

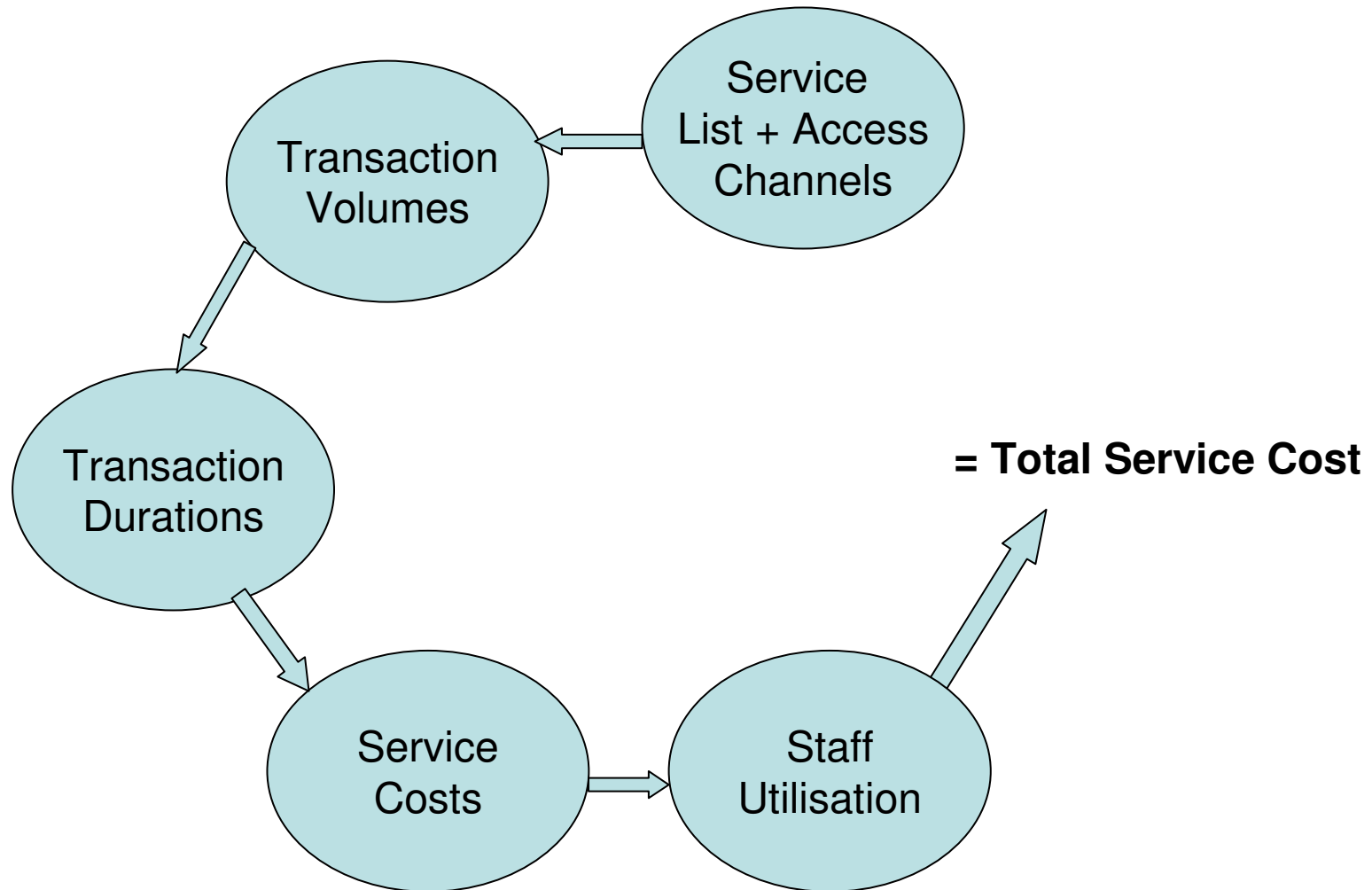
Modelling Unit Transaction Costs

London Borough of Lambeth

Agenda

- The Service Transaction Cost Model
 - Drivers
 - Background
 - Aim of the model
 - The model components
 - Demonstration
 - The big picture
 - What Next
 - Questions
-

The Service Transaction Cost Model



LB Lambeth Drivers

- Local Drivers
 - Customer Services Strategy
 - Medium term financial strategy efficiency savings
 - National Drivers
 - IEG, Priority Service Outcomes
 - G22 - Customer take up targets and measurement
 - E17 – Targets for savings from accessibility of services
 - E18 – Targets for migration to e- access channels
 - The Transformational Government Agenda
 - The Lyons Inquiry
 - Comprehensive Spending Review
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Background

- Lambeth developed the Lambeth Transformation Academy toolkit (toolkit for project managing Business Process Re-engineering projects). The toolkit lacked a tool for measuring service transaction cost.
 - Medium term financial strategy, capital bidding process required 'invest to save' projects to produce efficiency savings.
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Aims of the Model

- To baseline and forecast the cost of delivering service transactions through different access channels.
- Compare transaction costs with other authorities
- To inform channel migration



Model Components

- Data Requirements
 - Service List
 - Channel List
 - Volumes
 - Durations
 - Costs
 - Utilisation
 - The Calculation
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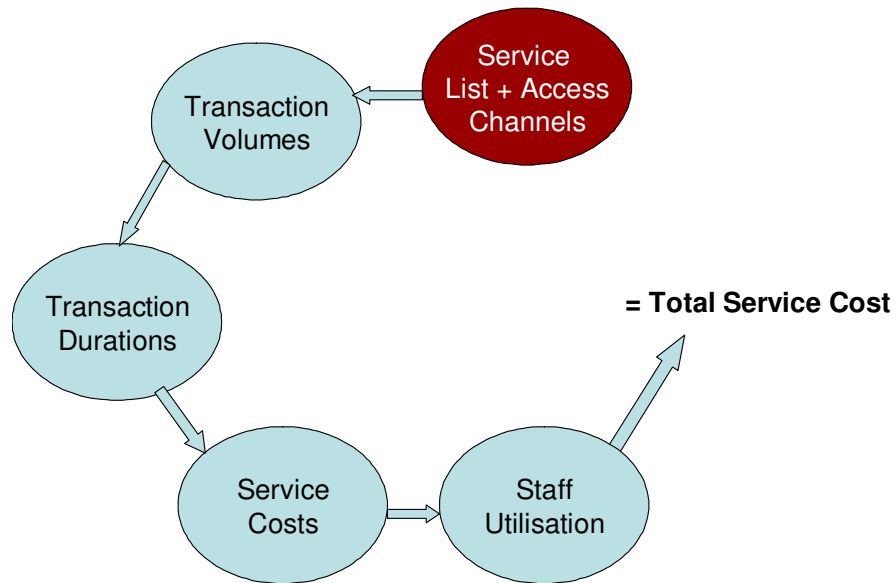
Data requirements

Data is collected for each service and each channel the service is delivered through. The required data is necessary to produce a cost estimate, The optional data produces a more accurate cost estimate.

Required	Optional
Annual transaction volumes	Variable transaction costs
Average transaction durations	Fixed annual transaction costs
Average annual salary	Property cost per head
Assumed staff utilisation	Direct staff costs per head
	Indirect staff cost per head
	On costs

Service list

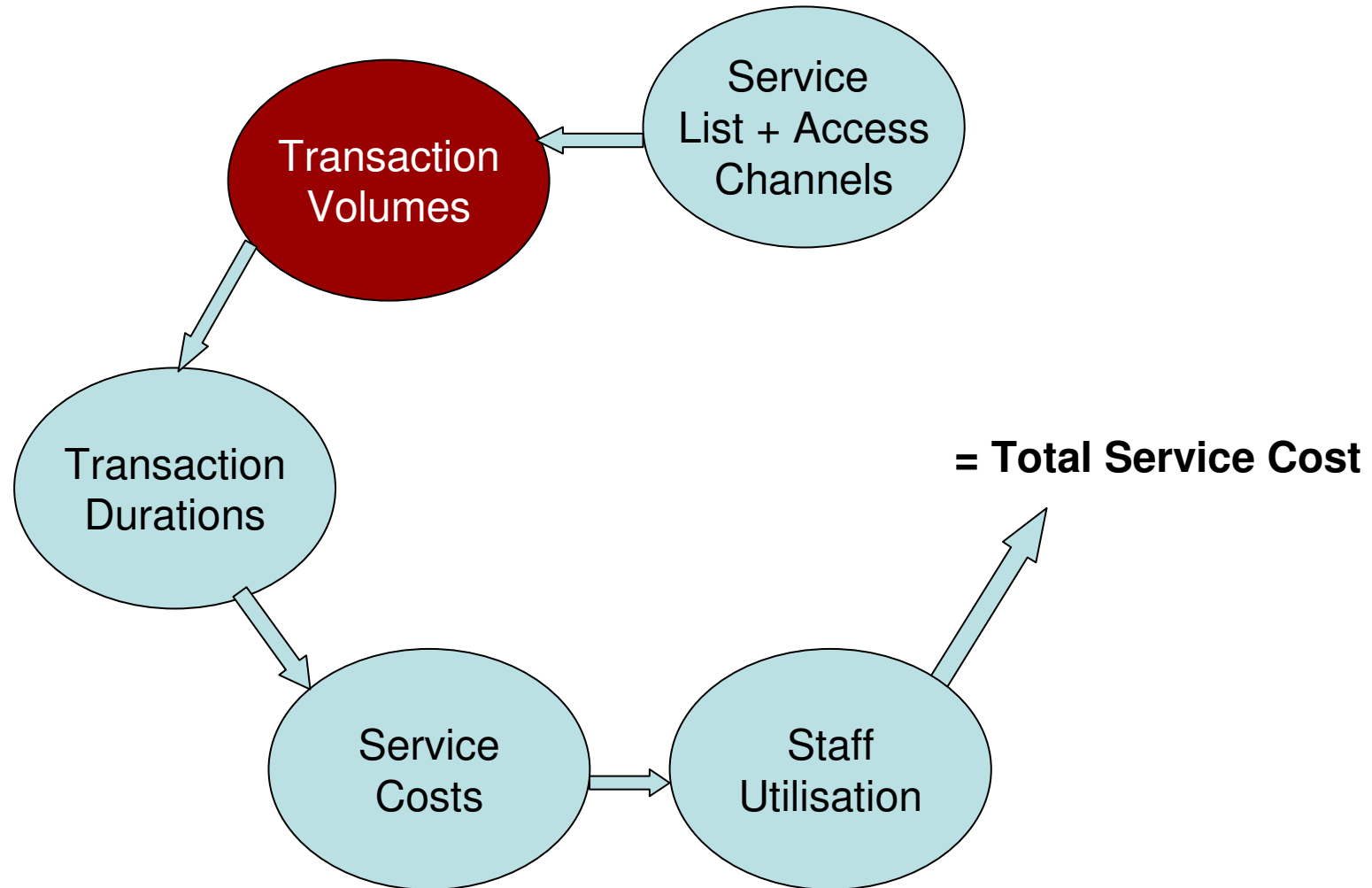
Service Hierarchy	Local Government Standards
Department (e.g. Environment)	Branch Level (LGDL)
Service (e.g. Libraries)	Leaf Level (LGSL)
Interaction (e.g. Borrowing)	Interaction (LGIL)



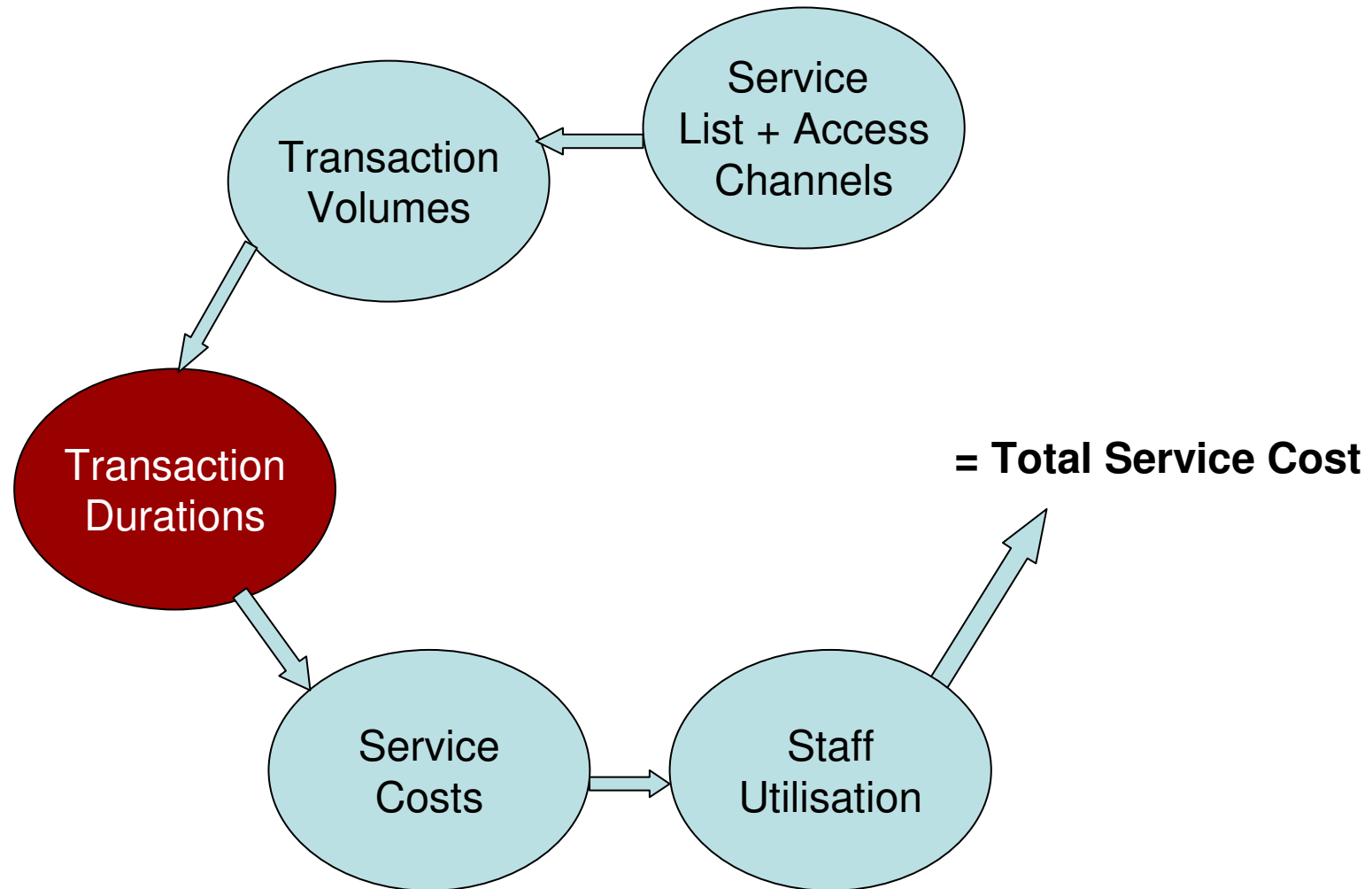
Channel List

Channels	SCTM	LGChL
Face to Face Joint Service Centre	Yes	Yes
Face to Face non Joint Service Centre	Yes	No
Non electronic - Post	Yes	Yes
Other electronic media email	Yes	Yes
Other electronic media	No	Yes
Telephone – Call Centre	Yes	Yes
Telephone - Fax	Letter/fax	Yes
Telephone -Voice	No	Yes
Telephone – Non Call Centre	Yes	No
Website - Info	Yes**	Yes
Website – Eform	Yes	Yes

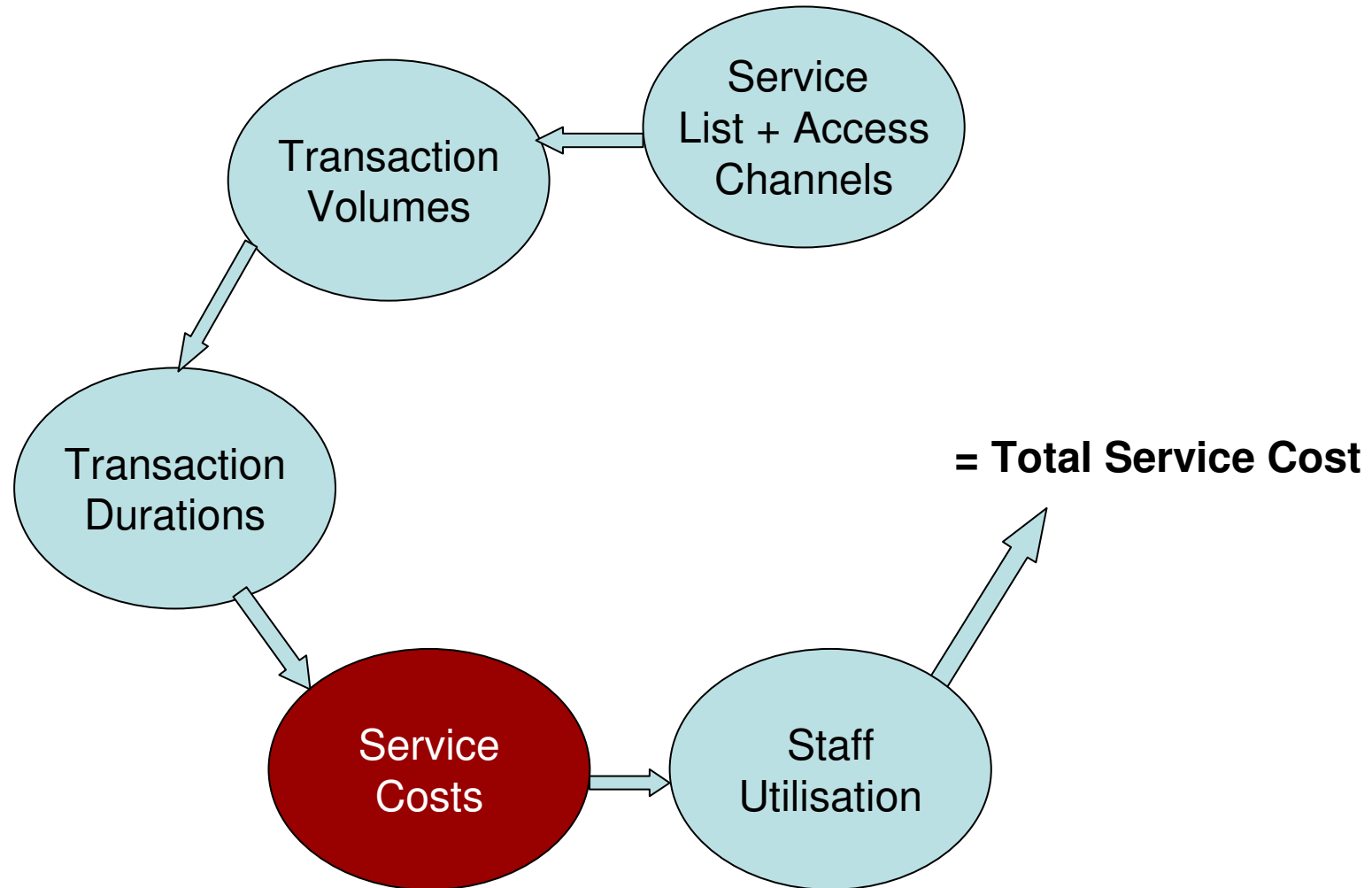
The Service Transaction Cost Model



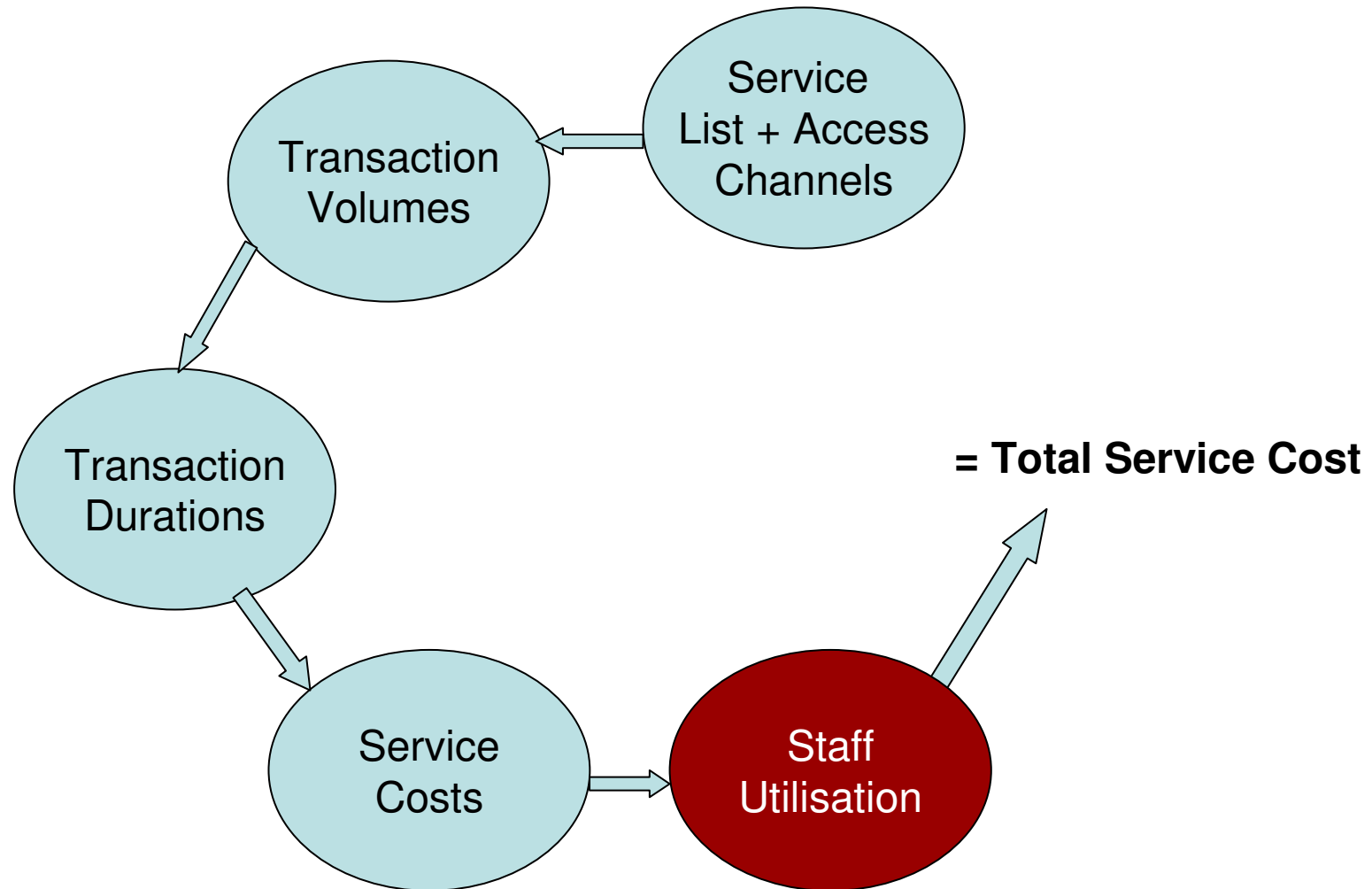
The Service Transaction Cost Model



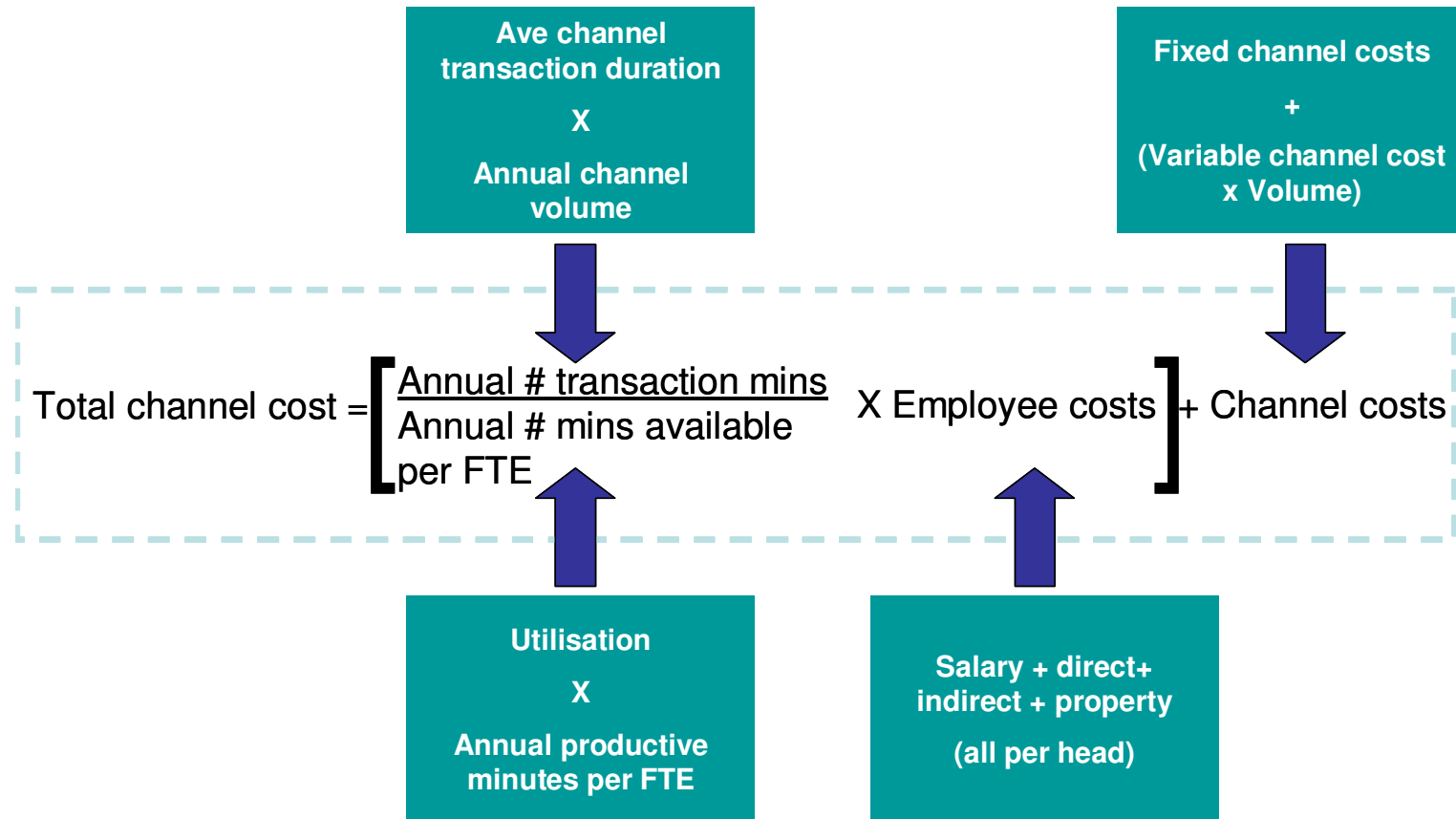
The Service Transaction Cost Model



The Service Transaction Cost Model



Calculating the total service cost



Calculating the total service cost

- The cost per transaction is therefore:

$$\text{Cost per transaction} = \frac{\text{Total channel cost}}{\text{Annual \# channel transactions}}$$

- The formula shows that volumes and durations are the main drivers in total costs.
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Data quality & audit trail

The data collected was categorised from 1-5 according to its reliability, the results of which are shown below.

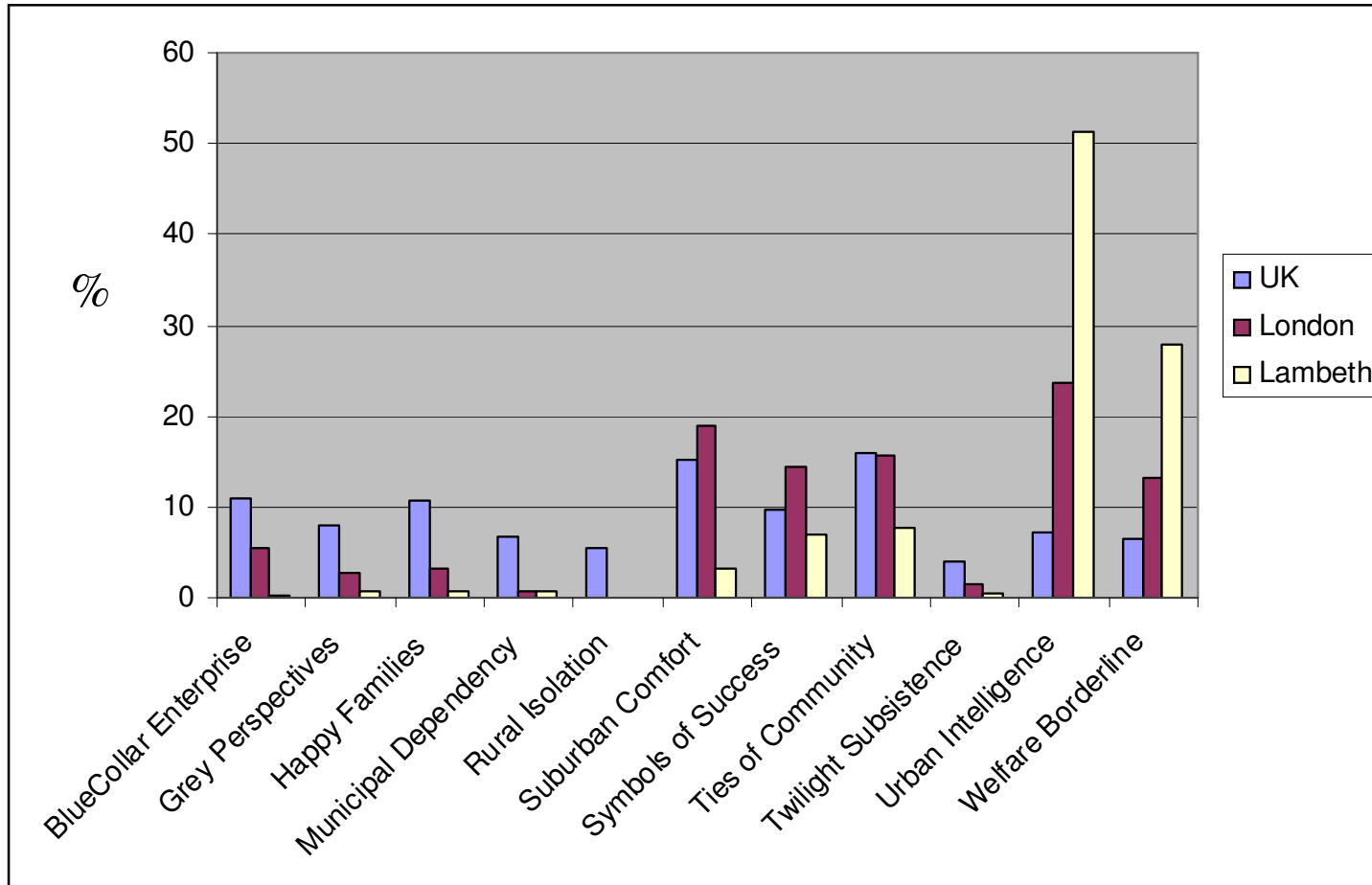
	Data quality category						
Channel	1	2	3	3.5	4	4.5	5
Telephone	0%	12%	30%	30%	28%	0%	0%
Web form	0%	0%	38%	7%	55%	0%	0%
Face to face	0%	0%	9%	5%	61%	20%	5%
E-mail	0%	0%	45%	7%	45%	0%	3%
Letters and faxes	0%	0%	0%	7%	89%	0%	4%
Overall	0%	3%	24%	12%	54%	5%	2%

Scenario (forecasted data)

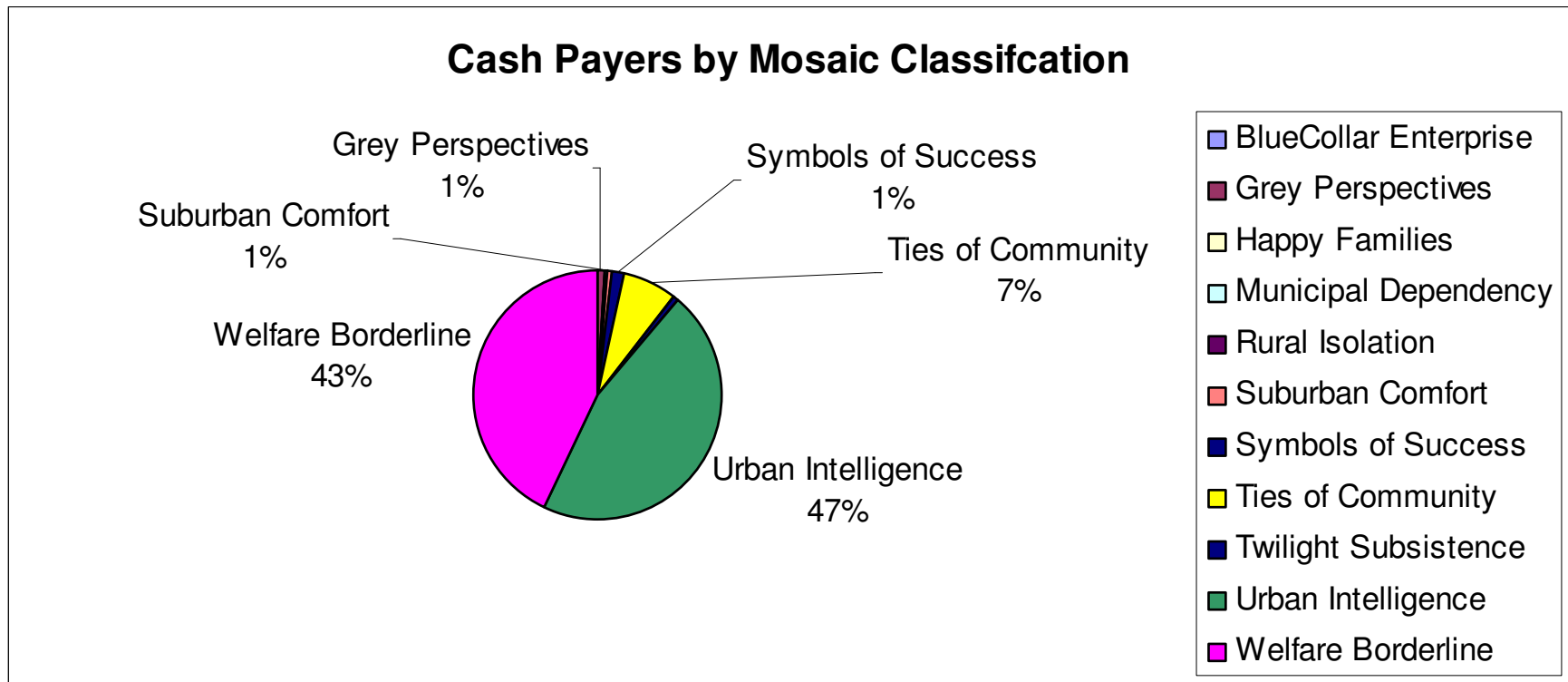
- Live demo



Understanding your residents



Who is paying Cash



How much is it costing to deliver services to different geo-demographic groups?

Channel	Transaction cost	Bank charges		Total cost of a £100 transaction
		Debit card	Credit card (% of payment value)	
Face-to-face, Olive Morris House	£1.66	£0.17	1.5%	£2.70
Telephone	£0.85	£0.17	1.5%	£2.52
Internet	£0.09	£0.19	1.65%	£1.65
Touchtone telephone	£0.09	£0.17	1.5%	£1.50
Payment networks (Paypoint)	£0.50	-	-	£0.50
Direct Debit	£0.02	-	-	£0.02

Where next?

- Targeted Marketing
 - Inform Strategy & Policy development
 - Training & mentoring for DIY Service Cost measurement
 - Guidance for benchmarking customer profiling reports
 - Strengthening the known weaknesses in the model
 - Closer alignment with the ESD toolkit
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