

Meeting: Executive
Portfolio Area: Resources

Agenda Item:

4

Date: 14 June 2011

SHARED REVENUES AND BENEFITS SERVICE

KEY DECISION

Author – S Tarran Ext. 2765
Lead Officer – S Crudgington Ext. 2185
Contact Officer – S Crudgington Ext. 2185

1. PURPOSE

To set out proposals for the creation of a single, shared Revenues and Benefits Service with East Hertfordshire Council (EHC).

2. RECOMMENDATIONS

- 2.1 That Executive support the view that a shared Revenues and Benefits service with EHC is viable and will deliver benefits as described in the business case document titled 'Revenues & Benefits Shared Service for East Herts & Stevenage', shown at Appendix A and agree to implement the proposals set out in this document.
- 2.2 That a Joint Revenues and Benefits Shared Service Committee be established with EHC Council.
- 2.3 That Executive approve the creation of a Joint Management Board for a shared Revenues and Benefits service.
- 2.4 That it be approved that EHC discharge the functions of the administration of Council Tax, National Non-domestic Rates and the administration of the Benefits scheme, including the investigation and prosecution of Benefit Fraud, on behalf of Stevenage Borough Council. This being in accordance with section 101 of the Local Government Act 1972. The effective date for this arrangement to be agreed by the Chief Finance Officers at each Council.
- 2.5 That it be noted that a sum of £25,000 has been provided for within the Council's medium term financial strategy for unforeseen set-up costs, to be met by a supplementary estimate if required.
- 2.6 That approval be given to splitting set-up costs and savings 50:50 between the two Councils for the first three years.

- 2.7 That the Strategic Director (Resources) be authorised to approve a partnership agreement with EHC, to implement these proposals, subject to final confirmation of the business case.

3. BACKGROUND

- 3.1 Stevenage Borough Council has successfully worked in partnership to deliver key services with other public sector organisations for a number of years. The development of the shared services agenda (supported by both Governments in recent years) is a natural extension to this approach to service delivery.
- 3.2 The Leader of the Council with the support of Executive has previously tasked the Chief Executive to investigate all opportunities to share services (particularly in the support services area) with other public sector organisations to reduce cost, increase resilience, and where possible improve performance.
- 3.3 As a result the Chief Executive and Strategic Director (Resources) met with a number of Chief Executive's in Hertfordshire to gauge interest and to understand willingness in working together to deliver services. East Hertfordshire Council (EHC) was identified as a key strategic partner, and there was early agreement to complete a business case for the provision of a Revenues and Benefits Shared Service.
- 3.4 The establishment of shared services is generally accepted as more complex to deliver, as opposed to internal service re-design or outsourcing, however if delivered, a public run shared service has the potential to :
- Release financial resources within each Council
 - Provide greater resilience, with a broader base of staff and ICT systems
 - Provide greater opportunities for staff within a shared operation in the medium term
 - Deliver performance improvements using the best practices and systems of both Councils
 - Provide the opportunity to achieve further efficiency gains and improve services, for example, by extending the partnership into related areas.
- 3.5 The business case is persuasive and approval is sought to implement the shared service. The business case is shown at Appendix A.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The business case was developed around three main objectives for a Revenues and Benefits service, namely, delivering efficiencies, strengthening resilience and consolidating best practise to underpin good performance. All of these objectives can be achieved with immediate benefits.
- 4.2 Proposals in this report for a shared service will place control of the implementation entirely in the hands of the partnering Councils, unencumbered by lengthy procurement exercises and without the need to rely on third parties, with whom relationships have not previously existed.
- 4.3 A strong working relationship has developed between officers at all levels across both authorities, as the work of the Interim Joint Management Team (IJMT) has been undertaken over a period of several months. That relationship has already brought improvements to work practices and helped secure ongoing savings.

- 4.4 The project to establish the business case for a shared Revenues and Benefits service started in advance of the review of shared support services with East Herts Council and North Herts Council, agreed by Executive in 8 February 2011. However, the objectives for a shared Revenues and Benefits Service, around efficiencies, performance and resilience, fit well with the aims of the overall strategic direction being pursued for support services more widely.
- 4.5 There are distinct models through which shared services may be delivered. The administrative model involves the creation of a joint committee, delegation of a function to another authority and includes arrangements for managing staff engaged in delivering those functions.
- 4.6 **Governance:** The administrative model should be the most familiar to Members and officers at both authorities. It is the easiest and least expensive to set up and run. It is equitable and keeps control of the service close to Members and officers. It has no VAT or tax implications.
- 4.7 It is proposed that a Joint Committee is established for a single Revenues and Benefits service, comprising three elected Members from Stevenage Borough Council and three from East Herts Council. Draft terms of reference for the Committee are shown at Appendix B.
- 4.8 It is also proposed that further details of the service provision, performance monitoring, conflict resolution and a disengagement protocol, be developed and reported to the Joint Committee for consideration. With each Councils' Chief Financial Officer being given delegated authority to approve a partnership agreement.
- 4.9 **Customer interface:** Walk-in customer contact for Stevenage customers will be maintained at the Stevenage Borough Council's Customer Service Centre in Daneshill House. EHC's walk-in customer service will continue at existing sites in Bishop's Stortford and Hertford. All customers calling by telephone will be routed to the shared service. The telephony arrangements for Stevenage Borough Council's customers will be subject to a review within the first year of operation.
- 4.10 **Accommodation:** There were three options considered. Locate in Stevenage Borough Council's Daneshill House, locate in East Herts' Wallfields site in Hertford or seek new accommodation. The third option was discounted as unaffordable. Of the two remaining options, Wallfields is less expensive than Daneshill House. That, combined with the refurbishment of Wallfields, bringing that site into a state of readiness for homeworking and flexible working much sooner than could be achieved at Daneshill House, presents Wallfields at the most suitable site for the shared service.
- 4.11 **Technology:** For practical reasons it is more effective to co-locate ICT provision with the staff. Having identified Wallfields as the better option for the location of office based staff, it follows that ICT should be provided to the shared service from that site.
- 4.12 **Human resource considerations:** From a management perspective, creating a single staff group, in a single structure on the same terms and conditions is not only fair and equitable, but would strengthen service resilience and provide a sound basis for achieving efficiencies. A new organisation structure is proposed, to which staff from both Councils will be appointed. To achieve this it is proposed to transfer

- Stevenage Borough Council's Revenues and Benefits and Anti-Fraud staff to the employment of East Herts Council, applying the principles of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). The proposed date of transfer is 1st August 2011, subject to formal consultation with staff and unions.
- 4.13 Staff and the recognised trades unions have been consulted. Staff briefings were held and written material about the proposals was provided. Whilst staff have sought clarification on a range of issues, no counter proposals have been received. Should a decision be taken by Executive to proceed with the proposals, further consultation with staff and unions will be undertaken.
- 4.14 The Council commenced formal discussions with recognised trades unions in March 2011 and formal consultation with trades unions and staff from April 2011. UNISON is the primary negotiating body for staff directly impacted by these proposals.
- 4.15 The Council is consulting with stakeholders on the proposals, and specifically those to transfer to a shared service, which include:
- transfer to a new employer
 - the date of transfer
 - the rationalisation and restructuring to take place to operate a shared service
 - the changes to work locations
 - the changes to work arrangements
- 4.16 This consultation incorporates some proposed changes to terms and conditions of employment.
- 4.17 The unions have responded positively to the proposals and no objections have been made. Regular meetings are in place.
- 4.18 Staff have been consulted with on an individual basis. Currently staff concerns can be summarised as:
- Change to the place of work, especially with regard to the costs and time of the commute, the impact the change of location has on caring responsibilities and whether staff will be compensated for the additional costs.
 - The viability for homeworking given the restrictions set out in EHC homeworking policy and the impact homeworking may have on staff morale.
 - Concerns about the new structure and selection process.
- 4.19 The Joint Management Team, project team and Human Resources staff are dealing with these issues arising from staff on an individual basis and taking into account the findings from the equalities impact assessment. These concerns will be addressed with the staff over the coming weeks and both Human Resources departments will be seeking to put solutions into place before the transfer.
- 4.20 **Finance:** A base budget for a shared service has been constructed in order to identify and understand the costs associated with the Revenues and Benefits Services at both Councils. This has formed the basis on which the Chief Financial Officers at both Councils have agreed, in principle, to share costs and savings associated with a joint budget. As these savings require participation of both Councils a 50:50 apportionment is the most equitable basis.
- 4.21 The proposed business case to locate the shared service at Hertford, means that SBC retains some residual overheads, for example, costs associated with

accommodation, Human Resources etc. These are estimated at £382,000. SBC and EHC officers reviewed these costs and some of this relates to capital charges and costs that will remain with the Council, regardless of the shared service relocating. However £64,500 has been identified as potential savings in ICT, Customer Service Centre and Facilities Management and when released (projected to be 2013/14), these will be shared 50:50 between the two Councils. If the sharing of back office services is successful, it may be possible to make further savings on these residual costs.

- 4.22 The option to create a shared Revenues and Benefits Service based on the key decisions above, will deliver excellent performance, strengthen resilience in the service and secure sustainable savings.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The shared service is projected to make savings of £133,000 in 2012/13 and £173,000 each year thereafter. Savings have already been achieved as part of the Interim Joint Management Team arrangements, giving total savings of more than £200,000. The future savings have been calculated on a prudent basis, but actual savings could exceed the figures stated above. The Chief Financial Officers have agreed in principle to share any partnership savings on a 50:50 basis. This would mean an additional saving of £66,500 to those already achieved for SBC in 2012/13, and £86,500 in 2013/14.
- 5.1.2 The shared service cost to SBC includes current pension costs (16.8%), excluding any allowance for funding past pension costs or decisions relating to early retirements. Each respective Council will still have to pay to the Hertfordshire Pension Fund a fixed sum for past pension costs, (which for SBC is £1.15M). This cost will still be borne by SBC regardless of the transfer of staff to EHC and has been factored in to the savings estimated above.
- 5.1.3 In order to deliver the estimated savings there are set up costs for installing data links between Hertford and Stevenage and to facilitate home working for staff. The total one-off set up costs are projected to be £126,000. Some of the costs relate specifically to SBC staff or ICT improvement for EHC. These costs have been borne by the relevant Council, with SBC's share amounting to £52,480. All other costs have been apportioned on a 50:50 basis. The set up costs do not currently include any redundancy costs which would be in addition to the costs identified above. However, both EHC and SBC have vacant posts which are currently filled by temporary appointments, which is hoped will minimise redundancy costs.
- 5.1.4 SBC will also gain from the ICT investment made by EHC to create capacity in the service and extend customer access through self service and other initiatives.

5.2 Legal Implications

- 5.2.1 Following recent decisions of the European Court of Justice and the UK Supreme Court, officers consider that the proposal set out in this report amounts to an administrative arrangement between two public bodies, which SBC may enter into without advertising and tendering a contract under the European Procurement Regime.

5.3 Risk Implications

- 5.3.1 Significant risks, together with mitigation are set out in a table on pages 15 and 16 of the appended business case. Additional risks have been identified, as part of the detailed implementation plan. Those risks can be managed through the Council's project management protocols and the corporate risk management framework.

5.4 Staffing and Accommodation Implications

- 5.4.1 The proposed transfer of SBC staff to EHC on 1st August 2011, will follow TUPE principles. This means that staff terms and conditions of employment will be protected in the transfer. Shortly after the transfer, a proposed single structure will be implemented, subject to consultation with staff and unions. A recruitment and selection process will be undertaken to appoint to that structure.
- 5.4.2 Initial feed back from staff shows that there are some concerns around relocating and their suitability for homeworking. These issues are being addressed through ongoing discussions with staff, which will include one to one meetings. It is intended to keep the risk of potential redundancy to a minimum, firstly through the EHC flexible working policy, which may provide opportunities for staff to vary working patterns. In addition, there may be some 'natural' loss of staff from both Councils during the implementation period.
- 5.4.3 Approximately 40 members of SBC's workforce will be subject to the proposed transfer, all of whom currently work in Daneshill House.

5.5 Human Resources Implications

- 5.5.1 Once the proposed staff transfer takes place, EHC becomes wholly responsible towards the transferring staff. The Human Resources team at EHC will have a plan of activities designed to welcome and assimilate all new staff into the organisation.
- 5.5.2 Stevenage Borough Council will be required to indemnify EHC against any claims that may arise from the transferring staff group, where the cause of the claim predates the transfer

5.6 Equalities and Diversity Implications

- 5.6.1 Officers have considered the proposals set out in the report in the light of the various Public Sector equalities duties imposed on the Council.
- 5.6.2 As the proposals currently stand, there may be impacts in terms of caring responsibilities, increased expense and greater time spent travelling to and from work. These potential impacts affect the SBC staff group who are predominantly women, in older age groups and on lower salaries. It is believed that the application of homeworking and flexible working policies at EHC will mitigate the impacts for most transferring staff.
- 5.6.3 In the case of customers and residents in Stevenage, the delivery of the Revenues and Benefits Services and the ways in which customers access those service will not be changed in any significant way. At this stage the impact on Stevenage customers and residents is neutral, in that no discernable equalities impacts have been identified.

5.7 Service Delivery Implications

- 5.7.1 As far as the customer experience of receiving services from Revenues and Benefits is concerned, it is intended that customers will encounter no perceptible difference following the creation of a joint service. The shared service will retain local identities for Stevenage and East Herts residents.
- 5.7.2 After the proposed shared service is implemented, proposals will be developed to bring innovation and improvements to service delivery, such as on-line customer 'self service'.
- 5.7.3 The proposed changes to Revenues and Benefits are unprecedented at either EHC or SBC and will present new challenges for staff and managers through what at times will be a difficult experience. Not least amongst those challenges will be managing the risk that workforce issues impact negatively on service performance. Through close operational and project management, every effort will be made to protect service performance levels during the period of change

5.8 Information Technology Implications

- 5.8.1 The shared services ICT solution will be located in East Herts and managed by the East Herts ICT service. The shared service will be using one common ICT application provided by Capita (the system currently used by both authorities). Customer information will be held on separate databases.
- 5.8.2 Stevenage Borough Council will benefit from the investment already made by East Herts in procuring additional modules of Capita that assist in delivering improved and more efficient business processes. All staff within the shared service will benefit from the proven home working solution already used by East Herts staff.
- 5.8.3 The ICT solution is business critical for the shared service and it is imperative that work to deliver the required ICT solution is complete by December 2011. ICT staff from both Councils have worked together to agree an approach to delivering the solution which has been validated by the system supplier and which minimises the risk that the solution will not be delivered to the required timeframes. Both authorities will work together to deliver the solution with the support of an external project manager.

BACKGROUND DOCUMENTS

None

APPENDICES

- A - 'Revenues and Benefits Shared Service for East Herts and Stevenage Business Case'
- B - Joint Committee - Draft Terms and Conditions
- C - Equality Impact Assessment of the proposal for a shared Revenues and Benefits Service with East Herts Council (Staff)