

Revenues and Benefits Shared Service for East Herts and Stevenage **Business Case**



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East Herts and Stevenage
Business Case

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1. Purpose

- 1.1 This document sets out the business case for sharing Housing Benefit and Local Taxation services between East Herts Council (EHC) and Stevenage Borough Council (SBC). It outlines the key areas considered by the joint project team and sets out a preferred option for consideration by the Executives at both Councils.
- 1.2 Financial pressures on local Councils will be challenging for the foreseeable future. Both Stevenage Borough Council and East Herts Council have commendable track records in delivering efficiency savings. However, the savings challenges ahead, on top of savings already achieved, makes further efficiencies of the scale required impossible to deliver, without considering an alternative delivery model for the services they provide.
- 1.3 Both Councils have already committed to a shared services agenda. Housing Benefits and Local Taxation services in the two Councils are now jointly managed. In February 2011 both Executives agreed to pursue a business case for sharing support services. Sharing services provides an opportunity to drive out efficiencies and achieve greater resilience than would be available when delivering smaller scale operations individually in the respective Councils.
- 1.4 A successful shared service will create opportunities for future savings by the addition of one or more partners and would likely be more attractive to the market, If this option is one which the Council's wish to explore in the future.

2. Background

- 2.1 The cuts to funding for local government first announced at the end of May 2010 and in the budget of June 2010, reinforced the need to reduce costs and improve efficiency across all services. SBC changed software systems from Pericles to Capita in November 2009. This move makes the shared service proposals possible, as this is the software system used by EHC. In addition, EHC has already approved investment in ICT to increase productivity within the Revenues and Benefits services, but this will not suffice. There are limits to what can be achieved working in isolation and the sharing of services opens opportunities for other efficiencies. The coalition government has stressed how partnership working must be used to deliver efficiencies.
- 2.2 It is consequently imperative that both Councils take a proactive approach in seeking and developing this shared service opportunity.
- 2.3 In Hertfordshire, examples of outsourcing and large scale multi service mergers have taken place. However, this is the first shared service proposal that is specifically about Revenues and Benefits.
- 2.4 The Government's welfare agenda includes centralising fraud investigation, the launch of the Universal Credit, as well as a reform of a local Council Tax benefit. Explicit details of the impact of each of these developments are yet to be finalised by central Government, but are not considered to negatively impact on the value of the business case. Implementing change on one site will be more cost effective than duplicating this on two sites. The Government's proposals do not include local taxation and business rates, and it is considered likely that there will be a role for local Councils in the residual Benefits administration. This reinforces the need to work in collaboration.

3. Executive Summary

3.1 This business case proposes that:

- A single shared service is set up to deliver Housing Benefits, Council Tax, National Non Domestic Rates (NNDR) and Benefit Fraud Investigation services.
- The shared service is “hosted” by EHC. This means in effect that the service will be delivered operationally by officers employed by EHC. Support services, such as, Human Resources, Information and Communications Technology and Facilities Management, will be provided to the shared service by EHC.
- The Shared Service will be operationally accountable to a joint officer board, consisting of the Chief Financial Officers in the two Councils and to a joint committee of Members from each Council. It is envisaged that the joint committee will meet two or three times each year.
- The shared service “hub” (administrative base) will be based in Hertford supported by homeworking, flexible working and remote working policies.
- Local service identity will be retained from the customers’ perspective. This will include the retention of separate SBC and EHC letter headings, with face to face customer contact retained through the existing customer services arrangements at each Council in Stevenage, Bishop’s Stortford and Hertford.
- Each Council retains control over discretionary areas of the service, such as discretionary rate relief.
- Staff are managed as part of a single service with harmonised business processes, one operational structure and common terms and conditions of service.
- The savings deliverable through these proposals are summarised below:

2012/13 £133,000
2013/14 onwards £173,000

The financial information relating to the proposal, clearly sets out immediate savings of £132,860 in the first year after ‘go live’, followed by ongoing savings of £172,860. These are largely achievable from reduced staff costs, with other savings derived from achieving economies of scale

3.2 An indicative implementation timetable, based on the conclusion from this Business Case, is summarised below:

Reports to Executives	June 2011
➤ Staff & union consultation	June / July 2011
➤ Transfer SBC staff to EHC	August 2011
➤ Selection process	September 2011
➤ Appointments to new structure	October 2011
➤ Transition period	Phased 2011
➤ ‘Go-live’ with single service	December 2011

4. Key Requirements

- 4.1 Key requirements against which the business case must be tested were developed by the Strategic Director (Resources) (SBC) and the Director of Internal Services (EHC), with the Head of Service, for the purposes of shaping this Business Case.
- 4.2 The requirements reflect both Councils commitment to excellent customer service, whilst demonstrating ongoing value for money, and building both flexibility and strength into future service delivery.
- 4.3 By working together, sharing technology and skills, opportunities arise to place the Councils in a strong position for the future. Key areas of strength are:
- Robust service, with greater flexibility to meet future demands
 - High and stable performance
 - Efficiencies and cost reductions, with value for money
 - Flexible and adaptable workforce that can meet service demands
 - Motivated workforce that can achieve work life balance by flexible working practices
 - Greater development and career opportunities for staff.
- 4.4 Success will create a platform on which to attract additional partners and drive out further savings and efficiencies.
- 4.5 Economies of scale in the operation of the services will create scope for both excellent performance and sustainable efficiencies.

4.6 Scope

- 4.6.1 The scope of this Business Case is summarised in the table below.

SBC and EHC
Benefits All aspects of the administration of the Benefits scheme. Including assessment, payment and the recovery of overpayments.
Local Taxation All aspects of the administration of Council Tax and Business Rates. Including billing, collection and recovery of arrears.
Fraud All aspects of the investigation, detection and prevention of benefit fraud.

4.7 Exclusions

- 4.7.1 The Revenues structure at SBC historically includes Cashiers and the Security Team, which are excluded from the scope of the Business Case. Alternative management arrangements for both of those services have been put in place. In making those arrangements, opportunities have been taken to consider alternative ways of providing those services, which may also deliver savings.
- 4.7.2 At EHC the Revenues and Benefits structure includes Sundry Debtors, which falls outside the scope of the Business Case. Alternative management arrangements have been agreed.

- 4.7.3 The scope embraces all activities that are core to the delivery of effective and efficient Revenues and Benefits services. These are the functions upon which the achievement of savings, the strengthening of resilience and the stabilising of performance should be focused.
- 4.7.4 Some activities and processes are conducted in part by Revenues and Benefits and in part by separate service areas, examples include financial reconciliation, post opening, post dispatch and IT system administration. As part of the implementation of a shared service, these processes will be redesigned to bring clarity and agreement on demarcation between service areas.
- 4.7.5 Both Councils retain their separate responsibilities for exercising discretions, for example, second homes relief and discretionary business rate relief. Receipt of income and payments in respect of taxes and benefits, will continue to flow in and from each Council's bank account as now.

5. Current Position

- 5.1 Structurally and in terms of business processes, both EHC and SBC Revenues and Benefits services are broadly similar. The services have several operational features in common, significantly being on the same IT system, although there are some differences in the geographical size and customer base.
- 5.2 Both sites are vulnerable to changes in the demands on their services. The creation of a larger single workforce will substantially improve the ability of the services to respond effectively to those fluctuations.
- 5.3 The comparative similarities create a strong foundation on which to develop a single shared service
- 5.4 Other features of the two Revenues and Benefits services are set out in **Appendix 1**.

6. Preferred Option: Key Decision Areas

- 6.1 The Revenues and Benefits Joint Working project team identified areas, key to the Business Case on which a recommendation to follow a particular direction would need to be agreed by the Strategic Director (Resources) (SBC) and the Director of Internal Services (EHC). Agreement was facilitated through workshop sessions, supported by working papers which set out relevant material for consideration. Direction on preferred options was given at regular Project Sponsor meetings.
- 6.2 In order to reach a recommendation for the Executives on each of the key areas, the Directors considered timescales for implementation, costs, the readiness of each Council to deliver in key areas and the potential impact on both Councils.

6.3 Customer Interface

- 6.3.1 As excellent customer service is core to these functions it is essential to maintain a walk-in customer interface in Stevenage, Bishop's Stortford and Hertford. At the EHC sites, Revenues and Benefits customers will be served by dedicated officers from within the shared service. At Stevenage the current service provided by the Customer Service Centre (CSC) staff will be maintained.

- 6.3.2 For telephone customers, all calls will be resolved by officers working within the shared service. At Stevenage this means that calls will no longer be resolved by the Customer Service Centre.
- 6.3.3 High priority will be given to the delivery of effective customer interfaces and this will include a review of all contact channels. There may be scope to develop the role of the SBC CSC in handling Revenues and Benefits calls in the future, but this will be subject to an evaluation after the shared service has gone live.
- 6.3.4 Initially, customers will experience little or no difference in the 'look and feel' of the service they receive, whether calling in person, calling by phone or receiving written communication. However, after the service has bedded down following go-live, the roll out of customer service improvements, such as more self service will be developed.

6.4 Accommodation and Facilities Management

- 6.4.1 The shared service vision features one 'host' Council, providing accommodation and facilities management, as well as all other support services. The main criteria used to consider options for locating a shared service were costs and availability.
- 6.4.2 To gain maximum efficiencies from the shared service, it will be necessary to manage the shared service from a single location. The main benefits of doing this over a two site option are:
- Management will be reduced
 - Resilience improved
 - Teams become cohesive and more effective
 - Career prospects for staff within the service are improved
 - A more efficient IT solution can be created
 - Office accommodation at one site can be released
- 6.4.3 EHC is in the process of refurbishing offices at Wallfields in Hertford, to be completed for the relocation of staff from Bishop's Stortford by July 2011. This will provide a working environment designed around well established working practices such as homeworking and flexible working, which will be key to the success of a shared Revenues and Benefits Service.
- 6.4.4 As the service will comprise a mix of office based staff, homeworkers and outside officers (remote workers), the accommodation has been designed specifically to meet the needs of the various flexible working patterns followed by those officers.
- 6.4.5 In essence, EHC accommodation and working practices associated with use of accommodation will be in the best state of readiness to facilitate the implementation of a shared service, and is also less expensive.
- 6.4.6 In the case of SBC staff, these proposals provide the basis to revise current work practices, with relevant staff provided with the opportunity, equipment and training, to work from home as well as in the office. Individual working arrangements would be agreed between management and staff, and so support an efficient cost-effective and productive workforce. SBC staff consultation is taking place on applying these policies and practices.

6.5 Technology

- 6.5.1 A Revenues and Benefits Service cannot be provided without fit for purpose, up-to-date and well supported IT systems. If any aspect of the IT is inadequate, it will have a direct impact on customer service and business performance levels.
- 6.5.2 Currently, both Councils have the same Revenues and Benefits software system, which meets the needs of both services. This provides a sound platform on which further IT commonality can be built. Having a single IT solution will underpin the ability of the shared service to achieve economies of scale, realise efficiencies and deliver future customer service improvements.
- 6.5.3 Initial timescales and potential costs of moving to a single IT solution have been estimated. This has informed the 'Finance' section of this document.
- 6.5.4 A data link between the EHC and SBC networks will be required wherever the single Revenues and Benefits Service is located. This link is needed to exchange data between the two sites. Such data will include images of documents that customers have brought into the SBC Customer Service Centre, as well as a range of interfaces with the SBC's financial information system.
- 6.5.5 In the interest of efficiency and effectiveness, the provision of ICT Services should be co-located with the shared service 'hub'. Given that the EHC Wallfields site is in an advanced state of readiness to support the preferred option for a shared service 'hub', it follows that the ICT needs of the shared service should be provided from there.

6.6 Change Management

- 6.6.1 The law is unclear on whether or not the Transfer of Undertakings (Protection of Employment) Regulations, known as TUPE would apply to SBC Revenues and Benefits staff in the event that their work is transferred to EHC. However, having due regard to statutory guidance relating to this question, a view has been taken by Solicitors and Heads of HR at both Councils, that in transferring SBC staff to EHC the principles of TUPE should be applied.
- 6.6.2 This means that in moving SBC staff to become employees of EHC, protection will be afforded to their terms and conditions of employment through the transfer of employment.
- 6.6.3 The approach proposed for EHC staff is based around following the EHC procedures for a re-structure.
- 6.6.4 A recruitment and selection process will be run for both staff groups simultaneously, ensuring every member of staff is treated equitably, regardless of their original employer.
- 6.6.5 Some staff may become at risk of redundancy through this process. However over the last year as vacancies have arisen, these have been filled by a combination of fixed term contracts, and other temporary solutions, where possible. This forward planning will reduce the number of staff that may be put at risk.
- 6.6.6 In line with good practice, staff consultation has already started on some elements of this Business Case, the feedback from which is included in covering reports to Executives. That consultation has included regular project sponsor meetings at Stevenage with 'Change Champions' from the Revenues, Benefits and Anti-Fraud sections. Staff and unions at both Councils have been provided with the same consultation documents, including a proposed joint recruitment and selection policy, flexible and home-working policies and an outline staff structure chart. In addition, staff briefings have taken place and one-to-one meetings

offered. Questions and answers from both staff groups have been published on both intranets.

6.6.7 Arrangements were put in place for staff to feedback on the consultation through a variety of means, including face to face with their manager and an HR professional, in writing or by email. SBC staff have had the opportunity to complete a questionnaire in regard to the new working patterns proposed as EHC have been flexibly working since 2009. The questionnaire will be used to identify additional concerns and issues the project team have to address.

6.6.8 Two periods of consultation on proposals have been scheduled. Firstly, a 30 day period ending on the 9th May 2011, for staff and unions to give their initial feedback. A second 30 day period will be set aside for staff and union consultation, should the Executives agree the recommendations in June 2011.

6.6.9 An evaluation of the feedback from staff has identified concerns in general regarding the details of the transfer and selection process. These concerns will be addressed through the change management process.

6.6.10 The summary timetable for staff is as follows:

- **Staff & union consultation** **08/04/11 to 08/05/11**
- **Reports to Executives** **June 2011**
- **Staff & union consultation** **June / July 2011**
- **Transfer SBC staff to EHC** **August 2011**
- **Selection process** **September 2011**
- **Appointments to new structure** **October 2011**
- **Transition period** **Phased 2011**
- **'Go-live' with single service** **December 2011**

6.6.11 Consultation has started with recognised unions at both EHC and SBC. Individual and joint union meetings have been held. Consultation will continue throughout the process.

6.6.12 Change management is instrumental to the success of a Revenue and Benefits shared service, on which an overall implementation plan will be dependent. Given the importance of this specialist area, dedicated support from HR Officers at both Councils are regarded as essential.

6.7 Structure & Jobs

6.7.1 Currently, each Council has a small to medium sized Revenues and Benefits Service, with some duplication in management and other functions. A single service allows efficiencies to be taken from a streamlined structure and from ancillary costs, such as those for staff training and IT licences.

6.7.2 A new single structure will provide stronger resilience in service delivery at lower cost, than either Council could achieve if the services remained separate.

- 6.7.3 The structure supports the core functions of Revenues and Benefits processing and Fraud investigation, underpinned by specialist support teams to ensure IT integrity and compliance with local and statutory activities. **See Appendix 2.**
- 6.7.4 The operational model has been designed to ensure that good quality service is maintained, with capacity to improve in areas where it is needed. The management structure is streamlined, enabling significant savings to be delivered.
- 6.7.5 An option to operate the shared service from a single 'hub', with one 'host' Council is accompanied by a desire to move staff from both Councils to common terms and conditions of employment. This would remove the risk of equal pay claims arising and avoid the unsatisfactory possibility of having staff from different organisations doing the same job, but on different job grades.
- 6.7.6 Whilst it would be possible to introduce common terms and conditions for both staff groups without having a single employer, this would create unacceptable anomalies and new risks for both organisations.
- 6.7.7 New jobs descriptions have been designed so that staff at all levels are transferable across that level, if necessary, whilst retaining specific professional areas of expertise for their routine key area of activity. This builds in flexibility for moving staff across work areas, in response to changing work demands.
- 6.7.8 Key specialist functions are:
- ▶ **Systems Administration** and service support is essential to a Revenues and Benefits service, which is entirely dependent on the effective operation of IT systems.
 - ▶ **Outside Officers (remote workers)** roles, which include rating inspections and welfare visits, are assimilated in order to give resilience and avoid duplication across a large geographical area.
 - ▶ **Customer Support Officers** provide administrative support to the whole service. They carry out a range of activities to support the work of the professional officers, as well as being the front line customer interface on the phone and face to face at EHC sites.
 - ▶ **Fraud** staff are specialist, trained officers who focus on anti-fraud work. These posts sit in a section alongside officers conducting **Control** and reconciliation activities necessary for the entire service. The recovery of overpaid Housing Benefit is also dealt with in this area. Those staff also ensure that statutory returns are sent on time and that audit recommendations are complied with. Internal training is co-ordinated by this section.
- 6.7.9 The take up of home and flexible working are key characteristics of this model, as efficiencies can be achieved through reduced sickness levels, increased staff retention and improved productivity. This is a new opportunity for SBC staff to take advantage of more flexible working patterns which may improve work life balance.

6.8 Governance & Management Arrangements

- 6.8.1 Control of the service needs to be kept close to Members and Officers at both Councils, with the authority to take policy decisions retained by both Executives.
- 6.8.2 Initially, a range of options for governance and management arrangements were considered. These include establishing a separate company limited by shares or limited by guarantee, a limited liability partnership or a joint committee and a joint management board.

There is a desire shared by both Councils to keep governance arrangements simple to maintain, affordable and which fits well with a local government ethos.

- 6.8.3 The option which most closely meets the criteria is a joint committee and a joint management board. This option provides access to the service and control of the service for Officers and Members not offered by other governance options. Draft terms of reference are given at **Appendix 3**.
- 6.8.4 Whilst the business of a joint committee would be focused on issues such as budgets and service plans, responsibilities for operational management would rest with a joint management board. This would comprise of the Chief Finance Officers from each Council, the Head of the shared service, with specialist support from other Officers as required.
- 6.8.5 The option to create a shared Revenues and Benefits service with Stevenage Borough Council under a joint governance model has already been approved by EHC Executive on 12th October 2010, subject to this business case.
- 6.8.6 In the event that either Council wishes to disengage from a shared service arrangement, the decision may be taken quickly and easily by a decision of either Executive. The implementation of such a decision would need careful planning and resourcing between both Councils.
- 6.8.7 Subject to the acceptance of this business case, a separate written agreement reflecting all the appropriate aspects will be drawn up.

7. Anticipated Benefits

- 7.1 The proposed model for a shared Revenues and Benefits service provides the opportunity to realise benefits which link directly to the project objectives around efficiencies, performance and resilience.
- 7.2 The financial information relating to the proposal, clearly sets out immediate savings of £132,860 in the first year after 'go live', followed by ongoing savings of £172,860. These are largely achievable from reduced staff costs, with other savings derived from achieving economies of scale.
- 7.3 Savings have already been achieved as part of the Interim Joint Management Team arrangements, giving total savings of more than £200,000.
- 7.4 As business processes are assimilated, redesigned and streamlined, there is the potential to drive out further sustainable savings.
- 7.5 Shared staff skills and knowledge, coupled with a robust staff structure, designed around core business activities of paying benefits and collecting taxes, will enable the stabilisation of performance across the whole business. Once performance has been stabilised, challenging targets will be set, to bring all performance measures into the 'excellent' category.
- 7.6 In bringing together the resources and expertise of two services, levels of strength in resilience will be achieved, which could not be matched if the two services remain separate. The size of the shared service combined with the professional expertise should strengthen confidence for both Councils in the capability of the service to face the vagaries of the service as well as future service challenges, whether they come from legislative changes, customer demand or efficiency targets.

7.7 Once the shared service has 'bedded in' customers from Stevenage and the East Herts district will enjoy a reliable level of service delivery at reduced costs. Once the shared service has been established, good practices in customer service from each Council will be rolled out across both customer groups.

8. Finance

- 8.1 A collaborative approach was taken to the construction of a comparable base budget for the Revenues and Benefits services of both Councils, as a foundation for agreeing how costs and savings will be shared and accounted for. The agreed form and content of the base budgets serves as the platform on which future years budgets for a single Revenues and Benefits Service will be managed.
- 8.2 The financial assumptions made in creating a base budget have been made using information contained in the 2011/12 revenue budgets, for each Council's Council Tax, Business Rates, Benefits and Anti- Fraud services.
- 8.3 The base budget was constructed across the headings detailed below.
- 8.3.1 **Shared service operation**
Indicative operating costs, salaries and ongoing costs associated with the set up of the shared service.
- 8.3.2 **Shared service specific costs**
Costs which are either, paid by one Council but directly recharged to the other Council, or are local to one Council and therefore not part of the shared service.
- 8.3.3 **Set up costs**
Details of one off set up costs, known at the time of producing this report, are included in this section.
- 8.3.4 **Diminishing overheads**
Details of support service costs retained by the non-host Council and the proportions likely to be released into the savings model over a three year period.
- 8.3.5 **Retained costs & income**
Costs retained by each Council that do not form part of the shared service budget. These reflect the core payment of Benefits and receipt of subsidy. Costs for local service delivery choices, including the walk in service at each site. Capital recharges, depreciation etc.
- 8.4. It is the shared service operation budget, affected by the diminishing overheads budgets release of savings, which produce the indicative savings that could be generated by the creation of a shared service.
- 8.5 **Appendix 4** details the above analysis, and demonstrates savings over a three year period.
- 8.6 The model indicates potential savings compared with the indicative base budget as follows:

Year	Saving
2012/13	£132 860
2013/14	£172 860
2014/15	£172 860

- 8.7 Following implementation of a joint management team, savings have already been secured by each Council (see below). These are in addition to those forecasted for the shared service.

(SBC) Head of Service post	£50,000 in 2010/11 and £37,500 in 2011/12
(EHC) Interim Joint management team income	£20,000 in 2010/11 and £32,900 in 2011/12

8.8 **Costs & savings sharing model**

Consideration was given to various models of sharing costs and savings, reflecting differences in the size of each Councils tax base, Benefits caseload etc. It became apparent however that these models would not adequately reflect the need for an extended period of transition, as one Council had retained support costs to discharge.

- 8.9 It was also recognised that neither Council could achieve these savings in isolation. Accordingly, it is proposed that set up costs and savings are shared 50:50 for the first three full years of the shared service. A subsequent review will be carried out to identify if this is a sustainable model beyond that date.
- 8.10 During this first three year period, key changes proposed by central Government, such as the implementation of universal credit and the creation of a national anti-fraud service will impact on the single Benefits and Revenues Service. That impact is not fully understood at this stage, but as more information about the Government's proposal become available, it may be necessary to review budget sharing arrangements.

8.11 Other Finance Decisions

8.11.1 **Ad hoc funding**

It is not uncommon for the Department of Work and Pensions and the Department of Communities and Local Government to require activities and changes in processes to be administered at short notice. The pattern has been for ad hoc funding to be awarded to Councils, to reflect the additional costs associated with these tasks. In most cases the funding is to reflect charges from software suppliers who carry out system upgrades. It is proposed therefore that all ad hoc funding will be added to the shared service budget to enable the required activities to be carried out.

8.11.2 **Contingency fund**

It is proposed that each Council commits to the availability of an additional £25,000 to cover any unanticipated costs associated with the setting up and bedding down of the shared service.

8.11.3 **Pension back funding**

It is proposed that only current pension commitments are reflected in the shared service budget model.

8.11.4 **Medium Term Financial Strategy**

It is proposed that savings from the shared service will meet existing commitments in the Council's respective medium term financial strategies and will not count as additional income streams, unless they exceed those strategy commitments.

8.11.5 **Future savings**

It is anticipated that future savings may be released from the service once processes and procedures have been reviewed and redesigned.

Any Council wishing to join the shared service will be assessed on the potential overall impact on the shared service and the ability to release improved savings for all parties.

8.11.6 **Financial management**

Both Councils will continue to receive income streams directly from customers and Government agencies, ensuring cash flows are maintained. Payments between Councils are proposed to be made monthly.

Both Councils will retain separate financial records for reporting and audit purposes.

9. Legal Considerations

9.1 With a proposal to share a service such as Revenues and Benefits between two Councils, without creating a separate legal entity such as a company, there is power available to facilitate this. In general, the law permits a local Council, or its Executive, to arrange for another Council, or its Executive to discharge a function on its behalf, and for that other Council, or its Executive to do it.

9.2 In pursuing this option, attention will need to be given to matters of administrative detail, such as:

- the application of standing orders
- financial regulations
- regulation of investigatory powers
- the relationship of the Chief Finance Officers
- complaints and ombudsman issues

9.3 Details aside, the three main areas of concern to be addressed first, are Procurement, Governance and Human Resources.

9.4 Procurement

9.4.1 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.

9.5 Governance

9.5.1 Legislation allows for the delegation of decision taking powers between district Councils. In delegating responsibility to EHC for administering the Benefits scheme and the collection of Local Taxes, SBC will retain as Executive decisions, all policy matters relating to those services.

9.6 Human Resources

9.6.1 The proposed approach to transferring staff follows statutory guidance and provides protection to staff terms and conditions of employment, about which the law is otherwise unclear. This puts the Councils on a reasonably sure footing in an area that has not been tested in the courts. The proposal to move to a new structure fairly quickly after the staff transfer should mitigate against any issues associated with equal pay.

9.7 Data Protection

9.71 With EHC taking the lead and being the main service provider and employer, SBC's Data Protection registration may need updating to reflect transfer of data to EHC.

9.72 SBC will also need a Data Sharing Agreement between the two participating Councils.

10. Equalities

10.1 As service providers, both SBC and EHC are committed to equal opportunities and fair access to services for everyone, no matter what their race, ethnic or national origin, religious belief, disability, age, sex, sexuality, marital status or income.

10.2 Equalities impact assessments (EAI) have been conducted for EHC and SBC. The work force is predominately female and there are Disability Discrimination Act (DDA) issues that will need to be addressed. There is a possibility of an unequal impact if appropriate policies and procedures are not carried through and implemented correctly; for example the recruitment and selection procedure and flexible working policy. These issues will be addressed during the consultation and TUPE transfer process. DDA issues will need to be addressed under the Equalities Act.

At this stage, no discernable equalities impact on staff have been identified.

10.3 Equalities impact assessments have been completed by both EHC and SBC from the customers perspective. Those assessments identified no equalities implications at this stage. However a further review will be undertaken as part of the implementation process should approval be given.

10.4 The completion of equality impact assessments help ensure that proposals arising from this business case will be developed in a fair, transparent and accountable way.

11. Risks

11.1 There are risks in implementing a shared service, which are summarised in the table below, together with suitable mitigation. An appropriate entry will be made in both Councils strategic risk registers, should a decision be taken to proceed with implementation.

Risk		Mitigation
Failing to gain or maintain support from the top.	Support from Senior Officers and /or Members is not as strong as required. This presents difficulties in securing commitment to the vision and for obtaining resources needed to implement changes.	The business case must be convincing. Through consultation and engagement with those at the top, understand their concerns and address them
Availability of appropriate resources	Appropriate resources which are essential for implementation, such as specialist IT, Accounting or HR staff are not available.	The project sponsor is responsible for ensuring that adequate resources are made available to the project, in a timely manner.
Lack of experience in partnership working	Poor cross-organisational and inter-departmental collaboration, with entrenched local interests and little commitment to work in partnership.	Develop a comprehensive communications plan. Create opportunities for Officers to meet and explore common ground, focusing on areas of mutual interests. Make key information available about governance and

		management arrangements.
Staff turnover increases and/or morale reduces in critical areas.	Staff turnover and/or morale is impacted by uncertainties about the future. This could lead to shortage of knowledge and experience needed for managing transition to a single service.	Ensure timely and appropriate communication with staff about the change. Be clear about how jobs will be affected by moving to a single service, focusing on potential incentives and benefits in new working arrangements.
Redesign of business processes is poor or incomplete.	Service delivery will be inefficient and unacceptable error levels likely to arise. Resources would need to be diverted to repair the situation.	Ensure that a prioritised plan for process re-design is agreed, resourced adequately by systems and business analysts.
Technology is inadequate.	Technology requirements are poorly or incompletely understood. This leads to extra time and resource requirements in order to achieve satisfactory service delivery.	Involve professional business and systems analysts, together with staff, users and suppliers, with a clear brief on business needs and quality standards.
Negative messages pass into circulation about the shared service.	Negative messages may circulate, through the grapevine or from newspaper reports.	Create an effective communications plan, to help ensure that media relations and stakeholder relationships are professionally managed.
Time and energy are diverted into repairing labour relations.	Management time is spent repairing labour relations, at the expense of delivering future improvements and efficiencies.	Lead from the top, supported by HR professionals, to engage with staff representatives, trades unions. Recognise and deal with staff concerns in advance of change and explain benefits that it may bring them.
Slippage.	Unexpected events or poor estimates of the anticipated duration of activities will delay 'go-live', compromising the achievement of savings and adding costs.	Apply rigour to the production and review or implementation plans, especially the IT implementation plan. Take account of the views of specialist IT Officers and reach agreement on projected timescales.

11.2 Should implementation proceed, risks associated with that phase will be recorded in an implementation risk register and regulated either through project management protocols or through the shared service management structure, as appropriate.

11.3 The greatest risk on timescale and cost lies in IT implementation. A robust and realistic contingency plan should be developed.

12. Consultation

12.1 Details of the approach being taken to staff and union consultation are given in the '**Change Management**' section above.

12.2 At the time of writing this document the main concerns raised by staff are the details of the transfer and selection process. These are being addressed through the consultation process. A question and answer document has been produced, which lists all the questions raised by staff and unions and the responses given.

12.3 In summary the concerns raised by the EHC unions are; the selection process, generic job descriptions/grades, and career paths/opportunities for staff. These again are being

addressed throughout the consultation process and consideration is being given to the points raised. There has been no formal feedback from Unions at SBC.

13. Implementation

13.1 Key dependencies exist between setting up the technology (core ICT systems configuration, document image data migration, telephony and network links), satisfactory movement of staff to the new working arrangements and readiness of accommodation for the 'hub'. In simple terms, the staff cannot move until all statutory HR requirements have been satisfied and the accommodation is ready, with the ICT in place.

13.2 Once those three key building blocks have been put in place (technology, staff and accommodation) the next major implementation phase can start. This will involve the redesign of business processes in order to deliver future savings and customer benefits and to ensure that one common set of operational procedures are being followed.

13.3 Successful implementation will be dependent on dedicated specialist support in four areas:

13.3.1 **Technology**

An ICT specialist with a sound knowledge of the systems, network and interface arrangements between both Councils is needed to project manage the implementation of new ICT and telephony arrangements. This is an area of key risk around slippage and requires dedicated support.

13.3.2 **Change management**

Professional HR support, with specialist skills and knowledge in managing staff through unsettling times of change is essential. This support cuts across both Councils in addressing concerns and issues both before and after the proposed transfer of employment. It is important to address workforce needs in a timely and effective manner, to help maintain staff morale and reduce the impact on service performance

13.3.3 **Business re-design**

Following 'go-live', a comprehensive review and re-design of the business processes across the whole of the single service will be scoped, planned and undertaken. The 'back office' processes within the Benefits and Local Taxation services are varied and complex, with many inter-dependencies both within and outwith the service. Specialist business and system analyst resources will be needed to complete this work.

13.3.4 **Project management**

Given the scale, variety and complexity of the phases of work that will need to be completed in order to achieve the vision, sound project management principles need to be applied to the implementation of a single, shared service. A dedicated project manager will co-ordinate the delivery of an overall project plan, whilst allowing the new management team to focus on operational matters.

An outline implementation plan is shown at **Appendix 5**.

13.4 In addition to a detailed overall project implementation plan, a comprehensive stakeholder communication plan will be used to help manage relationships with the various stakeholders in the service.

14. Conclusion

- 14.1 Closer working between the two Councils has already demonstrated the capacity to make significant savings. Further savings and efficiencies will be achieved through the creation of a shared service which enables streamlining of both structures and processes.
- 14.2 The shared service option poses risks, but these can be confidently managed.
- 14.3 There will be a significant strengthening of service resilience after go-live. The changes to business processes will ensure delivery of performance improvement is achieved and savings will be released.
- 14.4 Overall, the business case must be measured on the extent to which the objectives are likely to be met, within acceptable timescales. The levels of anticipated savings, combined with early delivery, are such that the business case is regarded as persuasive.
- 14.5 Recommendations by way of proposals to create a single shared Revenues and Benefits Service are the subject of separate reports to the Executives of EHC and SBC.

Key features of the Revenues and Benefits Services

Appendix 1

Customer base	EHC Revenues and Benefits	SBC Revenues and Benefits
Population of the district / borough	138,114	81,074
Geographical size of the district/borough	184 sq miles	10 sq miles

Local Taxation	EHC Revenues and Benefits	SBC Revenues and Benefits
Tax base for 2010/11	57,790.60	28,570.81
Tax Collectable debit 2010/11	£85.9 million	£41.6 million
NNDR (Business rates) properties 2010/11	4096	2004
NNDR (Business rates) collectable debit 2010/11	£40 million	£44 million

The combined Revenues and Benefits services collect in excess of £200 million of local taxes and pay out more than £70 million of benefits each year. These services are delivered to every household and business in the Councils' districts.

Benefit service	EHC Revenues and Benefits	SBC Revenues and Benefits
Claimants at 01/02/11	7,514	8,700
Claims at 01/02/11	12,720	14,988
Housing & Council Tax Benefit paid 2010/11	£34.7 million	£39.7 million

The main difference between the nature of benefit caseloads arises from the different decisions taken around each Council's housing stock. In the case of EHC, the stock was transferred to two registered social landlords, and subsequently tenants claim rent allowance. In the case of SBC, the stock remains the property of the Council, with tenants claiming rent rebate.

Managing this difference is a simply issue of ensuring that cross-training of staff is completed at the earliest opportunity.

Benefits service growth in caseload	EHC Revenues and Benefits	SBC Revenues and Benefits
2008/09	9.20%	5.81%
2009/10	9.38%	4.06%
2010/11	2.42%	4.08%

Both services have experienced significant caseload growth since mid 2008/09, as a result of current economic conditions. This growth impacts on the performance of processing and assessing new claims. It has also created on-going pressures associated with maintaining larger caseloads.

Maintaining good performance levels in this environment has been challenging. A need to create additional capacity within the EHC service was addressed by investing in new IT solutions, including customer self service and mobile working modules. These innovations are being rolled-out during 2011/12.

The economic downturn has meant added difficulties in collecting both Council Tax and Business Rates. Changes to the rules for charging rates on empty business premises has added a further challenge, which has impacted negatively on collection rates.

With an increase in Council Tax and Business Rates arrears, so follows an increase in action to recover those arrears. This inevitably means hearings in the magistrate's courts with the attendant costs of summonses and bailiff action. This has inevitably increased the overall cost of collecting local taxes.

The tables below set out comparisons of key performance measures between the two Revenues and Benefits Services. This clearly shows significant variations, which will be addressed as a priority through the shared service.

Performance

Benefits service performance (days) New claims	EHC Revenues and Benefits	SBC Revenues and Benefits
2007/8	21.58 days	30.26 days
2008/9	22.18 days	23.22 days
2009/10	27.96 days	28.13 days
2010/11	27.83 days	21.64 days

Changes in circumstances	EHC Revenues and Benefits	SBC Revenues and Benefits
2007/8	3.29 days	15.05 days
2008/9	1.72 days	9.11 days
2009/10	5.72 days	10.63 days
2010/11	6.02 days	10.06 days

Tax In-year collection rates	EHC Revenues and Benefits	SBC Revenues and Benefits
2007/8	98.4%	96.8%
2008/9	98.6%	96.5%
2009/10	98.6%	97.5%
2010/11	98.5%	96.2%

NNDR (Business rates) in year collection rates	EHC Revenues and Benefits	SBC Revenues and Benefits
2007/8	99.4%	99.5%
2008/9	97.6%	97.9%
2009/10	97.5%	96.4%
2010/11	96.64%	95.8%

	EHC Fraud	SBC Anti-Fraud
Fraud / Anti- Fraud performance	Sanctions secured	Sanctions secured
2007/8	98	39
2008/9	101	37
2009/10	116	36
2010/11	123	48

Service operation

The following tables summarise the current management and operating arrangements at each Council. Where differences exist, they will be rationalised to improve efficiency and effectiveness.

	EHC Revenues and Benefits	SBC Revenues and Benefits
Walk-in	Walk in customers are seen by specialist, generically trained Revenues & Benefits staff.	Walk in customers are predominantly seen by the Customer Service Centre staff.
Telephony	All Benefits calls are dealt with by Benefit Officers within the service.	Benefit calls are predominantly dealt with by Benefits Officers within the service, with a small proportion of calls resolved by the Customer Service Centre.
	Council Tax calls are predominantly dealt with by Council Tax staff, but the customer service team/switchboard are trained to resolve some low level enquiries.	Council Tax calls are predominantly dealt with by the Revenues service.

	EHC Fraud	SBC Anti-Fraud
Fraud / Anti-Fraud	A specialist team within the Benefits service carry out all Benefit fraud related activities. They comprise one manager, one investigator and an admin support officer The legal work associated with prosecution cases is handled by an external legal company	The Anti-Fraud team are a team within the internal Audit service. They comprise a manager shared with Hertsmere, and two investigators. The legal work associated with prosecutions is handled by SBC's legal division.

Other significant areas are compared in the following tables. These will be rationalised or assimilated into a single service.

	EHC Revenues and Benefits	SBC Revenues and Benefits
Software solutions	EHC have been using the current software platform for over 10 years. The systems administration role for both Revenues & Benefits is well developed within the service.	SBC converted to the Capita platform in November 2009. The systems administration role has yet to be clarified at SBC and is partially managed with the IT service

	EHC Revenues and Benefits	SBC Revenues and Benefits
Working models	EHC has a flexible, remote, mobile and home working model. This means that a large number of staff work from home, use condensed hours, with flexible working patterns.	SBC does not have policies for home working, flexible working or remote working.

	EHC Revenues and Benefits	SBC Revenues and Benefits
Administrative interface	EHC has a corporate post handling service	The post handling functions are partly handled within the service.

Appendix 2

Head of R & B
shared service
1FTE

Manager-revenues
1FTE

Manager Benefits
1FTE

Manager systems & support
1FTE

Manager Control & Fraud
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Assistant Manager
1FTE

Revenues
7FTE

Revenues
7 FTE

Benefits
8FTE

Benefits
8FTE

Outside officers
4.5

Customer & service support
1

Systems
2 FTE

Overpayments
2FTE

Intelligence officer
1FTE

Training, Appeal, stats & subsidy, Returns and liaison, take up publicity, QA & PM, F adj, H/W liaison 3FTE

Investigators
2 FTE

Customer support Assistant
11FTE

Business support Assistant
1FTE

Overpayment support assistant
1.5FTE

Admin support assistant
1FTE

JOINT STEVENAGE AND EAST HERTS REVENUES & BENEFITS EXECUTIVE COMMITTEE

Purpose

This is a joint committee of Stevenage Borough and East Hertfordshire District, under the provisions of section 10 of the Local Government Act 1972 and all regulations made thereunder.

The terms of reference of the committee are as follows:

1. To approve the annual Service Plan for the Shared Revenues and Benefits Service
2. To receive explanations of variances in service performance against the agreed Service Plan
3. To approve the budget of the Shared Service and where so delegated determine requested variations within that budget.
4. To give initial consideration to future development of the Shared Service and any changes in legislation that may affect service delivery and make recommendations thereon to the Executive or Officers
5. Where it is considered appropriate, report to the Executives of the Constituent Councils.

The Joint Committee shall comprise three named elected Members from both authorities with full voting rights. The Members appointed shall serve on the committee until successors in office are appointed.

The Joint Committee shall at its first meeting each year, elect one of its Members to be Chair and one of its Members to be Vice-Chair. With the chair from one Council and the Vice Chair from the other. These positions to be rotated annually. The Chair and Vice-Chair shall unless they resign or cease to be Members of the Joint Committee, continue in office until their successors have been appointed.

Quorum

The quorum of a meeting of the Joint Committee will be three elected members, with at least one from each Council. If at any part during a meeting, a quorum is not present, the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chair.

Voting

Matters will be decided by the Joint Committee by a simple majority of those Members voting and present in the room at the time the question was put. The Chair shall take the votes by a show of hands. If there are equal votes for and against, the Chair may exercise a second or casting vote. There will be no restriction on how the Chair chooses to exercise a casting vote, save that if no second or casting vote is made, the proposal will automatically fail.

Administration

The Access to Information Rules (as set out in the Constitutions of the Constituent Councils) to apply to all meetings.

Each constituent Council act as host to the meetings in alternate years, with the relevant host Council convening those meetings, distributing the agenda, clerking the meetings and producing the minutes.

Meetings to be held in January (service planning for coming year) and October for budgets and mid year service plan review. Constituent Councils to liaise to confirm mutually suitable times/dates.

Review

The constituent Councils will review the Joint Committee's terms of reference annually.

Revenues & Benefits Shared Service Draft Budget	SBC Revenue & Benefits	EHC Revenue & Benefits	Total budgets	2011/12 Year 0 Partnership	Partnership base budget Year 1	Variance between Total Base Budget and Partnership	Partnership base budget Year 2	Partnership base budget Year 3
Employees direct:	£1,148,194	£1,210,297	£2,358,491	£2,358,491	£2,221,258	(£137,233)	£2,221,258	£2,221,258
Employees indirect:	£7,940	£6,880	£14,820	£14,820	£15,760	£940	£15,760	£15,760
Transport Related Expenses:	£6,260	£33,020	£39,280	£39,280	£39,270	(£10)	£39,270	£39,270
Supplies & Services:	£168,918	£486,450	£655,368	£655,368	£630,517	(£24,851)	£590,517	£590,517
Recharges:	£28,991	£582,438	£611,429	£611,429	£594,688	(£16,741)	£594,688	£594,688
Set up Costs On-Going:	£0	£0	£0	£15,011	£45,034	£45,034	£45,034	£45,034
Total Partnership Sharing Expenditure	£1,360,302	£2,319,085	£3,679,387	£3,694,398	£3,546,527	(£132,860)	£3,506,527	£3,506,527
Potential Saving to be Shared:						(£132,860)	(£172,860)	(£172,860)
East Herts.						(£66,430)	(£86,430)	(£86,430)
Stevenage						(£66,430)	(£86,430)	(£86,430)
PARTNERSHIP SPECIFIC EXPENDITURE:								
Total	£23,200	£68,460	£91,660	£91,660	£91,660	£0	£91,660	£91,660
Set up Costs -one off								
Total	£52,481	£73,685	£126,166	£126,166	£0	£0	£0	£0
Total Partnership Expenditure	£1,435,983	£2,461,230	£3,897,213	£3,912,224	£3,638,187	(£132,860)	£3,598,187	£3,598,187
Stevenage Diminishing Overheads & Retained Costs								
Human Resources (& payroll at SBC)	£44,500	£0	£44,500					
Internal Printing overheads	£12,279	£0	£12,279					
I T Services-excluding licence costs	£114,934	£0	£114,934					
Strategic Direction	£10,650	£0	£10,650					
Media & Communication	£3,380	£0	£3,380					
Finance functions (creditors, procurement, debtors)	£11,100	£0	£11,100					
Post Room Recharge	£20,108	£0	£20,108					
External Customer Services (CSC)-calls element	£83,424	£0	£83,424					
Desk Top Publishing (Graphic Design)	£1,280	£0	£1,280					
Central Offices Apportioned	£74,560	£0	£74,560					
Employee insurance	£720	£0	£720					
Misc & Third Party Insurance	£5,330	£0	£5,330					
Total Diminishing Overheads & Retained	£382,266	£0	£382,266					

Retained Expenditure								
Total Retained	£41,079,242	£36,866,077	£77,945,319	£0	£0	£0	£0	£0

TOTAL EXPENDITURE	£42,897,491	£39,327,307	£82,224,798	£3,912,224	£3,638,187	(£132,860)	£3,598,187	£3,598,187
Retained Income	(£41,798,610)	(£37,850,200)	(£79,648,810)					
RETAINED BUDGETS	(£719,368)	(£984,123)	(£1,703,491)					
TOTAL RETAINED AND PARTNERSHIP	£1,098,881	£1,477,107	£2,575,988					

Savings Identified to Date

2010/11 **2011/12**

Savings identified and Reported 2010/11

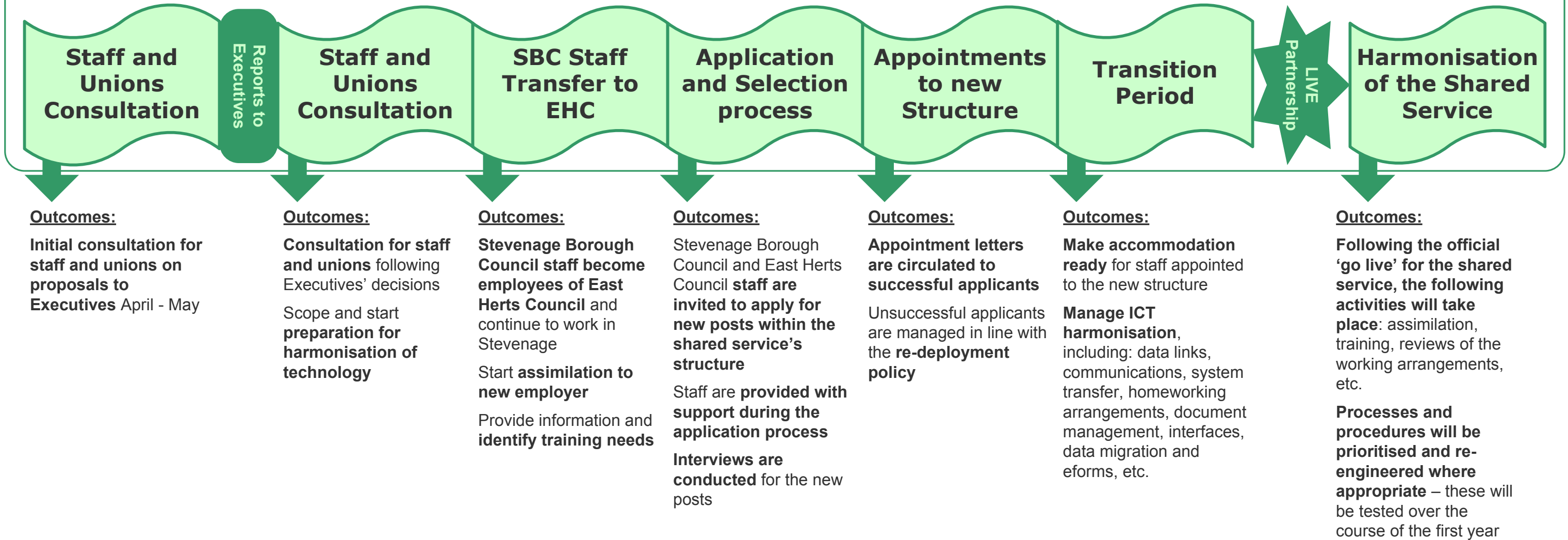
Savings identified to date £70,400 £146,280

Potential Changes to Stevenage Diminishing Overheads & Retained Costs	2011/12 Year 0	2012/13 Year 1	2012/13 saving	2013/14 Year 2	2013/14 Saving	2014/15 Year 3	2014/15 Saving
Human Resources (& payroll at SBC)	£44,500	£44,500	£0	£44,500	£0	£44,500	£0
Internal Printing overheads	£12,279	£12,279	£0	£12,279	£0	£12,279	£0
I T Services-excluding licence costs	£114,934	£109,934	(£5,000)	£94,934	(£15,000)	£94,934	£0
Strategic Direction	£10,650	£10,650	£0	£10,650	£0	£10,650	£0
Media & Communication	£3,380	£3,380	£0	£3,380	£0	£3,380	£0
Finance functions (creditors, procurement, debtors)	£11,100	£11,100	£0	£11,100	£0	£11,100	£0
Post Room Recharge	£20,108	£17,608	(£2,500)	£15,608	(£2,000)	£15,608	£0
External Customer Services (CSC)-calls element	£83,424	£83,424	£0	£43,424	(£40,000)	£43,424	£0
Desk Top Publishing (Graphic Design)	£1,280	£1,280	£0	£1,280	£0	£1,280	£0
Central Offices Apportioned	£74,560	£74,560	£0	£74,560	£0	£74,560	£0
Employee insurance	£720	£720	£0	£720	£0	£720	£0
Misc & Third Party Insurance	£5,330	£5,330	£0	£5,330	£0	£5,330	£0
Total Diminishing Overheads & Retained	£382,266	£374,765	(£7,500)	£317,765	(£57,000)	£317,765	£0

Revenues and Benefits Shared Service

Proposed Implementation Plan

Summarised timetable for implementation...



Timescales

