

EAST HERTS COUNCIL

THE EXECUTIVE – 24 NOVEMBER 2009

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND INTERNAL SUPPORT AND EXECUTIVE MEMBER FOR HOUSING AND HEALTH

9. INCREASING THE EFFICIENCY OF THE REVENUES AND BENEFITS SERVICE

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report puts forward options, developed as part of the C3W Programme, to enhance the Council's current software application for Revenue and Benefits to enable the service to provide better customer service and to deliver efficiency savings.
- Efficiencies will be secured from moves to self service and 'e' transactions, by the elimination of duplicate handling of information and from mobile data capture.
- Payback periods will depend on our ability to promote to customers use of self service options and acceptance of web based means of transacting with the Council.
- The Council's Revenue and Benefits software supplier Capita will put a proportion of their fee at risk should the roll out of the self service and web based transactions not meet the schedule they believe is feasible.

<u>RECOMMENDATION FOR EXECUTIVE: That</u>	
(A)	Executive commend to Council that a capital investment of £153,000 in further software be made together with purchase of implementation support from Capita of £70,000 to improve customer service and to gain efficiencies in the Revenues & Benefits service; and
(B)	the negotiation of the performance profiles relating to the

fee at risk element of the contract be delegated to the Director of Internal Services in consultation with the appropriate portfolio holders.

1.0 Background

- 1.1 **Essential Reference Paper ‘B9’** (pages 9.9 – 9.14) details the scale and scope of the Revenues and Benefits service and the resources, mainly staffing, employed to deliver the service.
- 1.2 Council tax, non domestic rates and the entitlement to benefits (council tax and housing) are subject to statutory regulation. The Benefits Service in particular must respond to frequent changes to regulations defining entitlement and amounts.
- 1.3 Other than ensuring compliance with these complex regulations, the transactions with tax payers and benefit recipients are relatively simple ones, but of relatively high volume. These transactions are :

- Data capture – names, addresses, circumstances
- Data recording and storing
- Data processing – calculation, validation
- Billing and collection of monies receivable
- Payment of monies to individuals/businesses

- 1.4 Additional contacts with customers are around providing them with information both of a general nature (council tax exemptions, benefit thresholds etc) and in connection with their tax account or benefits application (payments made, balances or status).
- 1.5 Efficiency gains are to be achieved by reducing the number and length of interactions with customers which require manual processing.

2.0 Report

- 2.1 As part of the C3W Programme, Capita (being the Council’s current supplier of software for Revenues and Benefits) were asked to submit proposals by which the Council would gain efficiencies and service improvements by implementing further modules of the integrated revenues and benefits software

application which have become available since the current system was implemented in East Herts.

- 2.2 The Council subsequently worked with Capita to identify and quantify the scope and value of potential efficiency gains and service improvements in a series of workshops.
- 2.3 The outcome from those workshops is the proposal at **Essential Reference Paper 'C9'** (pages 9.15 – 9.18). This is built up from a series of initiatives with the potential to realise annual savings of £230,000 gross (or £190,000 net of annual licences for the software) by the end of a five year period of transition. The initial set up cost is £223,000 of which one off software costs are £153,000 and implementation support of £70,000.
- 2.4 During the workshops the Council challenged Capita's expectations for the pace of transition by customers to the electronic options. Capita have therefore agreed that they will share the risk around the assumptions that have been made about how quickly customers will take up the 'e business' option and £52k of the £223k will only become payable once certain performance profiles have been met. Examples of the profiles are given in **Essential Reference Paper 'C9'** (pages 9.15 – 9.18). Recommendation B of this report refers to the finalisation of these profiles. In considering the business case some sensitivity analysis has been undertaken to consider the impact of the efficiencies being delivered less quickly or less completely than the base case assumption; this analysis is set out below.

Service Benefits

- 2.5 **Essential Reference Paper 'D9'** (pages 9.19 – 9.22) sets out the customer benefits from each of the main modules proposed. These can be summarised as – accessing information more quickly and simply, a choice about how to access information, speed of transacting, certainty about information being received by the Council, enhanced security and for multiple account holders easier transfer of electronic data to their systems.

Under the Hertfordshire Pathfinder the Council is looking at options for joint working and other options for service delivery and this includes the Revenues and Benefits service. By improving the efficiency and effectiveness of the service the implementation of

the proposals set out here will better position the Council to take forward those options.

Summary Business Case

2.6 The initial list price of the software and services offered by Capita would be £271K. Officers have negotiated substantial savings on this price and an agreement with Capita to put a proportion of this sum at Capita’s risk.

2.7 The base case shows a cost/savings equation giving a breakeven period in year 2. In keeping with the Council’s accounting policy of depreciating intangible assets over 5 years the business case is looked at over this period and in summary shows:

<i>All figures £000’s and rounded to nearest £000</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital	<u>223</u>				
Revenue					
Costs (licence fee)	40	40	40	40	40
Saving	<u>151</u>	<u>167</u>	<u>191</u>	<u>206</u>	<u>230</u>
Net in year	<u>-111</u>	<u>-127</u>	<u>-151</u>	<u>-166</u>	<u>-190</u>
Cumulative	<u>112</u>	<u>- 15</u>	<u>-166</u>	<u>-332</u>	<u>- 522</u>

2.8 The discussions with Capita about the pace of delivery of savings centred on those linked to the take up of the “e-options” such as “e-claim” form where 90% processing by year 5 is the target and similarly, moving to e-billing with a target achievement of 55% take up by year 5.

2.9 To be prudent therefore the business case has been tested by discounting savings by 25% and 50% over the first 5 years.

2.10 The cost/savings equation on the assumption of only 75% of savings being delivered gives a breakeven period in year 3 and becomes:

<i>All figures £000's and rounded to nearest £000</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital	<u>223</u>				
Revenue					
Costs (licence fee)	40	40	40	40	40
Saving	<u>114</u>	<u>125</u>	<u>143</u>	<u>154</u>	<u>173</u>
Net in year	<u>-74</u>	<u>-85</u>	<u>-103</u>	<u>-114</u>	<u>-133</u>
Cumulative	<u>149</u>	<u>64</u>	<u>-39</u>	<u>-153</u>	<u>-286</u>

- 2.11 The cost/savings equation on the assumption of 50% of savings being delivered gives a breakeven in year 4 (based on recovery of the fee at risk) or year 5 and becomes:

<i>All figures £000's and rounded to nearest £000</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital	<u>223</u>				
Revenue					
Costs (licence fee)	40	40	40	40	40
Saving	<u>-75</u>	<u>-83</u>	<u>-95</u>	<u>-103</u>	<u>-115</u>
Net in year	<u>-35</u>	<u>-43</u>	<u>-55</u>	<u>-63</u>	<u>-75</u>
Cumulative	<u>188</u>	<u>145</u>	<u>90</u>	<u>27</u>	<u>-100</u>
Recovery of Funding at Risk (subject to final terms)				-52	

- 2.12 This analysis suggests that even with heavily discounted savings the investment remains worthwhile.

Delivery and application of cashable savings

- 2.13 The service is struggling to cope with a surge in benefit claims particularly since July 2008. In the short term overtime working and application of the second tranche of government grant are

being used to keep on top of the caseload. However, performance initially slipped significantly in terms of days taken to process claims and the continued recovery has been dependent on weekend overtime for which there is no sustainable funding. The impact of the increased caseload on performance prior to the increases in resources is illustrated by the increase in May 2009 to 34 days from around 10 days in the time to process claims.

2.14 In the first instance therefore it is proposed that cashable savings from the investment be applied to the extent necessary to continue to address the increased benefits caseload. Release of cashable savings will therefore be dependent on the extent of any continuing support by way of specific grant from the government for benefits administration (nothing is known for 2010/11) and the pace at which case load falls back to July 2008 levels which were:

A. Active cases 6200

B New claims received 250 per month

3.0 Other options

3.1 The C3W Programme Board and IT managers have been consulted on this proposal. In house IT are confident we have the capability to deliver this work in-house but not the capacity at present in the light of the role out of Home and remote working plus ERDMS. Consideration has been gone into enhancing in house capacity however with this option the risk and reward element of the proposal would be lost and the timing of implementation deferred.

3.2 The proposal is to invest in further modules of the Council's existing software used for revenues and benefits. Other solutions might be applied: however, there is a limited supplier base for these systems and alternative solutions would require the replacement of the current application involving significant additional costs and service risks of transition.

3.3 Similarly other options have been considered for implementation support. Given that Capita's support option offers greatest familiarity with their application plus their putting over 70% of their fee at risk these options have been discounted.

Background Papers:

None

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ESSENTIAL REFERENCE PAPER 'A9'

<p>Contribution to the Council's Corporate Priorities/Objectives (delete as appropriate):</p>	<p>Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p>Promoting prosperity and well-being; providing access and opportunities <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p>
<p>Consultation:</p>	<p>With Programme Board</p>
<p>Legal:</p>	<p>Capita are sole suppliers of modules for the Academy software</p>
<p>Financial:</p>	<p>As set out in the report. The capital investment will require a supplementary estimate to the capital programme.</p>
<p>Human Resource:</p>	<p>Efficiency savings will be delivered by reductions in staffing. The Council's HR policies will apply in the event of a need for redeployment or redundancy.</p>
<p>Risk Management:</p>	<p>Implementation will be timed to avoid year end peak workloads. The buying in of implementation support will address risks from over stretching in house resources.</p>