

CABINET - 8 JULY 2010**DARTFORD AND SEVENOAKS REVENUES, BENEFITS, AUDIT AND ANTI-FRAUD JOINT WORKING PROJECT – PROPOSED FORWARD OPERATING MODEL**

Report of the: Deputy Chief Executive and Director of Corporate Resources

Also to be considered by: Services Select Committee – 8 June 2010
Performance & Governance Committee – 29 June 2010

Status: For Decision

Key Decision: Yes

Executive Summary: This report provides Members with the outcome of the feasibility and investigation of the Revenues, Benefits, Audit and Fraud joint working project with Dartford Borough Council and sets out the proposed operating model for the joint service, for Members' approval – in summary Revenues and Benefits Services for both Councils would be provided from the Sevenoaks offices and Audit and Fraud Services would be provided from the Dartford offices, with existing face-to-face services for customers being retained.

It is estimated that the joint savings over a five year period would total £2.5m, representing a saving of 16% on direct costs, which exceeds the original estimate of 13%. Allowing for implementation costs of £834,000, a pay back period of just over one and a half years can be achieved.

Dartford Borough Council's Cabinet are considering this proposal on 24 June and Members will be provided with an update on their decision at this meeting.

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Mrs. Tricia Marshall

Recommendation to Cabinet: It be RESOLVED that the proposed operating model for the joint provision of Revenues, Benefits, Audit and Fraud Services with Dartford Borough Council set out below be approved and that:

- a) The Leader of the Council and the Finance and Value for Money Portfolio Holder be delegated the authority to agree the Heads of Terms for a Partnership Agreement;
- b) The Leader of the Council and the Finance and Value for Money Portfolio

Holder be delegated to agree an appropriate level of support services charges to transfer from DBC to SDC to allow for the net effect of 15 additional staff being based at Argyle Road;

- c) A provision for £417,000 investment costs and a £75,000 contingency to be recommended to Council to support in the implementation of the project as a Supplementary Budget Request (these figures represent a 50% share of costs); and
 - d) The Leader of the Council and the Finance and Value for Money Portfolio Holder, together with the Deputy Chief Executive and Director of Corporate Resources, be delegated to approve any consequential actions required in order to implement the proposed business model.
-

Background and Introduction

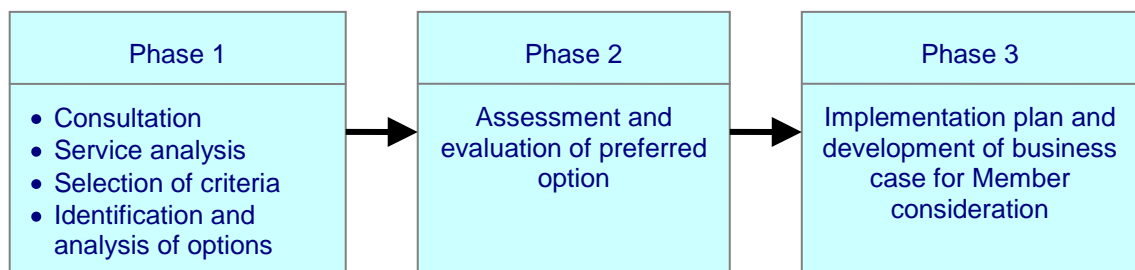
- 1 Members will be aware that the Council's Financial Plan assumes that a saving of £200,000 would be made in 2011/12 through partnership working. As a contribution towards this target and following on from the report to Members in March 2010, the feasibility and investigation of combining the Council's Revenues and Benefits service with Dartford Borough Council's (DBC) service has been undertaken. This report sets out the outcomes of the investigation and a proposed way forward.
- 2 The Council already has a number of successful partnerships in place with DBC and through these has further developed good working relationships, improved efficiencies and reduced the cost of services. Building on this success and in recognition of the fact that both Councils had in place an Audit and Fraud partnership (sharing of managers and staff), it was felt that the natural step would be to extend this partnership to include Revenues and Benefits.
- 3 In recognition of the tight timescales, Members' agreement to the appointment of consultants to assist both Councils in moving this project forward was sought and Meritec were appointed. Meritec are consultants specialising in Revenues and Benefits, with extensive experience in working with authorities to develop shared working initiatives, as well as providing quality assessment and processing services.
- 4 Although there are a variety of options available to councils in moving forward joint working, based on the views of senior Members and consultation with officers at both authorities, it was decided that a partnership approach would be adopted irrespective of the vehicle chosen for service delivery and that the feasibility and evaluation process would assist in identifying a proposed model.
- 5 As reported to Members on 18 March 2010, a number of joint working options have been considered, including outsourcing, public/private partnerships and joining an existing local authority partnership. It quickly became clear that a partnership arrangement with Revenues and Benefits based at one site and

Audit and Fraud based at the other site was the option most likely to meet the Councils' criteria, such as the delivery of substantial savings.

- 6 It was considered that the likely success of the project would be enhanced by devoting available resources to the thorough design and testing of this model as it was most likely to achieve the objectives of both Councils – rather than spreading the Councils' limited resources over a number of options.

Project approach

- 7 The project approach has been very inclusive – it has drawn on the skills and knowledge of managers and staff within both authorities to identify options and develop the business model. The consultants have acted not only as advisors but also as facilitators and have provided external advice and context, based on their methodology, and essentially have ensured a certain pace and discipline for the project.
- 8 In overall terms, the approach to this project embraced not only national best practice but also the retention of current good practice across the two Councils. This was achieved through identifying the requirements of the two Councils, based upon research and analysis with key stakeholders, and applied them to determine the best way forward in operational areas that are critical to success. The key steps were:
1. To identify the potential opportunities for shared working, taking account of good practice developments, both nationally and regionally, that are relevant in the local scenario
 2. To objectively determine key criteria, based on local service requirements, by which delivery options can be evaluated
 3. To rigorously review all of the options using agreed criteria and determine the most suitable model for joint working.
- 9 In broad terms, the project was split into 3 phases and these are set out in the diagram below.



These phases are explained in more detail at Appendix 1.

Proposed Business Model

- 10 The consultants report is attached at Appendix 1 and sets out the process followed to identify and develop a suitable future operating model, including proposed service standards. It also considers implications for:

- Customers (Page 22), where it is proposed that current access options for customers be retained, will all phone calls being handled by the Revenues and Benefits staff based at the Sevenoaks office and face-to-face access via the Dartford and Sevenoaks sites as at present (with the increased flexibility of Sevenoaks residents being able to visit the Dartford Civic Centre and vice versa);
 - Staff (including culture) (Page 24) - the relevant issues are set out in more detail below under Key Implications, but in summary there would be an overall reduction in the number of staff required to deliver the service;
 - Information and Communications Technology (ICT) provision (Page 20), where some investment is required to set up the joint service but this is limited as there is already significant commonality between the two authorities; and
 - Business Support (Support Services) (Page 26), where the implications of increasing the number of staff based at Sevenoaks by 15 need to be finalised and agreed between both authorities.
- 11 The proposed Operating Model is based on Revenues and Benefits Services being based at Sevenoaks and Audit, Risk and Anti-Fraud Services being based at Dartford. The report includes a draft organisational structure (Pages 17-18) for the new arrangements. Members should note that staff are currently being consulted on this structure and it may be amended as a result of the consultation process. Members will be updated on any issues emerging from the consultation at the meeting.
- 12 The report includes the business case for moving to the proposed operating model. It is projected that over a five year period the two authorities will jointly save £2.5 million, against joint implementation costs of £834,000. The net annual saving per authority is around £175,000 (net of set up costs) for the first five years, increasing to £262,000 per authority per year for year six onwards.
- 13 The report also includes a summary implementation timeline; this is currently being further developed to produced a detailed implementation plan. However, it has been advised by the consultants that the timescale being pursued by the two Councils is extremely tight. For our purposes, this is unavoidable in that, in order to deliver the size of savings within the period identified by Members, implementation would need to take place by December 2010.

Member Decision Process

- 14 Both DBC and SDC Members need to approve these proposals in order for the proposed operating model to be implemented. The timetable for this is:
- 8 June – SDC Services Select Committee consider report
 - 24 June – DBC Cabinet approval

- 29 June – SDC Performance and Governance Committee consider the aspects of the report that relate to Internal Audit
- 8 July – SDC Cabinet approval.

Key Implications

Financial

- 15 The current SDC Financial Plan assumes that the Council will achieve joint working savings of £200,000 per annum from 2011/12 onwards. The successful delivery of this joint working project will contribute towards the achievement of those savings.
- 16 The proposal is based on savings and implementation costs being split equally between DBC and SDC. The authorities have broadly similar caseloads/ workloads so this is a reasonable and equitable assumption.
- 17 It is estimated that implementation of the joint working proposals will deliver savings of £500,000 a year, totalling over £2.5m over a five year period, rising to £525,000 a year from year three onwards. In working with the consultants, the original estimated savings were in the region of 13% (£400,000), the detailed and in-depth challenge and analysis and the close involvement of key staff has enabled the project to identify savings of 16% (£500,000 per annum) on direct costs. The initial investment costs required to implement joint working are set out in the attached report and total £834,000. Writing off these set-up costs over five years would deliver net joint savings of around £350,000 a year in the first five years and £525,000 a year thereafter. As set out above, these savings and investment costs would be split 50:50 between the two authorities.
- 18 The costs include a number of estimates at this stage. These will be refined as the project progresses, however, as the implementation costs have been limited it is likely that in order to allow successful implementation, underspends in some areas will be needed to support any areas of overspend.
- 19 A contingency of £150,000 is also proposed, to meet any unexpected costs. This has not been included in the investment costs at present as it is unlikely that it will be required; it is felt however that for a project of this size some scope for expenditure variance should be considered.
- 20 It is pleasing to report that this project enables a payback period of about one and a half years and that having already achieved £370,000 of savings in the service in recent years, the Council, through joint working, is able to identify a further £250,000 per annum.

Community Impact and Outcomes

- 21 The provision of face-to-face and other customer facing services is a key part of the planned service provision. Achieving significant savings whilst protecting

service standards will be of clear benefit to residents of Dartford and Sevenoaks.

Legal, Human Rights etc.

- 22 The draft Heads of Agreement for the proposed joint working arrangements are set out in Appendix 2. However, it should be noted that, due to the very tight timescales, this document along with detailed governance arrangements, is still being finalised and therefore it is recommended that final approval be delegated to the Leader of the Council and the Finance and Value for Money Portfolio Holder.

Resource (non-financial)

- 23 **Staffing** - The two authorities budget for 83 full time equivalents (FTEs) for the delivery of their Revenues, Benefits, Fraud and Internal Audit Services. The proposed structure includes 72.7 FTE posts, a reduction of 11; however, as both sites have held posts vacant in order to minimise the impact of possible staff reductions, the number of staff available to fill these posts is 80.6 FTE, so the overall reduction will be around eight staff.
- 24 Consultation with staff on the proposed new structure started on 27 April and finishes on 10 June. As part of that consultation staff have been provided with provisional proposals for how their role would be covered in the new structure and whether they would be assimilated into a post or would be in competition. The majority of staff would be assimilated into the proposed structure. Members will be provided with feedback on the results of this consultation at the meeting.
- 25 It is acknowledged that this has been a sensitive and unsettling time for staff. It is pleasing to note that performance levels have been maintained during this period. In order to minimise the uncertainty for staff, it is important to keep progressing with the project at this challenging pace.
- 26 Staff at both sites have been kept informed of progress throughout the project and have been encouraged to provide feedback and raise any concerns, through staff briefings, team meetings, emails, staff representatives' briefings and staff workshops.
- 27 DBC Revenues and Benefits staff have been given the opportunity to visit the Sevenoaks office in order to see where they would be working in future and to ask questions about facilities there. As the Fraud and Audit staff are already working closely, the SDC staff moving to Dartford are already familiar with the DBC offices.
- 28 Where there is competition for posts interviews will take place from 12 to 23 July. Any staff who cannot be accommodated within the proposed new structure would be offered redeployment within DBC and SDC and would remain employed until 31 March 2011. Both authorities have agreed to hold open potentially suitable vacancies in order to maximise opportunities for redeployment. If staff cannot be redeployed within one or other Council

redundancy would be a last resort and the business case allows £250,000 for redundancy costs.

- 29 **Accommodation** - Both DBC and SDC have confirmed that they can accommodate the teams to be located at each site and draft layouts are being prepared and consulted on. The costs of accommodation changes have been included with the business case. It is provisionally planned that the Revenues and Benefits staff would be in place at the Sevenoaks office by December 2010. The Audit and Fraud staff would be relocated to Dartford before that date.
- 30 **ICT** - As both Councils use Academy software for processing Revenues and Benefits the ICT development work and costs associated with the project are expected to be relatively limited but these are yet to be finalised. The main work required is to move SDC electronic documents from the existing Anite software to Idox so that both Councils can operate on the same Document Management System. The ICT work required is scheduled to be completed by 1 October 2010.
- 31 **Corporate Impact** - Due to the high volume of work required in short timescales for this project, delivering this project needs to be a very high priority for staff in the Revenues and Benefits teams as well as the HR, IT, Finance, Property, Customer Services and Internal Audit teams at both authorities.
- 32 Whilst staff will make every effort to deliver this alongside their existing workload, lower priority work may need to be postponed.

Value for Money and Asset Management

- 33 Limited impact on service delivery and a significant reduction in the cost of running the service clearly demonstrates better value for the residents and customers in both Councils. Beyond the direct savings, this proposal enables a more optimum use of the Argyle Road building.
- 34 There is likely to be a net increase in the cost of SDC support services in moving more staff to the Argyle Road building and, as these are yet to be finalised, it is proposed that this be delegated to the Leader and the Finance and Value for Money Portfolio Holder to agree.

Conclusion

- 35 This project represents the most significant example of partnership working for the Council to date. A key requirement has been the need to deliver the targeted savings in time for setting the 2011/12 budget.
- 36 The Consultants have commented that the timescales for this project have been extremely ambitious with the period between initialisation and proposed implementation being a little over 11 months.

- 37 The approach to this project has been very inclusive involving staff across both Councils in assisting in the design and planning of a new combined service that would meet the need of residents of both Councils. It is also pleasing to note the highly effective working arrangements that have been developed with Dartford Borough Council.
- 38 Members will be aware that in recent years significant savings have already been made in both Local Tax and Benefits and therefore to be able to report the further potential savings of £2.5m across both Councils demonstrates the benefits that are likely to be derived from effective and well planned partnership working with other local authorities.
- 39 DBC and SDC had wanted to explore partnership working for a significant service. This project is an example of how such joint working can be successfully jointly delivered whilst maintaining high performance standards and protecting staff. Given the expected reductions in public spending, this provides an excellent template for further joint working arrangements between the Councils.

Risk Assessment Statement

- 40 Risks to delivery of the project have been separately assessed and are included within Appendix 1. Set out below are the risks to the Council of entering into joint working for Revenues and Benefits and of not entering into joint working arrangements.

RISK of entering into joint working for Revenues and Benefits	IMPACT	CONTROL	RESIDUAL RISK
Ongoing savings over-estimated	H	Work carried out to check that the proposed staffing structure is robust. Detailed costing work carried out by both authorities. Consultants used have significant expertise in Revenues and Benefits joint working projects.	M/L
Initial set-up costs under-estimated	H	Sensitivity analysis of redundancy costs (largest single item). Proposals to redeploy staff where possible. ICT investment costs based on detailed estimates. Some contingency allowed within set-up costs for unforeseen items. Consultant expertise as above.	M/L

RISK of entering into joint working for Revenues and Benefits	IMPACT	CONTROL	RESIDUAL RISK
<p>Staff resistance to proposed changes, resulting in DBC staff being unwilling to transfer to the SDC offices and low productivity and performance of ongoing operation.</p>	<p>H</p>	<p>Staff briefed and consulted throughout process. Visits to SDC offices arranged for all affected DBC staff.</p> <p>Staff involvement in designing processes for joint arrangements and layout of office.</p> <p>Team-building events after structure finalised.</p> <p>Payment of travel allowance/expenses for first two years of new arrangement.</p> <p>Implementation costs allow for up to five staff to homework.</p>	<p>M</p>
<p>Loss of flexibility and control for Members in respect of Revenues and Benefits Services</p>	<p>M</p>	<p>Effective governance arrangements in place including periodic reports.</p> <p>Monitoring and challenging of service standards.</p> <p>It is however recognised that in order to achieve the benefits of joint working there has to be some compromise when compared with operating a service solely for one Council.</p> <p>Other potential options for service delivery, such as the use of an external contractor, would provide less flexibility in service provision.</p>	<p>L</p>

RISK of NOT entering into joint working for Revenues and Benefits	IMPACT	CONTROL	RESIDUAL RISK
Planned savings will not be achieved as set out in Financial Plan for 2011/12	H	Joint working opportunities would need to be identified in other service areas and progressed at a very fast rate in order to deliver savings by April 2011. Alternatively, savings would have to be made in other ways.	H as time remaining to progress alternative joint working is very limited.
Uncertainty over future of Revenues and Benefits Services would reduce morale and productivity	H	Clarify future service delivery	H

Sources of Information: Reports to Cabinet 17 December 2009 and 18 March 2010

Contact Officer(s): Tricia Marshall Ext. 7205

Dr. Pav Ramewal
Deputy Chief Executive and Corporate Resources Director