

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

21 March 2017

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

1 REVENUES AND BENEFITS – POTENTIAL SHARED SERVICE

This report describes progress towards a proposed shared Revenue and Benefits service between Gravesham Borough Council and ourselves and recommends that a fully shared service be developed. The proposal offers a number of service and efficiency benefits, contributing to the Council's Savings and Transformation Strategy. Cabinet is recommended to approve the establishment of a fully shared service with a target implementation date of July 2018.

1.1 Introduction

- 1.1.1 Cabinet is aware that, for some time now, we have been operating our Revenue and Benefits service alongside Gravesham Borough Council through the sharing of two senior officers. Those two officers are the Revenue & Benefits Manager (employed by GBC) and the Principal Revenues Officer (employed by TMBC); and Members are aware that the sharing of the posts has led to cost savings for both authorities.
- 1.1.2 In June 2015, the Management Team reported to General Purposes Committee seeking to extend the arrangement to share the Revenue & Benefits Manager and, at the same time, seeking authority to investigate with GBC the wider opportunities for more integrated shared working within this service area.
- 1.1.3 The objective was to derive further cost savings to assist towards delivery of the targets set out in the Savings & Transformation Strategy (STS), but also to increase resilience. It was acknowledged at the time that there are a range of different service models that could be implemented, and the timescale for 'delivery' would depend on the model chosen.
- 1.1.4 It was envisaged that further consideration of potential shared service delivery models would be reported via the Finance, Innovation & Property Advisory Board (FIPAB). However, due to the need to 'tie in' reports to both authorities ensuring that Members and staff at each authority receive the same information at the same time, this report is brought to Cabinet direct on this occasion. Future reports can be taken via the FIPAB or General Purposes Committee (GPC), as appropriate.

1.2 Progress

- 1.2.1 Since the report to GPC in June 2015, officers have been working together to investigate this opportunity more widely, with a view to identifying potential working arrangements which would support a fully shared service between the two local authorities.
- 1.2.2 In addition, officers have been aligning working practices and procedures across the two authorities to prepare the 'ground' for any future shared service arrangement. Members might also note that the recent revisions to the local Council Tax Reduction (CTR) Schemes to come into effect in April 2017 are identical in both authorities. Whilst the caseload and demographics of the two authorities are different, we do share a similar ethos and culture towards delivery of service and this ethos has been strengthened during the period of sharing the head of service, the Revenue & Benefits Manager. The majority of the interactions of revenue and benefits staff with TMBC customers are by telephone or on-line. Customer services staff provide face to face contact where necessary, although in more complex cases arrangements can be made for revenue and benefits staff to meet customers directly.
- 1.2.3 Members are advised that, across Kent, the majority of districts councils have already moved substantially towards shared service arrangements. For example, Sevenoaks and Dartford have a shared service; the East Kent Services Partnership covers the revenue and benefits work for Thanet, Dover and Canterbury; and the Mid Kent Partnership covers the work for Maidstone and Tunbridge Wells.
- 1.2.4 Different arrangements inevitably apply within these partnerships, but in all cases all have moved towards a scenario whereby staff are located together to form a fully shared service and take advantage of economies of scale. In each case, the partners continue to review and fine-tune the operation of the partnerships to ensure smooth running of services to the public.
- 1.2.5 On a smaller scale, Members are, of course, aware that we have a Building Control Partnership with Sevenoaks District Council, with the administrative hub for both councils being located at Sevenoaks. As a result, therefore, some of our own staff moved location to work from the Sevenoaks council offices. This is a model that is becoming increasingly common as councils work together to share services, make efficiencies and generally reduce costs.
- 1.2.6 GBC has already progressed a number of shared service opportunities with other partners in other disciplines, and has expressed a strong desire to maximise the savings potential in respect of Revenue & Benefits by moving to the fully shared service model immediately, rather than progressing incrementally. Having spoken to other Kent councils who have already embraced and moved forward with shared services for Revenue & Benefits, this is a recommendation they would make.

- 1.2.7 Whilst we have already embarked on a journey towards shared services at TMBC, our journey should perhaps be described as 'incremental' so far. Moving towards a fully shared service located on one site is a bolder step, but will undoubtedly deliver greater savings and provide the opportunity for greater resilience. During the investigatory work, officers have effectively dismissed other 'solutions' such as simply sharing more managers as being either unworkable, or indeed non-desirable, given the limited scope for generating efficiencies.
- 1.2.8 A list of the potential 'pros and cons' of a shared service for Revenue and Benefits is set out at **[Annex 1]**.
- 1.2.9 Indicative work so far suggests that a partnership for Revenue & Benefits based on a fully shared service model could deliver establishment based savings of between £100k and £150k per authority. There are potentially other savings that could be delivered from some of the options (e.g. letting out empty floor space where applicable, or running software from one server); but there are also some costs to be taken into account in procuring 'front end' software to enhance the digital offer to customers.
- 1.2.10 In this regard, it is important to stress that both authorities will need to invest in digital customer platforms to assist with the transformation of service delivery and offer taxpayers a more modern service. Gross savings would therefore be 'netted down', but it is important to recognise that whether we move to a shared service or not, this investment in technology will be required to accord with public expectations in an on-line and 24/7 'world'. This is explored further in paragraph 1.5.
- 1.2.11 More detailed work needs to be set in progress if this is a route Members are willing to 'sign up' to. We will need to decide, for example, at which primary location the service should be sited, and therefore, by default, which Council becomes the lead authority. In addition, what level of service (if any) needs to be maintained at the alternative site?

1.3 Accommodation

- 1.3.1 Early indications are that either GBC or TMBC offices could currently offer sufficient physical accommodation for a shared team (with some reconfiguration of space) and allow a significant amount of space to be freed up at the alternate site and be commercially 'let'.
- 1.3.2 There is a slight complicating factor in terms of accommodation in that the Overview & Scrutiny Committee are currently undertaking a scrutiny review of the Gibson Building. A report from an external consultant is due to be considered by the Committee in the next few months. Even though we believe there is physical capacity at the present time to accommodate a shared service (assuming that TMBC was selected as the 'site'), decisions taken in respect of the accommodation review could change matters. That said, as the outcome of any accommodation decisions could take some years to implement, Management

Team have agreed that decisions about the potential shared service should take first priority.

- 1.3.3 If Members decide that they wish to progress a fully shared service in order to release efficiency savings in line with our Savings & Transformation Strategy, it may be appropriate to decide “up front” whether TMBC wishes to be considered as the lead authority/site for a shared service. Naturally any ultimate decision would need to be taken with our shared service partner, but any early indication to the O&S Panel considering the accommodation report will help to shape any options.

1.4 IT Platforms and Digital Transformation

- 1.4.1 Both councils operate ‘Northgate’ software for Revenues and Benefits caseload, including the same document information systems (information@work). A more formal shared service arrangement may well open up opportunities to reduce software costs and/or hardware, and this will be explored in greater detail should Members at GBC and TMBC collectively decide to agree to move forward with shared service arrangements.
- 1.4.2 In terms of the digital agenda, Members may already be aware that the Capital Plan List C includes a potential scheme for evaluation entitled “Revenue and Benefits Citizen’s Access”. The List C scheme notes that this is an:
- “upgrade to the existing Council Tax, Business Rates and Housing Benefit IT systems to enable customers to self-serve. The upgrade will enable customers to access their account information and submit applications via the T&MBC website improving the quality of service whilst reducing staff costs”.*
- 1.4.3 Members agreed that this scheme could be evaluated back in February 2015; however the evaluation has been deliberately deferred to 2017/18 pending the outcome of the shared service investigations. This position was noted through the Capital Plan Review report at the meeting of FIPAB on 4 January 2017.
- 1.4.4 Whether the Council chooses to move forward with a shared service or not, the introduction of a digital customer platform is essential to transform service delivery and offer taxpayers a more modern service to accord with their expectations in an on-line and 24/7 ‘world’. If it is decided that a shared service should be pursued as recommended through this report, it will be essential to work with GBC as our partner to deliver the same digital solution. Currently, a ‘market’ assessment of potential systems is being undertaken in liaison with GBC and a matrix being drawn up to set out the specification.
- 1.4.5 If Members decide not to pursue a shared service, the decision regarding the digital solution will rest solely with TMBC. Whatever happens, I would stress that it is essential to introduce a customer ‘self-serve’ portal to address customer expectations. Funding is available by way of an earmarked reserve established for this purpose.

- 1.4.6 Any procurement of a digital IT solution will, of course, need to follow appropriate procurement requirements and legal colleagues are engaged in providing advice in this regard. If a full EU tendering process is required, the timescales for implementation will be more extensive.
- 1.4.7 Our Budget and Policy Framework requires that any decision to approve a new capital plan scheme is made ultimately by Full Council. Bearing in mind the proposed implementation date for a shared service of July 2018 and the potential timescales for undertaking procurement, if Members support the proposal to progress the full shared service model, I shall need to report back in the short term with an evaluation and seek agreement from Council to moving forward with a procurement exercise.

1.5 Next Steps / Way Forward

- 1.5.1 As outlined in the past, the delivery of revenue and benefit services – (i.e. council tax, business rates, housing benefits and council tax reduction) – is, by and large, a standard service nationally, with relatively small ‘nuances’ operating within individual authorities. These services, therefore, are good candidates for shared working arrangements; as has been demonstrated through numerous such arrangements countywide and nationally.
- 1.5.2 **The purpose of this report is, therefore, to seek Cabinet Members’ agreement to a fully shared service for Revenue and Benefits.**
- 1.5.3 Without a formal agreement from Members to this proposal, it will not be possible to move forward with the plethora of detailed work that will need to be carried out in advance of an implementation date. Working groups will need to be coordinated by the two authorities consisting of officers from a variety of disciplines – legal, personnel, finance, IT and property – and will commit resources from both authorities. Formal discussions need to be programmed with staff.
- 1.5.4 As indicated at paragraph 1.1.4, if Members can make this decision at this point, the detailed work can commence and further reports can be brought back to FIPAB, GPC or indeed Cabinet as appropriate. If this proposal were supported, we envisage a **target ‘start date’ of July 2018**, giving some 15 months to carry out the detailed work and consultations that would be required.
- 1.5.5 In addition, Members should note that a number of issues are ‘on hold’ at both authorities pending the decision regarding the shared service. Most importantly, because a new shared structure could reduce in the longer-term the number of posts on the (future) establishment, we have jointly taken the decision not to fill a number of staff vacancies on a permanent basis at both authorities pending this decision. To avoid a reduction in performance, some vacancies are being covered by the use of agency staff which can be costly. However, doing this will assist in minimising any ‘disruption’ for permanent staff in the longer-term. **Therefore, a decision is extremely important in setting the pathway for both authorities at this time.**

- 1.5.6 One key issue would be a decision regarding which site would offer the best place for a fully shared team. Early indications are that either site could presently accommodate a shared team (with some reformatting of space) and allow a significant amount of space to be freed up at the alternate site and be commercially 'let'. However, there is a complication in respect of the O&S Committee's review of the Gibson accommodation. It is suggested that Members need to decide whether or not they would wish the TMBC offices to be the prime location for the shared service or not (subject to GBC's agreement); and feed this into the O&S review.
- 1.5.7 Members are advised that, following the decision of GPC in June 2015 to progress further investigations with regard to a shared service, staff have been briefed and kept up to date with progress. A meeting with staff to share the content of this report will be arranged as this report is published. If Members agree to move forward as outlined in this report staff consultation will be launched including liaison with Unison as the finer details are confirmed.

1.6 Legal Implications

- 1.6.1 The Local Government Finance Act 1992 places a duty on billing authorities to levy and collect council tax, payable in respect of dwellings situated in its area. This is supported by other various Statutory Instruments which provide legislation for the administration and enforcement of council tax.
- 1.6.2 Schedule 10 of the Local Government Finance Act 1992 amends the previous legislation (Local Government Act 1988) with regards to the administration of national non-domestic rates.
- 1.6.3 The primary legislation governing Housing Benefit is The Social Security Contributions and Benefits Act 1992. Operationally, the governing Regulations are statutory instruments arising from that Act.
- 1.6.4 Section 113 of the Local Government Act 1972, which allows a local authority to place any of its officers, who consent to the arrangement, at the disposal of another local authority on such terms as may be agreed between the parties.
- 1.6.5 A legal agreement between the two Council's would need to be drawn up and would include all financial and governance arrangements for the proposed partnership, safeguarding both parties.
- 1.6.6 In terms of IT procurement, if the value of the IT supply/services over the life of the contract is over £164k then there is a requirement to carry out an EU procurement. One way of satisfying such rules is to purchase from an existing Framework for IT Services provided that the product/services can be accommodated from the framework specification. If this is not possible then a full bespoke EU procurement will need to be undertaken which will need to be carried out in accordance with EU procurement rules. The requirements of the two authorities will need to be identified before this process can be carried out. It is

likely that the authority will need to carry out an open tendering procedure if a suitable framework contract is not available to meet the authority's needs.

- 1.6.7 Staff will be involved in the development of these proposals before the detailed recommendations for the model are reported to Members.

1.7 Financial and Value for Money Considerations

- 1.7.1 The 'ball-park' estimate of shared service establishment costs indicate that there is potential for both authorities to benefit financially; and at TMBC this would help to achieve targets set within the Savings and Transformation Strategy.
- 1.7.2 The absolute size of the savings needs to be reviewed in much more detail and reported back to Members. However, early indications are that future establishment savings could be between £100,000 and £150,000 per authority per annum.
- 1.7.3 I need to stress that these figures are based upon establishment savings only and do not take account of any other potential saving from shared software, premises costs etc. Equally they do not take account of any **additional** set-up costs or ongoing software costs, beyond the initial purchase price, for the digital platform; but as I have indicated within the report I believe this level of investment is required whether or not we go into a shared service in order to meet customer expectations and provide resilience to our services.
- 1.7.4 Members should also note that, inevitably, there are some fixed costs in the first few years of any new arrangement that in time will reduce (e.g. short term staff relocation costs). In addition, immediately after the inception of a fully shared service, there may be 'jagged edge' costs to be borne by the partnership.
- 1.7.5 **A more detailed financial analysis of all of these elements will be undertaken once Members at both authorities have agreed to progress work towards a fully shared service.**

1.8 Risk Assessment

- 1.8.1 The risks associated with our current arrangements include lack of service resilience and drop in performance (i.e. council tax/business rates are not being collected and benefit claims are not being processed on time). Implementing a shared service based on the option 1 model will mitigate some of these risks, and provide a secure shared service environment controlled through the governance arrangements and agreements between the two authorities.
- 1.8.2 The long lead-in time proposed for this shared service is deliberate in order to ensure that staff can be consulted appropriately and all relevant IT issues (as well as other non-IT related issues) are dealt with prior to the shared service going live.
- 1.8.3 There is the potential for 'bedding-in' problems with any new arrangement and, as a result, a contingency budget would be retained in the short term from the overall

savings to ensure that there is scope to employ agency staff to assist in processing of claims or the recovery of council tax/business rates. In this way, the impact on the customer, and the two authorities, is as minimal as possible.

- 1.8.4 The majority of Kent districts have already ‘partnered’ up in order to deliver shared services in this area. This is an opportunity for TMBC to move forward with a partner, designing the detail of a shared service as we go. Whilst it may be possible as an alternative to join an existing shared service with different partners subject to receiving such an invitation, clearly we would not be involved in ‘design’ detail as those shared services are up and running now. In addition, partnering with alternative authorities may bring potential compatibility issues regarding software platforms, along with operational working procedures and policies. As highlighted at paragraph 1.2.2, a lot of work has already been committed with GBC in aligning our working practices. In many respects, therefore, GBC is a “ready-made” partner for a shared service.

1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.10 Policy Considerations

- 1.10.1 Business Continuity/Resilience ; Human Resources; Customer Contact; Procurement

1.11 Recommendations

- 1.11.1 Cabinet is **RECOMMENDED** to :

- 1) Approve the establishment of a Shared Service for Revenue and Benefits between Tonbridge and Malling Borough Council and Gravesham Borough Council as set out in the report;
- 2) Authorise the Director of Finance & Transformation, in liaison with the Cabinet Member for Finance, Innovation & Property and Leader, to progress detailed negotiations with GBC accordingly;
- 3) Decide whether TMBC would wish to be considered as the lead authority (and site provider) for the Shared Service and advise Overview & Scrutiny Committee accordingly for the purposes of the accommodation review;
- 4) Authorise the Director of Finance & Transformation to commence consultation and discussion with staff as appropriate;
- 5) Note the target implementation date of July 2018; and

- 6) Agree that further progress reports setting out detailed proposals for the implementation of the shared service be presented to either FIPAB, GPC or directly to Cabinet as appropriate.

Background papers:

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Nil

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