



Peterborough City Council

Payment Strategy 2017-2021

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1 Introduction

- 1.1 Peterborough City Council (the council) is committed to providing accessible, effective and efficient services to customers. A significant number of customers who contact the council do so to make payments that are due to the council. This strategy sets the framework and direction over the next five years for how customers will transact with the council. It also sets out what the council wants to achieve and why, with regards to how customers will pay for services, responding to advancement in technologies and identifying its key principles and targets, and how the council will move towards the achievement of these targets.

2 Background

- 2.1 The council has experienced significant reductions in central funding over the last seven years, in the context of the incredibly challenging financial position that all councils face. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding. In the seven years to 2017/18, the council has seen its Government funding cut by £57million, which equates to over 50 per cent of its Government grant. When you include the financial pressures the council has tackled alongside reductions to grant – a total of £178 million has been saved since 2010.
- 2.2 Per annum, the council raises approximately £100m in non-domestic rates, £79m in council tax, £3.5m in housing benefit overpayments and in excess £50m for sundry debt. In 2016, this resulted in those that paid nearly one million payments being made to the council. The number of payment transactions is set to increase as Peterborough grows. Approximately 20% of these payments in 2016 involved a customer paying for the bill or service in person and not via an automated or digital channel. Paying for a bill or service in person, i.e. via the council's contact centre, including its Cash Office, is an expensive payment channel in comparison with automated or digital channels, such as, direct debit, automated touch tone, internet, etc.
- 2.3 Since the council's previous Payment Strategy 2008, the way customers have transacted with the council has significantly changed. While customers have embraced digital technologies to varying degrees, digital has become more important to customers across the board. Some customers have completely "gone digital"— they prefer to interact with the council via online channels at every opportunity and do not want to converse with a council officer. At the opposite end of the spectrum there are customers who still lean heavily on traditional channels, but even they are likely to use available digital channels at different times for certain activities.
- 2.4 The term 'digital by default' has a clear transactional focus and is the goal for services with over 100,000 transactions per year¹. Although not mandated for local government, in many ways the approach builds on the work that councils have been doing for years – a combination of appropriate channel choice and good design that not only reduces cost by 'shifting' services onto cheaper digital channels, but also improves the customer experience by allowing swifter and more convenient self-service interactions at any time and from any place. However, the identification of efficiency savings with regards to customer interaction, although vital, will not be sufficient – local government and the wider public services must also focus on reducing, avoiding and/or diverting demand, as the Local Government Association's (LGA) recent work on demand management has outlined².

¹ Government Digital Strategy, Government Digital Service, 2013

² [LGA Demand Management](#)

3 Vision and Objectives

3.1 The council's vision for how customers will make payments for bills and services is aligned to the Government's 2016 Digital and Transformation Strategies, where:

The council will re-design its digital services to make them so straightforward and convenient that all those who can use them prefer to do so. The council will provide digitalised public services that are personalised, flexible, cost-efficient, save customers time, and allow the customer to transact how, when and where they like.

3.2 The strategy is based upon the following key objectives, where the council will:

- **continue to develop and enhance its digital transaction methods** to ensure it provides digital options and provides the customer with more cost efficient, convenient and safer payment methods;
- **significantly reduce cash and cheque transactions** through the support and encouragement of the customer to use alternative payment methods. To support this objective, the council will **no longer provide a centralised cash office** and will **phase out cheque payments**;
- **substantially reduce the number of payments taken by officers over the telephone** and divert these to more cost effective digital methods, such as, automated touch tone and internet payments, etc;
- **encourage customers to pay for service(s) in advance and set up automated payment methods, e.g. direct debits, for recurring bills and services**, where appropriate;
- **provide sufficient choice of payment methods** to ensure collection rates are maximised and any customer groups are not discriminated against, or made to pay unreasonable charges when making payments due to the council;
- **recover the costs for payment methods from the customer**, for example the adding of a surcharge to all credit card payments;
- **regularly review the costs of collecting debts and payments** to ensure these are minimised; and
- **ensure Payment Card Industry (PCI) Data Security Standard (DSS) compliance** and that the council assesses, remediates and reports its PCI compliance on an annual basis.

4 Payments 2016

- 4.1 In 2016, the council processed nearly one million payment transactions with a value in excess of £230 million. Table 1 shows that the majority of these transactions were processed as direct debit payments (60%), but still 110,000 transactions were processed via the Cash Office, or over the telephone at the Customer Service Centre (CSC), or directly by an officer in a service.

Table 1: Payment transaction volumes by channel and method, 2016

	Direct Debit	Internet	Automated Touch Tone	Over the phone	Cash Office	Pay at a bank	Bank Transfer	Pay at a Payzone / Post Office	Council satellite sites
Direct Debit	592,653								
Debit Card		65,875	31,739	32,997	16,500			608	6,227
Credit Card		10,195	2,510	4,798	343		22,726		
Cash					40,324	9,028		43,367	5,046
Cheque					14,240				
Post Orders					181				
Transfers					37		88,298		
Mixed Payments					600				

- 4.2 Between 2008, when the last Payment Strategy was published, and 2016, the number of transactions has increased by approximately 30% in part due to continued dwelling and business growth. During this period there were some dramatic increases in the number of transactions via the internet (900%), over the phone (240%), and touch tone payments (400%), whereas Cash Office transactions decreased (60%), but the number of footfall visits to the Cash Office has remained relatively static over the period at 58,000 per year, but in the first half of 2017 this figure has started to fall, with approximately 1,000 fewer visits per month. Some services such as parking permits and taxi licensing currently only accept payment via the cash office with no alternative payment channel available.

5 Our Strategy

- 5.1 The strategy is divided into a number of key elements. For each of these elements, the strategy will set out why the council intends to adopt the approach and what the council will do by 2018 and 2021 to help understand how the strategy will be delivered.

Develop and enhance its digital transaction methods

- 5.2 Transformation is a continuous process. The council, as it delivers its major programmes of

work, needs to plan for the future by ensuring it is adaptable and responsive to change, and able to keep pace with technology as it evolves. This will ensure that the council will maintain its momentum to continually transform its services.

Our strategy is to:

- **evaluate new and emerging technologies, and implement those technologies that deliver benefits not only to the council, but also to the customer.**

Why is this our strategy?

- it is acknowledged that the huge growth in take-up of smart phones and tablets is creating a nation of media multi-taskers. It is estimated that 71% of UK adults have a smart phone and/or a tablet, spending on average over two hours a day on them, rising to nearly five hours for those aged 16 to 24³. The application of these technologies is increasing on a daily basis, e.g. developers are submitting more than 1,000 apps to Apple's App Store per day. It is highly probable that new payment applications will be developed and existing applications will be improved, any of which may become a common tool for customers to pay for services. There are many existing and new digital payment methods, such as, PayPal, Apple Pay, Android Pay, PayM and Pingit which are relatively cheap per transaction cost and not being used by the council. The diversion of customers to these new payment applications will reduce costs to the council and provide customers with an easy, convenient and secure payment method.

Our plan by 2018

- identify and review emerging technologies, and embed this approach as part of the Front Door Project.
- engage with the Government Digital Service (GDS) to ensure the council tracks the developments of the 'Government as a Platform' concept and the continued development of the services on the single, cross-government platform, including GOV.UK Verify, GOV.UK Pay and GOV.UK Notify platforms;
- engage with the Local Government Association (LGA) to ensure that the council learns from the practical experience and evidence of how other public services have harnessed technology and digital tools, and approaches to meet future challenges and develop radically new public service models;
- increase the number of transactions processed through digital technologies; and
- investigate more utilisation of chip and pin payment devices.

Our plan by 2021

- continue to innovate and implement new payments channels and methods, and increase the number of transactions processed through digital technologies.

5.3 The council's **Front Door Project** will look at all customer contact channels and touchpoints across the council between 2016 and 2018 in order to drive channel shift and manage contact demand. This will be delivered by transforming the end to end customer journey

³ OFCOM, The Communications Market Report, 2016

through a digital approach which will enable self-serve and increase self-management by customers, and also divert demand away from council services. The changes to be implemented will include: All apply for, pay for, book and report it transactions being available online, supported by the provision of interactive guides and web chat assistance. A MyAccount facility will also be developed to enable customers to transact securely, upload documents, track progress and receive alerts and notifications.

Cash Office

- 5.4 The number of payment transactions processed by the Cash Office has steadily declined since 2007 when approximately 189,000 payments were received compared to 72,000 in 2016. However, footfall at the Cash Office has remained steady over this period at approximately 58,000 per year, but in the first half of 2017 this figure has started to fall, with approximately 1,000 fewer visits per month.

Our strategy is to:

- **close the cash office at Bayard Place and no longer provide the function;** and
- **encourage those customers who still prefer to pay by cash and cheque to make these payments at a bank;**

Why is this our strategy?

- customers are preferring to use alternative payment methods, specifically digital methods, such as, the internet and automated touch tone, and the numbers of transactions and visits to the Cash Office are in decline
- there are cheaper and more convenient alternative payment channels and methods for our customers. In customers moving to cheaper channels and methods then there will be a financial saving for the council in reduced transaction costs. Moreover, the alternative channels and methods are also more convenient, secure and cheaper for the customer; and
- payments at a bank is the cheapest non-digital channel and significantly cheaper than Payzones /Post Offices.

The council recognises that there are customers who are either unable or unwilling to switch to other methods and will still choose to pay for bills and service by cash. For these customers, payments at a bank or a Payzone / Post Office are a cheaper and more convenient method than the Cash Office. There remains over 50 locations throughout the city (i.e. banks, Payzones and Post Offices) which are more convenient and accessible (i.e. open longer hours than the Cash Office), and will accept payments for council services by cheque, cash and credit/debit cards.

Our plan by 2018

- close the Cash Office and divert customers to alternative payment channels or payment methods;
- deliver digital transformation through the Front Door project and enable customers to set up a MyAccount;
- investigate the use of Credit Unions to support those customers who do not have access to a bank or building society to make payments; and

- continue to work with our partners to develop and publicise community hubs in libraries and other locations across the city where customers can access the internet and support to self-serve and make payments
- continue to deliver digital inclusion training in the community and maintain its commitment and support to assist customers where appropriate.

The council recognises that a digital channel shift should include activities to support greater access to digital channels through 'assisted digital' provision and the fostering of greater digital inclusion. Services must work for the whole of society - not just the 77% of people who have basic digital skills, but for those adults who don't⁴. This is particularly important as financial exclusion and digital exclusion often go hand in hand. People who are the least online are often heavier users of public services, highlighting the need to design services to include them. For example, the Office for National Statistics established in 2016 that 61% of people aged 75 and over had never used the internet⁵. The most common reason that people give for not being online is that they are not interested in the internet. However, there are also other barriers such as costs, and a lack of knowledge and confidence.

Card payments

- 5.5 Card payments are increasing steadily especially via the internet, e.g. in 2015, 53,000 debit card and 8,000 credit card transaction were received via the internet compared to 66,000 debit card and 10,000 credit card transaction in 2016. The council incurs transaction costs for these payment methods dependent on the payment channel where payment is made, with credit card payments including a merchant handling fee. These transaction costs are more expensive than making payment by direct debit.

Our strategy is to:

- **recover the cost of processing credit card payments from the customer**, i.e. the council will apply a surcharge to the amount being paid in order to recover the cost of the credit card transaction.
- **ensure the council is PCI DSS compliant**, i.e. the adoption of consistent technical and operational data security requirements designed to protect cardholder data.

Why is this our strategy?

- to recoup the processing charges applied to card payments;
- to provide an incentive to customers to shift to cheaper payment channels and methods; and
- should the council suffer a card data breach and is not PCI compliant it would be liable for any fraudulent activity, the costs of reissuing and monitoring affected cards and any investigation costs imposed by our acquiring bank.

⁴ Government Transformation Strategy, Government Digital Services, 2017

⁵ Office for National Statistics, Statistical Bulletin, Internet Users in the UK: 2016

Our plan by 2018

- ensure PCI DSS compliance of existing payment methods;
- determine which payments where a surcharge can be applied and those where it cannot, and document and communicate these principles to our customers;
- determine the surcharge rate to be applied to credit card payments; and
- implement the surcharge principles and rate.

Our plan by 2021

- investigate the use of a surcharge for debit cards; and
- ensure the council assesses, remediates and reports its PCI compliance on an annual basis.

Phone payments taken by an officer

5.6 Payments taken by an officer over the phone have increased steadily over the last ten years. In 2007, there were 11,000 payments made over the phone with the help of an officer, while in 2016 this figure had risen to almost 38,000; these payments have increased steadily since 2007 for all types of service, but a significant number - approximately 7,500 - were for brown bin collections where charges were introduced in 2014. It is these payments, particularly those by credit card, that have the highest cost per transaction across all channels and methods.

Our strategy is to:

- **direct customers away from making supported phone payments with a council officer.** It is the target that council officers will take no supported payments by phone, with the exception of when an officer intentionally contacts a customer to chase a payment. However, if a customer contacts an officer for another purpose, but then asks if they can make a payment, that officer should support the customer in making the payment.

Why is this our strategy?

- to encourage customers to use alternative methods that are personalised, flexible, cost-efficient, save customers time, and allow the customer to transact how, when and where they like.

Our plan by 2018

- divert customers to digitised channels, e.g. automated touch tone and the internet;
- delivering digital transformation through the Front Door project and providing customers with a MyAccount; and
- communicate to customers the benefits of setting up a MyAccount.

Our plan by 2021

- continue to develop, improve and publicise the MyAccount functionality; and

- divert customers to automated payment channels

Direct debit and bank transfers

5.7 Direct debits and bank transfers are the cheapest payment methods in transaction costs to the council and the majority of transactions are processed by these channels; 60% of all transactions are processed as direct debits while bank transfers account for approximately 9%. The majority of Direct Debits are for Council Tax payments. In 2007, just under 38,000 households had signed up to direct debit, compared to 47,000 in 2017. This is a significant increase in numbers, but the percentage of households paying has remained steady during this period at 62%.

Our strategy is to:

- **encourage more customers to make their payments via direct debit or bank transfer.** This includes the shifting of existing customers to these payment channels, and ensuring new customers pay by direct debit or bank transfer.

Why is this our strategy?

- these are the payment channels will reduce transaction costs for the council.
- automated payments support the council to ensure customers pay for recurring services, for example, rent, utilities, council tax, brown bins, etc and make payments in advance.

Our plan by 2018

- promote and incentivise payments via direct debit or bank transfer
- identify all recurring payments and produce a work plan to transfer these customers to automated payment methods

Our plan by 2021

- continue to promote and incentivise payments via direct debit or bank transfer
- 70% of eligible households to pay their council tax via direct debit

Cheques

5.8 The number of cheques received by the council is falling. In 2016, the Cash Office processed approximately 14,000 cheques with a value of £15 million, compared to 18,000 in 2014 with a value of £15 million.

Our strategy is to:

- **no longer accept cheques either by post or in person.** Cheques will only be accepted at a Payzone /Post Office or bank. However, it is important to note that

not all Payzones accept cheques.

Why is this our strategy?

- the handling and processing of cheques is relatively expensive and cheque payment is being phased out nationally gradually

Our plan by 2018

- promote alternative methods to the use of cheques; and
- develop a phased plan to the non-acceptance of cheques.

Our plan by 2021

- Cheques are no longer accepted

Payzone / Post Office

5.9 The Payzone / Post Office payment channel was introduced in 2008, when opening hours of the Cash Office were reduced. In 2016, approximately 67,000 payments were received at Payzones / Post Offices, accounting for almost 7% of all transaction, the majority of which were cash or cheque.

Our strategy is to:

- **reduce the number of payments being taken by Payzone / Post Offices.**

Why is this our strategy?

- Payzone / Post Offices transaction costs to the council is more expensive than direct debit, bank transfers and payments at a bank. However, the council recognises that Payzones / Post Offices as a payment channel may still be required as they are both accessible and convenient to those customers who still want to pay by cash and cheque.

Our plan by 2021

- promote and incentivise payments via direct debit or bank transfer to those customers using Payzone / Post Offices.

Payment Service Providers

5.10 The council has various contracts with payment service providers to support customer payments. These contracts include the:

- taking of payments;
- processing of payments; and
- collection and counting of cash.

Our strategy is to:

- engage procurement to review current contracts - focusing in particular on risk management around data security and Payment Card Industry Data Security Standard (PCI DSS) compliance
- where applicable, ensure all contracts procured/in place are PCI compliant
- look to aggregate spend and suppliers in order to reduce both revenue costs and the transactional costs associated with managing the current contracts
- market test all contracts to ensure that the council is getting 'value for money'

Why is this our strategy?

- To mitigate commercial and legal risks and to put in place contracts for these services that are compliant with Public Contract Regulations and the Council's contract rules.

Our plan by 2021

- ensure that all contracts are managed, reviewed on a regular basis and renegotiated or retendered to achieve 'value for money'.

6 Our Plan

6.1 The strategy will be delivered through a plan based on the activities summarised in the previous section. This plan will be monitored on a regular basis by the Service Director, Financial Services who will provide senior leadership and direction, making decisions to steer the work to achieve the strategic objectives.

6.2 On an annual basis, the payment volumes and costs by the various channels and methods will be reviewed to determine any impacts and implications for the strategy, and reported to the Service Director, Financial Services. The Service Director, Financial Services will consider the report and decide if the strategy and plan need to be revised.