practice projects
  - National reputation as an independent advisor
- Experienced in Local Govt. service transformation strategies and techniques – speak the language
- Integrated with existing local, regional and national support networks and organisations
- Credible leader to the target market

## ...all this led to new strategy & tactics....

- Create an *independent* Steering Group to engage directly with Councils which had implemented or were keen
- Use this to test and validate MasterCard and Programme Managers' views of the market....
- ...to ensure that products are better designed to truly reflect the market requirement
- Capture Councils' experiences to form a highly practical and relevant guidance resource for others to follow
- Use the guidance resource in a variety of ways to raise awareness and promote good experiences

# ...and resulted in a progressive programme

- Phase 1
  - Create Steering Group of Councils & Programme Managers
  - Promote existence of Steering Group to national and regional agencies
- Phase 2
  - Design and create a guidance resource with Steering Group
    - What do Councils want to know / wish they had known?
- Phase 3
  - Engage with regional and national agencies
  - Design and deliver launch events across the country
  - Establish a wide network of engaged Councils

- Phase 4

- Consolidate Steering Group membership
- Extend profile and availability of guidance resource

- Phase 5

- Extend applicability of prepaid by creating Special Interest Groups to examine areas of new interest for members
- Extend membership of groups to wider public sector
- Develop more guidance material based on second level experiences of early adoptors

# Why Councils are interested in prepaid

- Easy clawback of unspent funds
- Replaces cash handling and cash offices
- Available to (almost) everyone so addresses unbanked service users
- Easy to monitor appropriate use of funds
- Can set triggers to better utilise staff time
- Better monitoring leads to better service user outcomes
- Management Information can help shape future service provision

# Where we are now

- Over 70 Councils & 4 Programme Managers involved
- Twin Southern and Northern groups
- Assesses ongoing and upcoming requirements and identifies best practice
- Shares issues and problems for mutual benefit
- Programme Managers truly understand market needs and continuously develop better products as a result





# Sample contents of the guidance resource

- What are Prepaid cards and how do they work?
- What typical business benefits can they deliver?
- How would our clients benefit?
- How much do they cost to operate?
- Case Studies
- How do I create the outline business case?
- How do I arrive at my current costs?
- Supported by an online resource of Council documents such as
  - Tender docs, business cases, PID's, cardholder agreements etc.

# What have we learnt?

- Most popular application is that of Social Care Direct Payments
- Once established Councils can see many other areas of use
- Prepaid cards used to mirror traditional bank accounts
- Easy clawback of underspend on cards is the biggest short term selling point – typically 5-10% of spend
- Analysis of management information provides long term gains
- Telephone support is vital given the nature of the Councils' service user base
- Universal strategy of implementing cards in a single service area to prove concept and then widen usage across Council

# What have we achieved?

- A well established, trusted network of over 70 Councils
- Single point of referral for issues and questions
- Growing reputation as the de facto source of information
- Products now accurately matched to market needs
- Early adoptors acting as advocates to other Councils
- New Councils now approach Programme Managers to engage
- Significant growth in sales and very high conversion rates

# Direct Payments – Prepayment Cards

- PrePaid Financial Services (PFS) are a Council-wide supplier of pre-payment cards for Brent Council
- Project drew expertise and involved many areas of Brent Council; some of these were: Care Management, Direct Payments Monitoring, Payments, IT, Exchequer, etc
- Pre-Payment cards also rolled out in Children & Families for asylum seekers; staff cards too rolled out
- Children & Families are in the initial phase of considering Prepayment Cards for their Direct Payments Service Users (currently 110 active cases)
- This is a proven technology and is replacing the current payment vehicle, which is BACS

Josephine Wessels

# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Service Users:

**Reduced Paperwork:** The Prepayment Card will allow Brent Staff to monitor the Direct Payments account online. However, only the Service User will be able to control the account; Brent staff will normally have 'view-only' access which will be controlled by the Bank. This 'view-only' access to Brent staff will eliminate the need for the Service User to send in their bank statements. In time, because of the transaction detail made available, the need for mailing in quarterly returns will become obsolete

**Security:** The card has PIN protection. Therefore, unlike cheques on which signatures can be forged, the PIN protection permits use only by the card holder

Josephine Wessels



**Brent**

[www.brent.gov.uk](http://www.brent.gov.uk)

# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Reduced scanning of paperwork by staff:** On average, each service user sends in 15 items of paper per quarter. This paper has to be placed in order by type (bank statements, payslips, etc) and date, collated and then scanned. It takes one minute to process each item of paper. This includes updating computer systems to reflect that these returns have been received. This has to be done every quarter for 400 users every time. The amount of time which can be saved per annum, by eliminating this, almost 24,000 items of paper being received, is approximately 55 working days

Josephine Wessels



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[www.brent.gov.uk](http://www.brent.gov.uk)

# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Eliminate need for Acknowledgement letters:** Additionally, each one of these quarterly returns need to be acknowledged with a letter and sent back to the service user. Also, systems need to be updated to reflect that this task has been undertaken

It takes approximately 10 minutes to process each item. Eliminating the paperwork will eliminate the need to send these acknowledgement letters out; this will save, approximately, another 37 working days

Josephine Wessels



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# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Eliminate need for Reminder letters:** Every quarter, approximately 100 service users are sent reminder letters for their quarterly returns to be filed. Each letter takes, including customising and printing returns summary sheets and updating relevant computer systems, approximately 15 minutes to process

Since the transactions will be available online, Brent staff can monitor the account as and when required. Except for in a few instances where additional documents may be required from the Service User to elaborate on a particular transaction, there will be no requirement to send these reminder letters out. This alone will save more than 42 working days

Josephine Wessels



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# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

The above measures will save the Council approximately 135 working days

additionally .....

Josephine Wessels



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# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Reduced accumulation of original documents being safeguarded in Brent Council premises:** This also helps the Service Users as sometimes documents, which they may have other uses for, are not returned to them for some time

Currently, documents sent more than 3 months ago are awaiting to be scanned into framework-i

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# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Monitoring of accounts in near real-time by setting appropriate alerts to minimise inappropriate spend:** At present, returns are required on a quarterly basis and any intentional or non-intentional misuse only comes to light after these returns have been received, processed and monitored

In the future, this monitoring can be done online and in real-time. More important than that, alerts can be set up to warn Council Staff of inappropriate expenditure so that they can concentrate on those accounts which may require their attention rather than monitor each and every account in minute detail

Our style of monitoring will shift towards 'monitoring by exception' rather than 'monitoring by default', which is what we do at present

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# Direct Payments – Prepayment Cards

## Benefits to Services Users and to the Council

### For the Council:

**Early recovery of excess balance and client contributions:** This is something which the Direct Payments Monitoring Team does at present. The fact that pre-payment card account information is available to Brent staff 24/7, this collection rate is likely to improve and the savings will be realised earlier than with the old paper based system of monitoring

Josephine Wessels

# Direct Payments – Prepayment Cards

Brent currently has a budget of some £5.3m per annum for Direct Payments. We will recover almost 6% of this amount in surplus balances. In addition, we expect approximately £330,000 per annum as client contributions on the prepayment cards

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