

Committee:	Full Council	Agenda Item 3
Date:	19 October 2010	
Title:	Revenues and Benefits Partnership	
Author:	Strategic Management Board	Item for decision

SUMMARY

1. In July 2010 Harlow and Uttlesford commissioned a feasibility study to explore the costs and benefits of entering into a joint shared service for the delivery of the Revenues and Benefits Services. The objectives of the feasibility study were to identify the local and national strategic context of shared service; determine current performance; identify immediately available savings without a shared service; and to summarise the potential opportunities and challenges of entering into a shared service partnership.
2. This report summarises the findings of the feasibility study, undertaken by John Layton Associates (JLA), and makes appropriate recommendations.

Recommended that

- A The principle of entering into a joint partnership for the Revenue and Benefits service be agreed, with the key objective of generating significant cashable whilst maintaining, as a minimum, the current levels of service performance.
- B Subject to adoption of A) above, steps be taken to progress the proposed partnership as follows:
 - (i) The activities to be included in the joint partnership are: Council Tax, Benefits and NNDR administration, including the hosting and management of ICT systems, reconciliation of relevant data and grant claims.
 - (ii) A Joint Committee, with the terms of reference and composition as set out in Appendix A, is approved for the purposes of overseeing the implementation of the joint shared service partnership and its subsequent governance.
 - (iii) Subject to adoption of B (ii) above, three Members from Uttlesford District Council be appointed to serve on the Joint Committee.
 - (iv) A sum of £38,000 representing an estimate of Uttlesford District Council's initial contribution towards the implementation costs, to be met from the Change Management Reserve, be set aside and expenditure of this sum, along with 100% of any funding received from Improvement East, be delegated to the Joint Committee to incur in relation to implementing the partnership (see paragraph 25 and 26).

Financial Implications

3. The financial implications are fully detailed in the report. Initial commitment is for £38,000 subject to a successful bid to Improvement East for the sum of £570,000. There are some potential costs which are as yet unknown, these are particularly in relation to ICT system alignment and the costs of redundancy should any be necessary.

Background Papers

JLA Executive Overview (Attached)

Impact

Communication/Consultation	Staff from both councils have been involved in the work around the consultant's report. Briefing sessions have been held with both staff and Members. The union have also been kept informed of progress
Community Safety	None
Equalities	An Equalities Impact Assessment will be prepared as soon as the Joint Committee is formed
Health and Safety	None
Human Rights/Legal Implications	A separate legal work stream was held as part of the consultant's work and their input is included in this report
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	Meetings with staff have been held throughout the process. The future partnership will be based in the offices of Harlow Council

BACKGROUND

4. A feasibility study focused on a defined shared service and that the shared service partnership would be hosted at Harlow but maintaining appropriate front-office facilities at Uttlesford District Council offices. Other shared service options, such as outsourcing to a private sector company, were not taken forward by the feasibility study.
5. In undertaking the feasibility study the following key tasks were undertaken:

- a. Reviewing current financial and staff data, including current and estimated future requirements;
 - b. Reviewing key policies already in place, e.g. flexible and mobile working and their impact on the shared service;
 - c. Examining the approach to customer services, including the “hand off” points and interfaces between the front office and back office processing functions.
 - d. Comparing existing performance targets and achievements, as well as the potential sustainability and improvement of these through the shared service.
 - e. Assessing technology needs and requirements.
 - f. Reviewing the possible changes to accommodation.
 - g. Establishing the financial implications for the councils, in aggregate and individually.
 - h. Determining the vision for the service and development of an outline implementation plan to achieve this vision.
 - i. Considering various approaches for the delivery of a shared service.
 - j. Considering options for service delivery to identify any innovative and cost effective initiatives that will optimise the service improvements delivered through the shared service.
6. The work was undertaken by John Layton Associates (JLA), working closely with senior officers of both councils. In the course of the project discussions took place with a significant number of representatives from the revenues and benefits services; ICT; Finance; Legal, Property and Human Resources from both councils. In addition two joint staff workshops were held.

OVERVIEW AND CONCLUSIONS

7. The feasibility study set out to answer the following key questions:
- a. What is the local and national strategic context?
 - b. What is the current performance and how could that performance be maintained and improved in the future without sharing services?
 - c. What savings could be achieved by not entering into a shared service partnership?
 - d. What savings and performance improvements could be achieved by going into a shared service partnership?
 - e. How would a shared service be established and how would it work?
 - f. What are the risks of entering into a shared service partnership?

The local and national strategic context

8. Local authorities are being put under relentless pressure to make savings and embark on new ways of working. The national coalition government indicate that the scale of cost reduction required from local government goes beyond anything that

has been looked for in recent years (if ever). It is a truism that the scale of economies being sought potentially go beyond what can be achieved by one Council alone. Whilst it will not always be true shared service is one of the principal ways that can be employed where significant savings might be achieved without a loss of service performance. Examples of shared services exploration exist in all areas of country including near to Essex, e.g. the Stevenage Borough Council and East Herts District Council initiative where they have set up a joint management team for their Revenues and benefits services with a view to examine the benefits of a shared service between the two Councils.

9. Revenue and benefits shared services have been developed more quickly than in many other areas of local authority services, and when undertaken well they have achieved all of the outcomes the council's need – effectively more for less, lower costs whilst maintaining or improving existing service levels. The evidence for this is becoming stronger with a growing precedent successful shared service operation in this area.

Current Performance

10. Harlow Council and Uttlesford District Council have the following features:
 - a. similar populations (79,000 and 72,000 respectively)
 - b. both councils provide fair quality revenues and benefits services that are performing well
 - c. they have well-developed corporate customer service 'front office' arrangements
 - d. they have carried out reviews of their working practices and processes in recent years and have generally similar ways of working
 - e. Harlow is a compact urban authority, whereas Uttlesford is a sparsely populated rural authority
 - f. Harlow district has significant social and economic problems, reflected in the high number of households in receipt of benefits (29%) compared with Uttlesford (13%)
 - g. Harlow has a banking and reconciliation service within the Revenue and Benefits service.
 - h. Harlow's customer service, Contact Harlow, refers a higher proportion of Revenues and Benefits customer contacts to the back office teams than does Uttlesford's customer service, UConnect.
 - i. Harlow's pay rates are, in general, slightly above those of Uttlesford.
11. These features result in different spending and performance levels. Uttlesford, in spending terms, represents 38% of the combined budget for the services. However, there are similarities in council tax billing sizes but much greater numbers of benefit cases in Harlow. These differences are attributable to the nature of the respective areas, their communities and their respective economic wealth.

Table 1 - “As Is” 2010-11 budgets

	Harlow	Uttlesford	Total
	£	£	£
Benefits	1,233,000	604,000	1,837,000
Council Tax	824,000	634,000	1,458,000
Business Rates	142,000	144,000	286,000
Total cost	2,199,000	1,382,000	3,581,000

Key statistics and performance	Harlow	Uttlesford
Council Tax Billing and Collection		
No. CT properties	35,570	32,086
CT bills issued in year 10-11 (total no.)	82,000	78,500
Net collectable debit 09-10	£34,614,000	£44,264,000
% collected in year: 09-10 actual	94.9	98.3
10-11 target	96.0	99.0
% pay by direct debit	59%	68%
Cost of billing & recovery 10-11 budget	£824,000	£634,000

NNDR Billing and Collection		
No. NNDR properties (hereditaments)(current)	2,318	2,900
Bills issued in year 10-11	6,070	3,236
Collectable debit 09-10	£44,556,000	£34,729,000
% collected in year: 09-10 actual	98.9	99.1
10-11 target	99.0	99.1
% pay by direct debit	54%	66%
Cost of billing & recovery 10-11 budget	£142,000	£144,000
Cost per NNDR hereditament 10-11 budget	£61.26	£49.66
NNDR admin grant 10-11 budget	£131,170	£131,500

Benefits Administration		
No. CTB claimants	8,400	4,050
No. HB claimants	9,300	3,250
Total no. claimants combined	10,200	4,300
Total CTB paid in 09-10	£8,391,600	£3,655,500
Total HB paid in 09-10	£32,426,900	£13,024,500
Total Benefit paid in 09-10	£40,818,500	£16,680,800
Cost of administration 10-11 budget	£1,233,000	£604,000
Ave. cost per claimant 10-11 budget	£120.88	£140.46
Benefit admin grant 10-11 budget	£808,620	£306,550
% Accuracy of processing: 09-10 actual	99.0	91.1
10-11 target	99.0	95.0
Time taken to process new claims and change events: 09-10 actual	11.0	14.2
10-11 target	10.0	12.0

Ave. days to process new claims:	24.0	24.0
09-10 actual		
10-11 target	20.0	17.0
Ave. days to process change events:	9.0	4.9
09-10 actual		
10-11 target	8.0	7

- The detailed performance indicators for the partnership would be a matter that would be addressed in setting up the new arrangements.

Costs and Benefits of not entering into a shared services partnership

- For Harlow and Uttlesford, the status quo does not offer scope for the level of savings that both Councils are likely to need to set balanced budgets, based on their respective medium term financial strategies and also in light of the Comprehensive Spending Review to be announced by the government in October. It is accepted that based on the current available information both authorities have exhausted those savings that could be achieved on a standalone basis. There are ICT procurement issues that would have to be taken forward urgently for Uttlesford if the shared service option is not pursued. However, the feasibility study concluded that few if any additional savings could be made beyond those that have already been identified and implemented, and the need to procure a replacement ICT system for Uttlesford would remain.
- For Uttlesford there are some economies that could be achieved by reviewing its staffing structure and streamlining the operational structure. An internal exercise had been initiated to change the management structure but that work will be overtaken if steps are taken to enter into a partnership. However, the potential for savings from internal changes are lower and less resilient than those that could be achieved in a shared service partnership and in any event such an approach does not allow for the additional benefits that might be available in the future by potentially expanding the shared service.
- It is unlikely that either council would be able to achieve significant savings in its support services on a stand-alone basis.
- Given the expected pressures on budgets over the next few years both authorities would be under significant pressure to maintain their current performance levels, never mind increase the performance presently being achieved.

Benefits from entering into a shared service partnership

- The option considered by the feasibility study is a fully integrated shared service using pooled resources including people, ICT and finance. This means that an outside observer would regard the service as providing a single unified service. Other models of shared services, for example, shared management; limit the access to savings and efficiency gains. The fully integrated option secures the greatest economies and is a very different situation to that which presently persists.
- The feasibility study has focused on the benefits of creating a new shared service for the two councils. The findings suggest that:

- a. There is potential to save substantial sums: around £455,000 per annum in direct costs and £180,000 per annum in support service costs making the total savings of £635,000. However these are indicative costs and further work is considered necessary to confirm the achievability of such savings.
 - b. The shared service would provide a greater assurance that the councils would be able to maintain services at the existing levels, with the potential to improve the services by standardising on the best practices that are presently adopted within the councils at present
 - c. Making the required changes represents a major upheaval of the officers affected. The transition will require significant project management and careful planning with appropriate safeguards in place to ensure that it goes well. A 2 year transition period is therefore proposed commencing for the joint partnership to come into effect and steps will need to be taken immediately to ensure such a timetable is met and to also deliver some savings during 2011/12. However, for the purposes of the Council's Medium Term Financial Strategy (MTFS) and 2011/12 budget setting assumptions no savings will be assumed.
 - d. The feasibility study assumes that there would be a single headquarters at Harlow and that the support services would be provided by Harlow.
19. The combination of potential service improvements and cash saving is possible due to:
- a. The optimum use of the two councils' capabilities.
 - b. The reduction in the total number of posts, including team leaders, providing a slimmer single and new management structure.
 - c. The use of simplified, streamlined and standardised working practices and processes that enable consistent, high quality service delivery
 - d. The economies of scale generated by the two councils working together as a shared service, built on good ways of working and sharing the management and the expertise to achieve this high performance organisation
 - e. The adoption of a new reengineered staffing structure using teams with generic rather than specialist teams
 - f. The use of new technology when a business case demonstrates the economical benefits of its use. Both councils have Invest-to-Save (ITS) budgets that could be used to fund these costs.
 - g. Greater use of web-based systems to ensure that the services are able to move to the most cost-effective and efficient ways of working and to maximise customer self-service.
20. This feasibility study shows that forming a two-council shared service is an affordable first step on a journey that could deliver significant service improvements and costs savings beyond those presently identified. In the medium-term there is also the potential for growth through expansion, but the first priority should be to

achieve the initial benefits of shared working and secure good service delivery from the a new shared delivery approach.

21. The partnership approach provides an opportunity for the councils to unite behind a single purpose and to provide a robust and fully integrated service
22. Overall the anticipated benefits of a shared service are:
 - a. Releasing financial resources within each council
 - b. Provision of greater resilience, with a broader base of staff and ICT systems
 - c. Greater opportunities for staff within a shared operation in the medium term
 - d. Performance improvements using the best practices and systems of both councils
 - e. The opportunity to achieve further efficiency gains and improve services, for example, by extending the partnership into related areas.

Establishing a shared service partnership

23. Forming the shared service will require extensive work by the partner councils to secure the transition from the existing position to the new shared service.
24. Significant one off transition costs, estimated to be around £670,000 will be incurred, most of it in 2011/12 but some in this financial year. This includes an estimate for IT conversion costs if it becomes necessary for both Councils to migrate to a software system that is not currently used by either authority (see paragraph 29 E a)). These estimated implementation costs do not include costs associated with any potential redundancies (see paragraph 29 D). All implementation costs need to be considered alongside the potential £635,000 savings per annum achievable across both authorities (as set out in paragraph 18 c)).
25. At the time of writing this report, a joint bid of £570,000 was being prepared for submission to Improvement East (IE) to fund some of the estimated implementation costs, with the balance of £100,000 being met by Harlow Council (£62,000) and Uttlesford (£38,000). In the event the bid is partly or wholly unsuccessful, both Councils will need to consider the option of meeting the estimated implementation costs in full (and in the appropriate proportions). There is also the risk of incurring abortive costs if, for some reason, either or both Council/s decide not to enter into a partnership.
26. In the case of Uttlesford it is proposed that the estimated initial implementation costs of £38,000 be met from the Change Management Reserve and that expenditure of the total £100,000 referred to above, as well as any funding received from IE, be delegated to the Joint Committee to incur in implementing the project. Where additional resources are deemed necessary to ensure full implementation of the shared service partnership, a further report will be presented, as necessary, to the Finance and Administration Committee before any additional expenditure is incurred.
27. The feasibility study considered options for staffing the joint partnership and concluded that the TUPE (Transfer of Undertakings (Protection of Employment

Rights Regulations) transfer of appropriate staff as the preferred approach, although it has to be accepted that, once TUPE transfer takes place, subject to the precise delivery model to be agreed, it would be more difficult to abandon the partnership.

28. The model that has been developed anticipates revised arrangements being secured in phases. The immediate next step is the setting up of a Joint Committee and details about such a Joint Committee are shown as Appendix A. On the basis of a 2 year transition period, full savings and changes would be in place by 1 April 2013.

29. Once in place the shared service would have the following components:

A Governance

- a. The Revenues and Benefits services undertaken by the Councils would be delegated to the Joint Committee. A tried and tested feature of the successful public sector – public sector partnerships has been the management through a Joint Committee with equal representations from each Council. A well known and longstanding example of such an approach is the Anglia Revenues Partnership.
- b. Each Council would have three seats on the Joint Committee with the position of chair of the committee rotating, say, every six months.
- c. The Terms of Reference for the Joint Committee is attached as Appendix A. A Partnership Agreement would need to be developed and agreed by the Joint Committee.
- d. There will be additional, on-going, costs associated with the external audit of the Joint Committee. Estimated to be around £20,000 per annum these have not been included in estimating the savings referred to in C below.

B. Hosting

- a. The Joint Committee administration would be undertaken by Harlow Council
- b. The location of headquarters would be in Harlow

C. Sharing the savings

- a. Savings are forecast to be £635,000 per year. Based on current budget profile of each authority, it is proposed that provisionally costs and benefits are shared on a 62% and 38% (Harlow Council and Uttlesford respectively) basis as this is considered to be simple, fair and equitable. However, depending upon the nature of such costs and benefits and what is the cause the effect a different basis will be agreed and applied.
- b. The total savings attributable to Harlow Council and Uttlesford by the end of 2012/13 are estimated to be around £390,000 and £245,000 per annum respectively (62% and 38% of £635,000). Confirmation of this total figure and the breakdown over the two financial years (2011/12 and 2012/13) and beyond for each Council will be reported to the Joint Committee and also, as appropriate, to the two Councils.

D. Employees

- a. There would be a reduction in employee numbers which will be managed by natural wastage as far as possible over a two-year period. However, there is the possibility of redundancies.
- b. At this stage it is not possible to predict how many of the new posts will be full-time and how many will be part-time. A pragmatic approach might be, where appropriate, to enable existing employees to be fitted into the new structure
- c. An Equalities Impact Assessment (EQIA) will be completed and referred to the Joint Committee as part of the initial work in progressing the proposal.
- d. It is envisaged that joint partnership staff would be employed by Harlow following a TUPE transfer of Uttlesford staff to the partnership and steps would need to be taken to ameliorate the discrepancies to existing terms and conditions.
- e. An increased use of flexible and home working would be adopted to reduce the pressure on office space, enable a more resilient and flexible work force, and allow those living at a distance from Harlow to be part of the shared service team.

E. ICT

- a. Harlow Council's ICT systems are hosted internally and the Revenue and Benefits system is operated using the Civica software. Uttlesford use the Northgate system with support being outsourced to ComputaCenter. The outsourcing is due to expire at the end of December 2010. Uttlesford aim to extend this arrangement to allow for a joint procurement exercise to be carried out so that the shared service (and any potential expansion) complies with relevant procurement regulations. There is the possibility that, depending upon the outcome of the procurement exercise, both Councils may need to migrate their systems and data to a new software supplier.
- b. Greater use of web-based systems and software will be necessary to ensure that the partnership is able to move to the most cost-effective and efficient ways of working and maximise customer self-service
- c. Investment in staff training will be required both during the implementation period and continuously afterwards to develop and improve skills in information management and reporting
- d. There appear to be no technical or financial issues that would prevent the provision of ICT connected networks between Harlow and Uttlesford.
- e. There may need to be an increased amount of investment required beyond that allowed for in existing budgets, to secure longer-term savings and service improvements.

F. Standardisation of systems, processes and policies

- a. The shared service would need to standardise as much as possible to maximise the savings and efficiency gains. This would require the councils to reach agreement on a pragmatic basis whilst focusing on the need for improvement and cost-reduction.
- b. The councils might seek to agree common policies for rate relief, debt write-offs and other policies wherever possible to reduce differences of approach
- c. The shared service will need to consider carefully the interactions with the two councils' customer service arrangements. Again, wherever possible it would be important to establish common working practices, systems and policies. Any retained differences will have cost and performance implications for the partnership and hence the councils.
- d. Uttlesford will also maintain a telephone contact centre. An option within the automated message system will enable the Revenue and Benefit enquiries to be automatically forwarded to the partnership for resolution.

G. Performance

- a. A key aim will be to improve performance in all elements of the services to the level achieved by the best authority within the partnership.
- b. The shared service will need to be able to report its performance for both councils separately as well as in aggregate on a monthly, quarterly and annual basis

H. Support services

1. The support services will be provided by Harlow and the budget impact of this will need to be carefully considered. Essentially, subject to confirmation, Uttlesford will have the opportunity to make significant savings on its support services once the services are transferred to the partnership. The extent to which savings are possible will depend on the staffing and other implications for Uttlesford.
2. The partnership agreement will need to set out how these support service savings will be treated in the overall approach to cost sharing and savings sharing.

Risks of entering into a shared service partnership

30. As with any project of this nature, there are risks that would need to be managed. One of the immediate tasks for the Joint Committee would be to oversee the development of an implementation project plan, as well as identification of key risks and a suitable risk mitigation plan.
31. Such project implementation and risk mitigation plans would need to address all aspects of managing change or the transition to a joint shared service, including the joint ICT procurement and data migration as necessary.
32. Neither Council has the capacity to undertake the implementation of this significant and complex project. Therefore external resources will need to be applied to work with the Joint Committee to ensure an effective and smooth transition. Quotations from

a number of companies, based on a suitable specification, will be sought and the Joint Committee will be expected to appoint the relevant body to undertake this project management role with support from officers of both Councils. The costs of engaging external support will be met from the implementation costs referred to in paragraph 24.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Request for financial support from Improvement East is declined	2 – Initial enquiries have indicated support will be looked on favourably	3 – The potential savings identified would justify the continuation of the project. Payback would be extended to 12 months	Continued discussion with Improvement East to ensure the bid is successful
Once established the partnership fails	2 – Unforeseen issues could occur	3 – With staff having been subject to TUPE trying to unpick a partnership would be extremely difficult	Experiences of previous partnership discussions along with the experience of the consultants have enabled the major risks to be identified. Continued close Member working will also reduce the likelihood of this occurring
The level of savings required are not achieved	3 – The figures quoted are on the prudent side of those achieved by other partnerships	3 – The savings target required as part of the MTFS would not be met and alternative savings would be needed	Savings achieved by other similar partnerships are higher than those being estimated for this partnership. Regular re-assessment of the potential savings will help to ensure targets are achieved
The performance of the partnership is below the previous performance of one or both of the partners	3 – Initially performance may drop as the two teams come together	3 – Customer needs must be achieved. A drop in performance may lead to a delay in much needed Housing Benefit	The project manager will be responsible for ensuring any drop is short lived

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendix A

JOINT PARTNERSHIP COMMITTEE

Terms of reference

Membership

The Joint Partnership Committee will be composed of 6 Members, 3 from each Council.

Quorum

4 members, at least 2 from each Council

Chairman

The post of Chairman shall rotate annually with a Chairman chosen from each Council in turn. The Vice-Chairman of the Committee shall be chosen from the Council not holding the post of Chairman.

Frequency of Meetings

The Joint Committee shall meet at least 4 times per year.

Role and function

The Joint Partnership Committee will have the following role and functions:

- To monitor, scrutinise and review the performance of all services which fall within the Partnership Agreement;
- To monitor the budgets of all services which fall within the Partnership Agreement;
- To agree the business plan for all services within the Partnership Agreement and the measures on which performance will be evaluated;
- To recommend to each Council an annual budget for all services which fall within the Partnership Agreement by 1 December of each year;
- To monitor the effectiveness of all joint working arrangements through:
 - A quarterly review of performance;
 - An annual review of effectiveness and delivery of outcomes;
- To submit the annual review to a meeting of each Full Council by 30 June each year;
- To oversee and make recommendations to each Council on the further development of joint working arrangements regarding service quality, value for money and commercial opportunity;
- To discuss and review all opportunities for further joint working and make recommendations to both Councils