



# e-Pay National Project

## e-Pay Benefits Statement

Title:	e-Pay Benefits Statement
Subject:	This statement contains text for the final e-Pay website, and explains what the benefits are of implementing e-payments for local authorities. However, it does not explain how to achieve these benefits.
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## 1. Introduction

Citizens make many different kinds of payment to their Local Authorities – from regular council tax payments to one-off payments for parking or visiting their local leisure centre – over 256 million transactions across the country every year, adding up to a total value of £46 billion<sup>i</sup>.

Citizens now expect to make these payments conveniently and easily, in a way and at a time that suits them. This could mean using any of a range of e-payment channels: - making a credit card payment over the Internet, making a debit payment using an automated phone system or just being able to make a cash payment outside the council office's 9-5 opening hours.

By implementing e-payments, Local Authorities can not only deliver better service for their citizens, but can also make significant efficiency gains. These include staff time savings, financial savings (for example from lower transaction charges), and overall more streamlined and error-free business processes.

Most Local Authorities are already offering some forms of electronic payments<sup>ii</sup>

- 94% of Local Authorities are doing so
- Nationwide, volumes of transactions taken electronically have risen from 6.3m in 2001/02 to 16.7m in 2003/04
- Over the same time period, the value of transactions taken electronically has risen from £362m to £564m

The e-Pay National Project provides structured information and guidance to help Local Authorities to achieve benefits from e-payments. This will make it easier for Local Authorities to:

- Decide on a sound and rational basis what kind of e-payments are right for them and for which services
- Understand fully how e-payments work and how to make them work well for the Local Authority and for the citizen
- Implement e-payments successfully and smoothly based on best practice from around the country and on Local Authority demonstrator projects

## 2. Why should I be interested in e-payments?<sup>iii</sup>

The benefits of e-payments for Local Authorities come in a number of areas.

- Financial benefits of up to **£708m** overall across the next 5 years
- Non-financial benefits
  - For citizens – such as increased availability and accessibility of services
  - For Local Authorities – such as improved internal effectiveness and take-up of services
- Delivering to central government targets, including Priority Outcomes, IEG4, CPA, and Gershon

### 2.1 What are the financial benefits?

e-Payments are about Local Authorities making customer-driven changes – which can also deliver efficiency savings. The financial benefits discussed here relate to the improvements achieved by Local Authorities through reshaping the way that payments can be made by customers and the associated efficiency gains derived from enhancing customer service.

Local authorities are currently saving **£20m** per year from e-payments services.

But if all authorities implemented an effective e-payment strategy, in **five years' time savings of £214m** could be being realised each year. In total over the next five years e-payments could save local authorities **£708m**.

A typical **Metropolitan or Unitary** authority would save **£3.5 million** over 5 years by implementing e-payments

A typical **district or borough** would save **£1.14 million** over 5 years

And a typical **county council** would save **£820,000** over 5 years

e-Payments benefits over 5 years							
Year on year	Now (Nov 2005)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Metropolitan or Unitary Authority	113,000	198,000	584,000	737,000	880,000	1,011,000	<b>3,523,000</b>
District or Borough Council	27,000	(36,000)	203,000	262,000	317,000	368,000	<b>1,141,000</b>
County Council	9,000	(47,000)	147,000	194,000	238,000	279,000	<b>820,000</b>

(Note: some figures rounded in totals)

These savings come from moving a significant number of transactions to new e-payment channels and would come from the following areas:

- Moving payments to new e-channels and continuing encouragement of Direct Debit take-up would result in savings of **£95 million** over 5 years from overall transaction cost savings
- The reduced need to pursue debtors due to more rapid payment could result in additional

savings of **£68 million** over 5 years<sup>iv</sup>

- The improvement in overall payment collection rates (not taking into account costs in chasing payments) could result in additional savings of **£500 million** over 5 years<sup>v</sup>
- The improvement in cash flow due to more rapid payments is less significant, but could result in additional savings of **£45 million** from increased interest payments over 5 years<sup>vi</sup>

e-Payments benefits over 5 years (£million)							
benefit type	Current	year 1	year 2	Year 3	year 4	Year 5	Total
new e-payment channels and further increases in Direct Debit take-up	(16.6)	(50.0)	32.0	39.1	43.9	46.4	94.8
Cost savings from reduced debt collection activity	5.07	7.60	10.1	12.7	15.2	17.7	68.4
Increased collection rate benefit <sup>vii</sup>	23.7	47.8	71.4	95.2	119	143	500
Cashflow benefit of faster payment	7.55	7.55	7.55	7.55	7.55	7.55	45.3
<b>Total</b>	<b>19.7</b>	<b>12.9</b>	<b>121</b>	<b>154</b>	<b>186</b>	<b>214</b>	<b>708</b>

The savings are based on a number of assumptions which are listed in detail in the business case which can be found at the e-pay website. These assumptions are averages based on research conducted with Local Authorities via interviews and surveys<sup>1</sup>.

The key assumptions are that:

- By the 5<sup>th</sup> year c 85% of payments >£10 and 5% of payments <£10, will be taken by e-payment methods (this includes Direct Debits)<sup>viii</sup>
- Intermediaries such as PayPoint, PAYzone and the Post Office will be increasingly used to collect cash payments over time<sup>ix</sup>
- Direct Debit, operator assisted telephone and face-to-face have already been e-enabled to some degree by Local Authorities
- All credit card charges are carried by the Local Authority (and not recharged to citizens)
- The increased convenience of e-payments to citizens is expected to result in more rapid payment and in reduced costs for chasing late payments
- Over time e-payments also help to deliver increased collection rates (75% of Local Authorities believe that implementing e-payments improves collection rates)<sup>x</sup>.

<sup>1</sup> Local Authorities can use the e-Pay benefits calculator to alter the assumptions to fit their local circumstances; this can be found on the e-pay website

## 2.2 What are the non-financial benefits?

### **For citizens:**

#### *Availability and accessibility.*

- LAs perceive that the major benefit to citizens from e-payments is improved availability<sup>xi</sup>
- e-Payments greatly extend available hours for citizens to pay. Internet payments and automated telephone services allow citizens to pay 24/7, and even operator-assisted telephone services are typically open much longer hours than regular Local Authority offices. e-Payments also enhance accessibility by multiplying the number of access points for citizens to pay for services: in their home, in their office, over the phone, in intermediary outlets: an authority which implements payment network intermediaries (e.g. the Post Office, PayPoint, or PAYzone) can create a 1000% increase in available locations to pay
- e-Payments offer more modern and convenient services to citizens – enabling them to make payments in the ways they prefer. For example, Electronic Billing Presentment and Payment portals can aggregate bills from a number of different billing sources, enabling a busy office worker to check and pay their Council Tax along with their TV licence, gas and electricity bills in one easy website transaction at lunchtime from work

#### *Increased transparency*

e-Payments enable citizens to check balances easily using automated systems and obtain immediate acknowledgement of payments.

#### *Improved quality of service*

e-Payments often mean better levels of service for citizens. Service improvements are seen in reduced processing errors, more opportunities to receive additional and useful information at the time of payment, increased staff time available for giving advice rather than processing. Overall this is reflected in higher customer satisfaction levels and reduced complaints about payments. Intermediaries such as the Planning Portal can also contribute significantly to improving quality of service by offering specialist knowledge of particular citizen groups or topics.

### **For Local Authorities:**

#### *Improved internal effectiveness*

e-Payments can reduce errors in payment processing through increased automation of services<sup>xii</sup>. They support increased integration between front and back office and the availability of more transparent management information and enhanced audit trails.

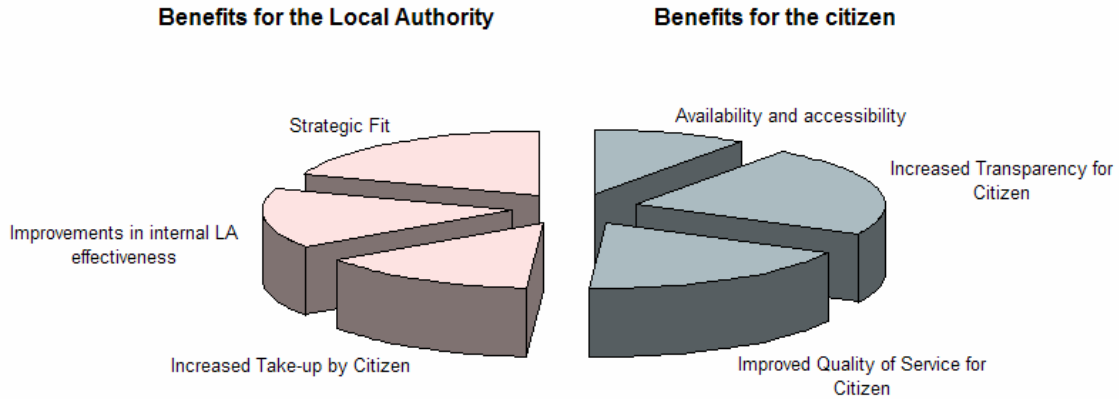
#### *Increased take up of e-services by citizens*

e-Payments support increased use of e-services by citizens – not just in themselves – but as a practical and understandable way for citizens to interact with the Local Authority using e-channels. For example, e-payments can lead to increased use of email by citizens to contact their Local Authority.

#### *Fit with strategic objectives*

Implementing e-payments allows Local Authorities to deliver best value in their revenue collection, and in addition the use of e-payment intermediaries can enable them to deliver specialised services without incurring the full costs of developing those services. Implementing e-payments also delivers to specific Priority Outcomes (PSTOs) - see sections following.

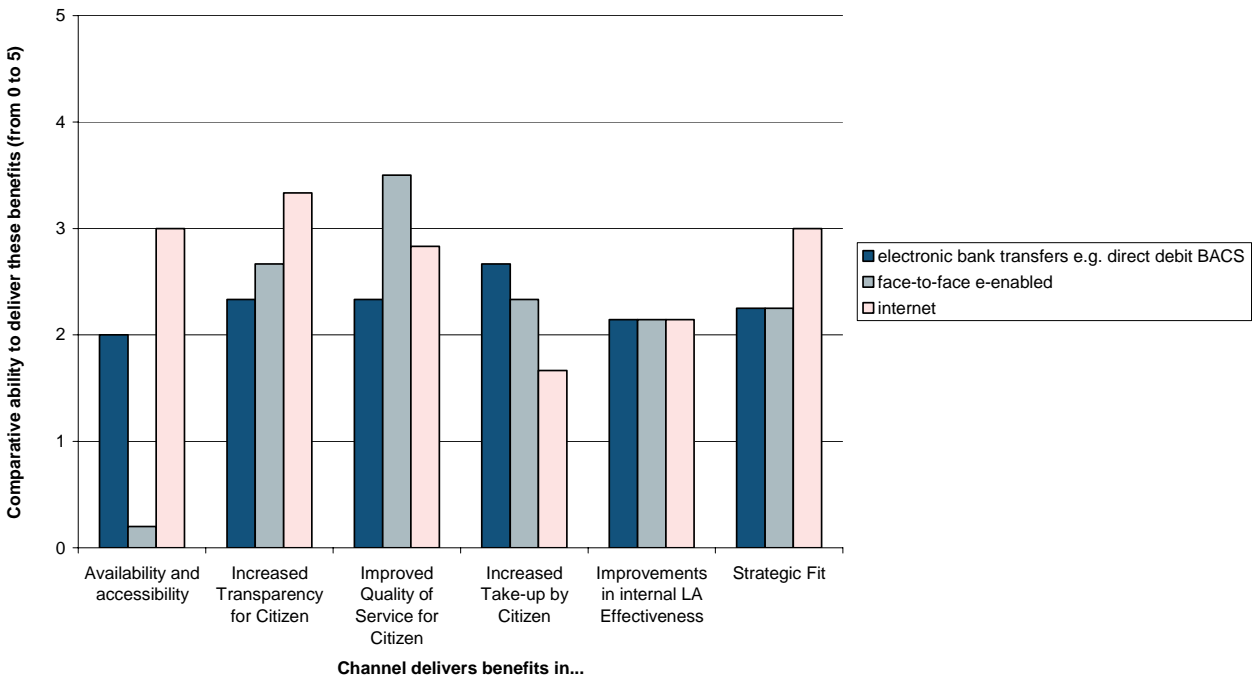
## The qualitative benefits of all e-payments channels together



The chart above shows how implementing a mixture of e-payments channels can realise a range of qualitative benefits for both the citizen and the Local Authority. As is clear from the chart, at a combined level no single benefit dominates - it is the mix of benefits which create the powerful case for e-payments.

However, different e-payment channels do differ in their ability to deliver these benefits. The chart below compares the perceived qualitative benefits to citizen and Local Authority of using electronic bank transfers, face-to-face e-enabled transactions, and online payments respectively .

Comparison of qualitative benefits from three different e-payments channels



## 2.3 What government targets can e-Pay help Local Authorities with?

### Priority Service Outcomes

There are a number of priority outcomes based around the theme of payments. The overall aim is to “support service improvement and collection efficiency by providing for all payments to the council for goods and services to be made online or by telephone”.

#### Priority area 6: Payments

##### Online facilities to be available to allow:

- payments to the council in ways that engender public trust and confidence in local government electronic payment solutions (e.g. email receipting/proof of payment, supply of automatic transaction ID numbers) (R10)
- delivery of ‘added value’ around online payment facilities, including ability to check Council Tax and Business Rate balances online or via touch tone telephone dialling (R11)
- demonstration of efficiency savings and improved collection rates from implementation of e-payments (G10)
- registration for Council Tax and Business Rates e-billing for Direct Debit payers (G11)
- provision of facilities for making credit or debit card payments via SMS text message for parking fines (mobile phone) (E8)
- adoption of smart cards as standard for stored payments (e.g. replacing swipe cards) (E9)
- agreed baseline and targets for reductions in unit costs of payment transactions (E10)

Target	How e-Pay project helps
<b>R10</b> – public trust and confidence in e-payment solutions	Provides best practice guidance addressing issues of citizen trust and confidence drawing on practical examples from successful public and private sector initiatives
<b>R11</b> – delivery of added value around online payments and <b>G11</b> – registration for e-billing	Guidance on use of intermediaries suggests a number of ways to provide added value around online payment facilities, including electronic bill presentment and payment through citizens’ online banking facilities or through a specialist third-party website, and added value around payments for specialist services such as school meal payments and planning payments through niche intermediary portals
<b>G10</b> – demonstration of efficiency savings and improved collection rates and <b>E10</b> – agreed baseline and targets for reduction in unit costs of payment transactions	The e-Pay Benefits Calculator helps local authorities to baseline their payment costs and to predict and maximize efficiency savings from different possible e-payment implementation strategies
<b>E8</b> – facilities for making card payment via SMS for parking fines	Guidance on intermediaries includes background information on suppliers of m-payment solutions for parking

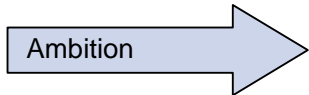
### Completing IEG4

As well as the Priority Outcomes discussed above, the e-Pay National Project has provided tools and guidance which will not only help Local Authorities to implement e-payments in the most effective and efficient way possible, both for authorities and for citizens, but will also make it easy to complete their IEG4 statements.

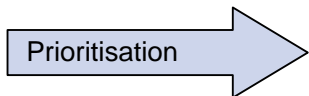
- *Access Channel Take-Up* – This section requires Local Authorities to detail actual and forecast figures for numbers of e-enabled payment transactions. The e-Pay Benefits Calculator makes it easy to predict future transaction volumes, based on an authority's current payment profile and e-payment implementation plans
- *Efficiency Gains* - Local Authorities are asked to provide a summary of efficiency gains arising from the implementation of local e-government, with specific reference to gains from the implementation of e-payments. e-Payments can be expected to create cash-releasing efficiency gains in transactional costs, for example from reductions in cash transportation costs, and non-cash-releasing gains in FTE time, for example from the reduction in staff time spent processing payments when automated e-payment systems are introduced. Again, the e-Pay Benefits Calculator makes it easy to estimate the potential size of these gains

### Improving your CPA score

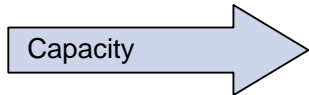
The information provided here is based on available guidance for CPA for 2005



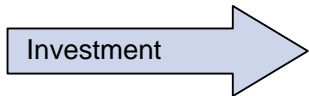
The strategic introduction of citizen-focused e-payment channels helps to **improve the quality of life** for citizens.



Use of project tools such as the e-payments benefits calculator helps Local Authorities to **set clear priorities** and to **make balanced choices** about where to allocate resources.



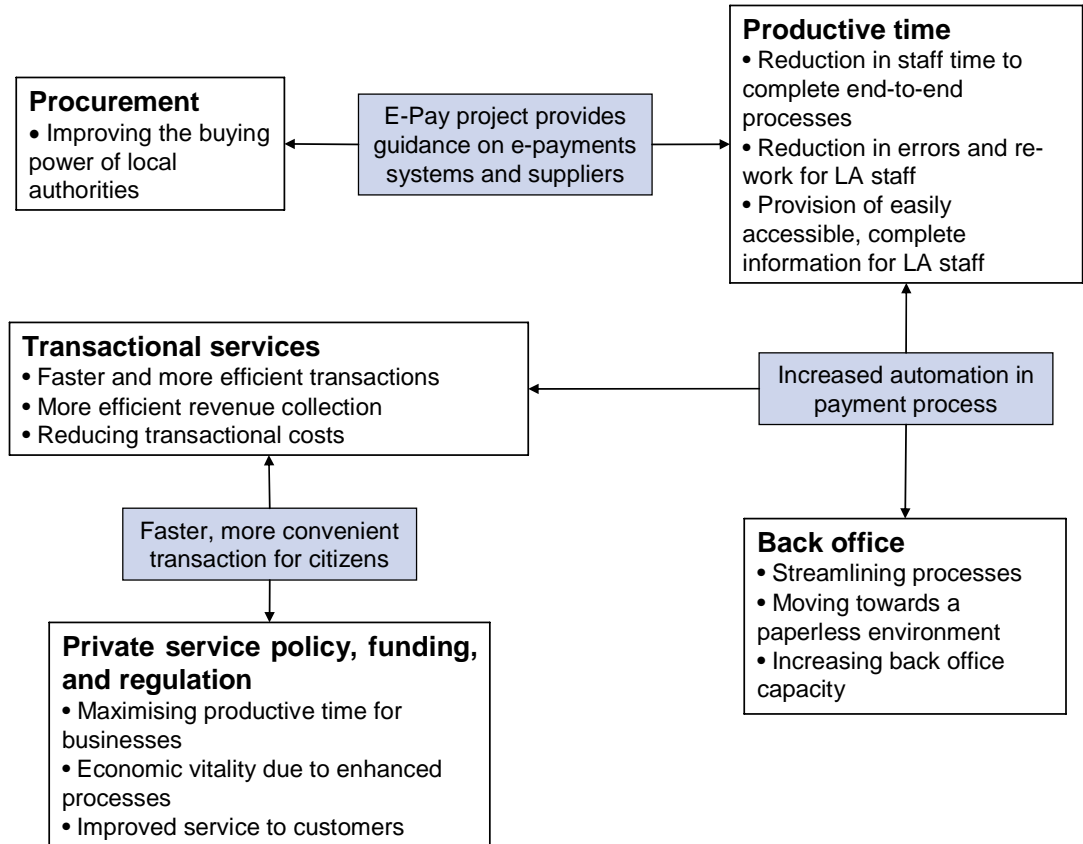
Working with intermediaries helps to **deliver positive outcomes which meet the diverse needs of the community**.



Use the e-Pay Benefits Calculator to assist in **investment decisions and planning** around e-payments.

## Delivering to Gershon efficiencies

Implementing e-payments helps Local Authorities to realise efficiencies in a number of areas. The key drivers, and key efficiencies which are realised, are shown in the diagram below.



<sup>i</sup> Source: IEG3 return data

<sup>ii</sup> Based on survey of e-payments usage which was sent to all English Local Authorities carried out by the e-payments National Project, resulting in c 100 responses from Local Authorities (“the e-payments national project survey”). The definition of e-payments here includes Direct Debits

<sup>iii</sup> The benefits listed below have been identified through the e-payments national Project survey (see above) with data collected from in-depth interviews with selected Local Authorities, in-depth interviews with selected e-payments suppliers, and has then been calculated using the e-payment benefits calculator (available on the e-payments website)

<sup>iv</sup> Assuming that the cost of a additional correspondence is £2, and that the first time collection rate is initially 82% moving to 86% over 5 years

<sup>v</sup> Assuming that implementing e-payments improves collection rates by 0.3% over five years. Local Authorities where e-payment solutions have been implemented see a 0.2-1% increase in collection rates

<sup>vi</sup> Assuming two days of additional interest gained per annum and a 3% interest rate

<sup>vii</sup> There is an upper limit to improvements in collection rates – so savings achievable will depend on existing collection rate levels

<sup>viii</sup> The assumption for the % of payments <£10 that are transferred to e-payment solutions is conservative as, given their current stage of development, neither smartcards nor mobile phones have been included as live payment channels

<sup>ix</sup> Assumes that remaining Local Authority cash offices will eventually become part of wider one-stop shop access point (as is already happening in many Local Authorities)

<sup>x</sup> e-payments national project survey

<sup>xi</sup> e-payments national project survey

<sup>xii</sup> There are many kinds of e-payment, but a common factor is that they all have greater automation than traditional payment methods – for example, payment network users identify themselves with a barcode or swipecard, and those who pay on the Internet will enter transaction details themselves which are passed directly to the local authority, rather than details going through one or more layers of cashier staff. This greater automation reduces the potential for human error – wrong credit card numbers, payment numbers, or customer identification – reducing customer frustration and freeing up admin staff for other tasks.