

**NORTH LINCOLNSHIRE COUNCIL**

**FINANCE, PROCUREMENT AND IT CABINET MEMBER**

**LOCAL TAXATION AND BENEFITS – SHARED SERVICES WITH  
NORTH-EAST LINCOLNSHIRE COUNCIL**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

1.1 To report and seek approval for a Shared Service project with North- East Lincolnshire for the delivery of Local Taxation and Benefits services

1.2 To note potential joint cash savings of £1.27m from 2012/13 to 2014/15 with a potential staff reduction across both councils of 21.4 fte posts

**2. BACKGROUND INFORMATION**

2.1 North Lincolnshire Council (NLC) and North-East Lincolnshire Council (NELC) are proposing to join together their respective Local Taxation and Benefits services under a shared service agreement. A business case has been produced which states: the drivers for the project, the strategic fit between the two authorities, options appraisal, the associated costs and the anticipated benefits of delivering the project

2.2 In NLC the Local Taxation and Benefits section is part of the Finance service and is wholly based at Hewson House, Brigg plus a number of homeworkers. Council Tax and Benefits telephone enquiries are dealt with by Local Taxation and Benefits Customer Services staff, although from July 2011 they were transferred to a centralised corporate call centre as part of the 'Worksmart' agenda. Face to face enquiries are dealt with by the Council's Local Link service.

In NELC Local Taxation and Benefits is part of Income & Payments services. Staff are based in Cleethorpes and Grimsby, plus a number of homeworkers. Local Taxation and Benefits telephone enquiries are dealt with by a corporate call centre, outside of the Income & Payments Services. Face to face contact with customers is delivered and managed at Customer Access Points.

NNDR (Business rates) is currently administered under a shared service agreement between NELC and NLC, based at Hewson House, Brigg. This arrangement will be merged into the wider shared service agreement for Local Taxation and Benefits.

2.3 Both councils have identified a need to significantly reduce costs generally over the next four years and to specifically reduce the costs associated with the delivery of the Local Taxation and Benefits service. This must be achieved alongside the maintenance or improvement of service outcomes and performance and in an environment of the fundamental changes to welfare benefits being implemented by central Government.

Both councils are also considering different options for changes to the way that they allocate resources, how they operate and how they can deliver improved outcomes for

users and residents. In NELC these changes are being realised through the 'Future shape' programme and in NLC through the 'Worksmart' programme.

2.4 Work on the Outline Business Case commenced in October 2010 and considered a number of options within the scope identified, in response to both councils' existing and future business needs. The aim of the option appraisal process was to arrive at the optimum balance of cost, benefits and risk. Since that time however Central Government have released further details regarding the plans for Housing and Council Tax Benefit. The headline changes are;

- The introduction of Universal Credit which will replace the main income related benefits for working age people, proposed to start in October 2013 with full transition to be completed by 2017. Local Authorities will be expected to help prepare for the introduction of Universal Credit up to and beyond October 2013. Housing Benefit (HB) for working age claimants will be abolished and Universal Credit will contain an element for housing costs.
- Responsibility for HB claims for pensioners will remain with Local Authorities but it is intended that they will eventually be transferred to the Pensions Service and paid on the same basis as the housing allowance in Universal Credit. However, there is no definite timetable for when this transfer will take effect.
- Localised Council Tax Benefit will be introduced in 2013. The first phase of the Review has resulted in the CLG issuing a consultation document "Localising support for council tax in England". Closing date for responses was 14 October 2011.
- Council fraud resources (but not visiting or council tax benefit fraud functions) will become part of a centralised fraud investigation unit under the DWP.
- Administration of parts of the Social Fund, including Community Care Grants and Crisis Loans will be transferred from the DWP to Local Authorities.

At the time of writing the full business plan, much of the detail for these changes has not been provided. Therefore the shared services project itself and the post-implementation resources, structure and procedures need to prepare for further changes and be in a position to manage and deliver them. For these reasons, the business case only projects forwards to 2014/15.

2.5 The business case indicates how the following benefits will be achieved by sharing Local Taxation and Benefits in NELC and NLC. It should be noted that these will be achieved within the context of the major changes being planned nationally, which are changes to Housing Benefits, Fraud and Localised Council Tax Benefit;

- a reduction in operating costs of £1.27m from 2012/13 to 2014/15 onwards across the two councils' Local Taxation and Benefits service
- increased capacity and resilience to cope with changes to the service and fluctuations in demand, through the sharing of resources, skills and knowledge
- joint programme planning and project implementation of the Government's change agenda for Localised Council Tax Benefit and transition to Universal Credit.
- meet the strategic objectives of both councils, and contribute to the efficiency requirements of both councils

- improved 'Value for Money' by the reduction of duplication across both partners, more in-depth sharing of best practise and be the catalyst to challenge the value of current activities and procedures
- simplification of processes resulting in the elimination of 'failure demand', 'avoidable contact', double-handling and non-value adding activities which add to current costs
- harmonisation of policies and procedures across the two services will make it easier for customers and partners such as landlords, Housing Associations etc to know what is expected from them, and what services they will receive
- greater flexibility of staff, their roles and their location resulting in a more robust resource base
- channel migration to more efficient methods of service delivery
- potential for more efficient and innovative procurement and use of existing and new IT
- a re-focus of core functions and outcomes for the service in a fast-changing environment
- improvements in key performance outcomes and measures
- improved perception of the service and both councils
  - a common standard of service for customers regardless of location, providing better outcomes for customers

2.6 Due to the changes shown above the timing of the implementation of the shared service is an important consideration to be made. It is important that the joint management structure is in place as soon as possible, with the remainder of the shared service in place by 1 July 2012, to enable joint working on these projects. If the shared service is delayed until after the introduction of the changes then the potential savings might be reduced.

### **3. OPTIONS FOR CONSIDERATION**

3.1 Shared Services with North East Lincolnshire Council was seen as a suitable means of delivering cost savings and a joint approach to the government's change agenda in Benefits for several reasons.

- Both authorities have average to good performance levels and below average cost. They have the level of expertise and knowledge needed to maintain and improve the service,
- There is significant experience of joint working between the two authorities already, particularly the award winning PANNEL procurement joint arrangement, but also National Non-Domestic Rate collection
- This means that there is a good level of understanding and trust that has developed between the two authorities, which should increase the likelihood that the project will be successful
- The Shared Services model itself has advantages, notably that both Authorities retain control over the Local Taxation and Benefits operation and no savings are lost through profits being taken by third parties

- The solution is sufficiently flexible to allow other authorities to join the arrangement in future should potential partners become apparent

3.2 Consequently the Project Board considered and discounted the following options:

- **Do nothing.** The service would not achieve proposed budget reductions, and structures, accommodation and costs would remain largely unchanged.
- **Enter a shared service partnership with other authorities.** The work, costs and time required to seriously consider this option would not be viable at this stage. There would be a significant impact on the timescale for implementation and increased risk if a larger shared service was to go ahead. It is also likely that set-up costs would increase. There are no other evident partners at present.
- **Jointly deliver selected functions/procure services that both currently deliver.** This could include for example training and development, take up activities, future software spend etc. The potential for achieving the target savings via this route is extremely limited.
- **Outsource the service to an external supplier.** Given the uncertainty resulting from the impending demise of housing benefit, the move of the fraud functions to the DWP and the potential simplification of council tax benefit, the outsourcing potential to an external supplier has been reduced.

3.3 This leaves three options for consideration;

- **Option 1;** No Shared Service.
- **Option 2;** Full shared service between NELC and NLC on one site.
- **Option 3;** Full shared between NELC and NLC using existing accommodation across two sites. This is the preferred option.

## 4. ANALYSIS OF OPTIONS

### 4.1 Option 1; No Shared Service.

Each Council to seek cost reductions and meet objectives individually. There is an expectation that both Councils will make the budget savings identified in their respective budget proposals. The managers of the current services at both Councils have examined their existing structures and identified potential changes that could be made as follows:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total</b>
North Lincolnshire	£91,910	£160,910	£160,910	£413,730
North- East Lincolnshire	£129,490	£169,490	£169,490	£468,470

The savings total £882,200 for both councils and are substantially less than those estimated in the shared service business case, and would not provide the advantages of working together as detailed above.

#### **4.2 Option 2; Enter into a full shared service between NELC and NLC on one site.**

This option would require fewer managers, team leaders and officers as well as the staff changes proposed under the preferred option. This would result in a possible total reduction of 25 staff instead of the proposed 21.4.

However whilst this option would be workable and on the face of it presents greater efficiencies, the cost of sourcing, acquiring, adapting and staffing a suitable site is an obstacle at this point and not viable given the national plans for the service. Costs of staffing reductions would be higher under this option. This option would also result in the most disruption to staff as a new site for the delivery of the service would inevitably mean more travelling, and jobs would move from one authority to the other.

#### **4.3 Option 3; Implement a full shared between NELC and NLC using existing accommodation across two sites.**

Officers at both Councils have agreed the Outline Business case produced in October 2010 to share services and both councils have identified savings within the current year budget-setting process.

There are precedents for the successful sharing of services between NLC and NELC (Procurement and NNDR).

This option would proceed with the implementation of shared services in both Councils for housing and council tax benefits administration, revenues collection (Ctax and NNDR), Sundry Debts (NELC only) and those functions which are shared across all of the service e.g. systems control, development, and scanning & indexing etc.

This option would integrate all staff involved in these functions into one team. The team would have a single view of all Local Taxation and Benefits interactions. Designated staff across both authorities would have immediate access to any necessary data regardless of the council to which it relates and within the guidelines of the Data Protection Act. This would also enable processing of claims, change events, Local Taxation account control etc at multiple sites across both authorities regardless of the source of the work. Data relevant to each authority would be maintained separately, so preserving integrity with Government returns. The shared service would have a shared identity, shared website etc.

This option will deliver the benefits outlined in paragraph 2.5. Benefits would be realised under this option through staff rationalisation, the potential to jointly procure services in the future, implementation of best practise, joint IT support and sharing of specialist roles.

The option to keep staff on their existing sites wherever possible is the least expensive and least disruptive. It is proposed that post-implementation, the Local Taxation and Benefits shared service will be delivered in-house across two sites (Brigg and Cleethorpes). This option will result in both Local Taxation and Benefits being processed in NLC and NELC. The operations managers would manage workload across both sites based on demand, ensuring outstanding work and performance was managed across the board.

Telephone calls will be routed through a corporate call centre (separately at NLC and NELC). Face to face enquiries will continue to be delivered in NELC by Customer Access Point staff and in NLC by Local Links staff.

The preferred service delivery model would be in-house collaboration, set up under a joint venture agreement. The Council's legal section would need to be involved in setting up this arrangement.

The project will be jointly owned by the Strategic Director for Resources (NELC) and the Director of Finance (NLC) and by relevant cabinet members. It is proposed that the implementation of the shared service project will last for 12 months and will be delivered by a project manager and a project team, with appropriate support from Finance, HR, IT, Procurement and Legal staff - again from both councils - as and when required.

The project team will be established by use of existing resources and selection of suitable staff from both councils and with a cross section of skills. This Project Team will be established as soon as possible to ensure that timescales for implementation are achieved. A draft project plan has been produced. The Project Manager will report to the project board on a monthly basis.

The project team will also co-ordinate the programme of related projects set out above to ensure that sufficient progress is made and full consideration is made with regards to shared services.

## 5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

### 5.1 Finance

It has been calculated that the shared service project will deliver cash savings of £1.27m for both councils from 2012/2013 to 2014-15 as shown below.

	2011/2012	2012/2013	2013/2014	2014/2015
<b>Costs</b>	-	(330,500)	(10,000)	(24,000)
<b>Benefits</b>	-	389,460	581,320	665,830
<b>Cashflow</b>	-	58,960	571,320	641,830
Cumulative payback	-	58,960	630,280	1,272,110

The project board have made an in principle agreement to share costs and benefits pro rata based on the benefits, council tax and NNDR caseload. Caseloads in each council for council tax are similar, for benefits the caseload at NLC is 44% of the total for the two councils, 56% for NELC. Overall it is expected that NLC's share of costs and benefits will be around 46%. The formula to calculate the share will be subject to further discussion and agreement in due course. An annual calculation will determine the actual share based on the agreed formula. If the Shared Service project proves unviable and is discontinued before 31 March 2015, each council would bear its own costs and savings incurred to that point.

### Costs and Benefits for NLC at 46% share

	2011/2012	2012/2013	2013/2014	2014/2015
Costs	-	(152,030)	(4,600)	(11,040)
Benefits	-	179,160	267,410	306,280
Cashflow	-	27,130	262,810	295,240
Cumulative payback	-	27,130	289,940	585,180

A 46% share of savings for NLC would give the following comparison to the current budgeted cumulative savings within Local Taxation and Benefits of £373,000 as follows:

	2011/2012	2012/2013	2013/2014	2014/2015
Budgeted saving	13,000	128,000	242,000	373,000
Efficiency savings achieved	55,000	55,000	55,000	55,000
Shared services saving		27,130	262,810	295,240
<b>Total savings</b>	<b>55,000</b>	<b>82,130</b>	<b>317,810</b>	<b>350,240</b>

## 5.2 Staffing

The reduction in staffing levels across both Councils will be 21.4fte on a phased basis between April 2012 and March 2014. The impact of staff reduction is expected to be 16 posts in 2012/13, 2.4 in 2013/14 and 3 in 2014/15.

The preferred employment model is for staff to continue to be employed by their existing council on their existing terms and conditions but with a planned alignment of grades and roles following implementation. All posts would be filled by following the existing Council's review protocol and the project team will need to work closely with HR sections at both councils.

The position with regard to Fraud staff is not yet clear. The government proposes to transfer Benefit fraud staff to the Department for Work and Pensions (DWP) in 2013 and is consulting on several potential models for this, ranging from remaining with Local Authorities but operating to DWP requirements, to transfer to the DWP. The council may also need to retain fraud staff for Council Tax Benefit Fraud purposes. Further proposals for these staff will be made once the position becomes clear.

## 5.3 IT issues

The processing system in both councils is 'Northgate'. Document Management Systems are different; 'Civica' in NLC and 'Information@work' in NELC, but consideration will be given for standardisation in the future. All staff will need access to all systems across both sites (Brigg and Cleethorpes) but both will need to maintain independence of systems for Housing Benefit subsidy returns, performance indicator measurement, Council Tax and NNDR purposes. There will be some IT set up costs, these are included in the business plan. The shared services project team will need to work closely with IT staff at both councils. The new service will need a 'joint' website to promote the new identity of the service.

## 5.4 Property

The option to keep staff on their existing sites wherever possible is the least expensive and least disruptive. However the structure provides for joint teams in some areas (service development, IT systems etc) and ideally these need to be located together.

Requirements for accommodation for benefits staff at both councils will diminish over time due to introduction of Universal Credit and winding down of Housing Benefit operations and move of fraud staff to DWP. Future requirements also have to be administered with regard to the "Agile working" at NELC and "worksmart" at NLC

## **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

There are no other implications associated with this proposal. An integrated Impact assessment has been undertaken.

## **7. OUTCOMES OF CONSULTATION**

- 7.1 Trade Unions and staff have been consulted on the above proposals, and this consultation will be ongoing until implementation is complete. Concern has been expressed by the Fraud staff about the uncertainty of their position; as noted above further proposals will be made once the government's plans are clear.

## **8. RECOMMENDATIONS**

It is recommended that approval be given to implement the shared service arrangement between North Lincolnshire Council and North East Lincolnshire Council for the provision of the Local Taxation and Benefits Service on the basis of Option 3 as set out in this report at paragraph 4.3.

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**Background Papers used in the preparation of this report**  
Business case version 11