

THREE RIVERS & WATFORD SHARED SERVICES JOINT COMMITTEE

Date of meeting: 24 SEPTEMBER 2012

PART A

Title: BENEFITS UPDATE

Report of: Director of Corporate Resources & Governance – Three Rivers D C

1. SUMMARY

- 1.1 This report proposes action to achieve and sustain a high level of performance in administering housing and council tax benefit.

2. RECOMMENDATIONS

That the Joint Committee:-

- 2.1 Notes the report.
- 2.2 Confirms that it wishes to see new claims processed within 22 days, and changes in circumstance processed within 8 days.
- 2.3 Agrees the action taken by the Director of Corporate Resources & Governance and the Head of Revenues and Benefits, in consultation with the Chairman and Vice-Chairman of the Joint Committee, in procuring additional 'one-off' support from the private sector to reduce the backlog of changes in circumstances.
- 2.4 Seeks a contract with a suitable supplier that gets the service to the position where it:-
- Can pass work over to the successful contractor on a flexible 'top-up' basis depending on the recession (ongoing increases in workload) and allowing for changes (i.e. reductions in workload) as universal credit is introduced.
 - Has an option to pass up to 100% of the workload to a private sector supplier.
- 2.5 Seeks a total additional budget from the two councils of £285,000 for 2012/13, to be shared in accordance with the Delegation and Joint Committee Agreement.
- 2.6 Considers an appropriate growth bid for additional funding as part of the service and financial planning process for 2013/14.

Contact Officer:

For further information on this report please contact:

David Gardner – Director of Corporate Resources & Governance – Three Rivers DC
telephone number: 01923 727200

email: david.gardner@threerivers.gov.uk

3. DETAILED PROPOSAL

Background

- 3.1 At its meeting on 28 May 2012 (Minutes JSS06/12 and JSS11/12 refer), the Committee noted the findings of a Department of Work and Pensions (DWP) inspection report. The shared service's action plan resulting from it has now been approved by the Secretary of State.
- 3.2 The report's key recommendation was that a capacity plan should be prepared to improve the speed of processing new claims and changes in circumstance. The Committee resolved that a progress report be presented to the next meeting of the Joint Committee concerning the service's capacity.
- 3.3 At its meeting on 2 July (Minute JSS16/12 refers) the Committee resolved that the Director of Corporate Resources and Governance and the Head of Revenues and Benefits, in consultation with the Chairman and Vice-Chairman of the Joint Committee, be delegated to agree the Capacity Plan in August before being presented to the Joint Committee at this meeting.

Capacity Plan

Level of Staffing

- 3.4 The new combined staffing structure became effective on 30 November 2009 and the two councils' benefits teams were co-located in Watford in December 2009 since when the shared service has been operating.
- 3.5 Prior to shared services the two authorities employed 42.43 full-time equivalent staff. At that time Three Rivers' staff were dealing with 556 live cases per full-time equivalent and Watford staff were dealing with 379 live cases per full-time equivalent.
- 3.6 The Detailed Business Case (December 2008) and the 2009-2012 Revenues and Benefits Service Plan included staffing levels for the new service which were agreed by the Joint Committee in December 2008. In total it was agreed there should be 33 full-time equivalent staff. The new structure allowed for 569 live cases per full time equivalent, on the assumption that shared services performance could be raised to the level previously achieved at Three Rivers. This assumption is now considered over ambitious due to the fact that Watford claims are generally more complicated due to the transient nature of claimants and the type of tenancies involved.

Pre-Shared Services			Shared Services	
Watford	Three Rivers	Combined	New Structure	Current Structure
f.t.e.	f.t.e.	f.t.e.	f.t.e.	f.t.e.
27.18	15.25	42.43	33.00	32.78

Business Processes

- 3.7 The Detailed Business Case and the Revenues and Benefits Service Plan also envisaged a further reduction of two benefit assessors in the second year of operation (i.e. w.e.f. April 2010). This, it was assumed, would be possible through efficiencies brought about by:-

- Harmonising systems – transferring Watford caseload from the Civica system to the Academy software used by Three Rivers:

Watford data was transferred to the windows version of the Academy system and went live on 11 February 2010. The Three Rivers part of the system moved from Unix onto the windows platform in August 2011.

- The Customer Services Centres (CSCs) handling 60% of benefit enquiries and utilising the ‘abc portal’ link between the Academy system and the councils’ customer relationship management software:

There has been good progress in introducing a ‘triage’ system to the Watford CSC (and reinforcing it at Rickmansworth). Face to face, fast track, procedures are now in place where new benefits claimants are seen by CSC staff, who have been trained to verify new claims. This has reduced customer waiting times by, in some cases, up to an hour. CSC staff also now scan supporting documents brought into the CSC directly onto the Benefits Document Management System, reducing backlogs of administration in the back office. In addition, the benefits service is making use of call management software to better manage incoming customer calls in order to allow those staff processing claims to focus on this element of their work. This has seen abandoned call levels reduced by over 50%. However, this is still short of the 60% of enquiries envisaged and additional temporary staff have been employed to deal with face to face enquiries. The abc portal is not yet in use.

- Mobile working – taking the service to the customer – particularly vulnerable groups:

Whilst mobile working does take place the mobile technology to support it has not been implemented.

- The use of intelligent e-forms for benefit claims and more self service:

An oral update on e-services will be given at the meeting.

These efficiencies were to achieve the principle of getting benefit claims ‘right first time’ thus avoiding the need to go back to the claimant for further information time and again. It was originally envisaged that they would be introduced during the implementation phase.

Growth in Caseload

3.8 The table below shows the significant growth in caseload since plans for the service were drawn up:-

Percentage Increase in Claimants (November 2008 – March 2012)					
All Housing Benefit Recipients			All Council Tax Benefit Recipients		
Great Britain	Three Rivers	Watford	Great Britain	Three Rivers	Watford
%	%	%	%	%	%
20.2	19.3	29.1	15.1	10.7	19.0

Source: Department for Works and Pensions – Single Housing Benefit Extract (SHBE)

Had the March 2012 caseload existed in November 2008, then the Committee would have been recommended to agree an establishment with 4.7 additional full time equivalents.

Performance Indicators

- 3.9 The key performance indicators for the benefits service are the speed of processing new claims and the speed of processing changes in circumstances.

	Performance (December 2008)		External Benchmark 2011/12	Target
	Three Rivers	Watford		
Speed of Processing New Claims	(days) 17.13	(days) 29.00	(days) 23.90	(days) 22.00
Change of Circumstances	5.58	8.80	10.30	8.00

The DWP's website reveals that in Great Britain new claims were processed on average in 23.9 days during 2011/12. Changes in circumstance were processed on average in 10.3 days. During July 2012 (the latest available data) the shared service processed new claims in 37.0 days and changes in circumstance in 29.3 days.

The service also collects data on the number of new claims outstanding for each council, and this tells a more encouraging story:-

Three Rivers	Outstanding (including Pending) on:-											
	02/07/2012	09/07/2012	16/07/2012	23/07/2012	30/07/2012	06/08/2012	13/08/2012	20/08/2012	27/08/2012	03/09/2012	10/09/2012	Pending
59+ days	6	4	9	3	4	8	3	2	2	4	7	3
28 - 58 days	41	22	18	20	21	19	21	32	25	25	21	14
15 - 27 days	34	25	24	35	32	30	22	20	26	24	29	21
up to 14 days old	38	40	39	55	32	31	26	31	41	36	28	13
Total Outstanding	119	91	90	113	89	88	72	85	94	89	85	51

Watford	Outstanding (including Pending) on:-											
	02/07/2012	09/07/2012	16/07/2012	23/07/2012	30/07/2012	06/08/2012	13/08/2012	20/08/2012	27/08/2012	03/09/2012	10/09/2012	Pending
59+ days	23	24	29	31	14	3	2	6	7	4	7	3
28 - 58 days	102	42	34	43	48	42	40	49	42	53	37	24
15 - 27 days	85	85	73	62	46	57	42	50	57	49	52	32
up to 14 days old	99	102	86	92	71	84	81	74	90	67	54	23
Total Outstanding	309	253	222	228	179	186	165	179	196	173	150	82

Note: Cases pending are awaiting more information from the claimant.

Benchmarking information has been obtained for 2010/11 which suggests that the service was not over-staffed, nor that the caseload per full-time equivalent was abnormal at that time, although the cost per claim was higher than average. This data does not take into account increasing workloads and the fact that additional resource has had to be brought in. It is now somewhat dated.

The highest performing Hertfordshire authority has out-sourced its service.

Other Considerations

3.10 *Move to Universal Credit*

Existing housing benefit claimants are to transfer to Universal Credit by the end of 2017. This is to be phased:-

October 2013	National Launch of Universal Credit New Claims – HB Claimants Out of Work
April 2014	New Claims – HB Claimants Working
October 2014	New Claims – HB Claimants of Pensioner Credit age

The issues to be faced are:-

- TUPE / Redundancy
- Recruitment / Retention of Benefits Staff
- Maintaining / Improving Performance
- Recovery of Housing Benefit Overpayments
- Increase in demand for housing services – housing advice / homelessness
- The added pressure backlogs might create in October 2013
- Potential requirement for face-to-face contact with claimants

In view of this the shared service will not employ further permanent staff if vacancies occur but pass more work to the private sector (assuming they have the capacity).

3.11 *Local Government Finance Reform*

The localisation of support to Council Tax commences on 1 April 2013.

The issues to be faced are:-

- The councils need to have local schemes approved by 31 January 2013.
- Staff training

In the longer term, the shared service will need to address its management needs if the revenues and benefits service shrinks to a 'council tax collection and discounts section'.

3.12 *ISCAS Review – Benefits Health Check – Action Plan*

There are now just 6 of the original 76 recommendations still outstanding from the review carried out in July 2010 of the revenues and benefits service. Of these, two relate to a review of the structure of the Revenues & Benefits Service. This will be addressed in the light of the advent of localisation of support to council tax and other welfare benefit reforms. The remaining four relate to the use of Anite (the document image processing system). The link between this system and the Academy system has been refined and staff have implemented a better indexing system that allows work to be measured by case numbers rather than outstanding documents.

3.13 *Other Work*

The Department for Work and Pensions in their Inspection Report, stated that Automatic Transfer to Local Authority Systems (ATLAS) notifications from the Department were yet to be actioned. Colleagues from around the county are reporting that using the Atlas system is putting further strain on resources.

As well as tackling the backlog of work, the Head of Revenues and Benefits is leading on the localisation of support to council tax and the project to implement e-services. Since the end of the 2011/12 financial year, the Benefits Manager has spent a significant amount of her time on completing the two councils' Housing Benefit Subsidy Claims. She is also dealing with appeals and complaints. Benefits staff also follow up referrals from the fraud section.

Proposed Action

In-House Staff

- 3.14 In the short-term, it is proposed to tackle the performance issues from two angles. Firstly, the In-house staff will be expected to continue to reduce the number of outstanding new claims whilst dealing with customers either face to face at surgeries, in the CSCs, or on the telephone.
- 3.15 Data shows that of their productive time one-third of the in-house assessors time is spent dealing with customers. Considerable time is still spent answering questions resulting from the backlogs. The remaining two-thirds of time is spent, predominantly, on assessing new claims.
- 3.16 Team leaders have increased productive time by reducing sickness. Output targets were first set for staff in March 2012. More recently these have been revisited during this year's appraisal cycle which is nearing completion. Assuming the number of outstanding new claims continues to reduce, there should come a time when the in-house team can also address some changes in circumstances, at which point it should be possible to review the level of on-going external support.

External Support

- 3.17 In June 2011, the Joint Committee considered a progress report from the Head of Revenues & Benefits that highlighted the worsening position in respect of backlogs and the service's capacity to cope (Minute JSS04/11 refers). The Committee endorsed the officers' action in employing Serco to provide additional resilience.
- 3.18 Since then caseload has further increased and members have agreed a threshold above which work is to be placed with Serco (Minute JSS50/11 refers).
- 3.19 Serco process outstanding changes in circumstance. The volume of these is measured daily and has remained constant during the 2nd Quarter of the 2012/13 financial year at around 3,500 items. The Serco operatives, whilst processing roughly the same number of changes in circumstances in a week as are being received, are not eating into the backlog. Officers closely monitor Serco's output. They have not always had the four staff working 37 hours a week that they said they could provide. The shared service, though, only pays for the hours worked.

3.20 Consequently, and as a second angle of attack, officers have arranged additional 'one-off' support to reduce the backlog of changes in circumstances. Serco have provided one additional operative. Another company, Liberata, are providing four more operatives with effect from w/c 17 September 2012. They say they can process 3,000 documents (2,000 cases) in six weeks, in which case the backlog of changes in circumstance should be cleared by the beginning of November. Officers have asked whether they can provide more resource to clear the backlog earlier and will closely monitor their performance to ensure that they provide the resource promised. Thereafter the level of external support should be reduced to the level currently provided by Serco, until such time as the in-house staff can deal with some of the changes in circumstance.

Outsourcing

3.21 In the longer-term, the delivery of housing benefit is still under discussion at national level, and there is considerable uncertainty as to future workloads. Whilst this may make the specification of the service difficult and unattractive to potential suppliers at this time, it is proposed that consideration be given to out-sourcing some, or all, of the service.

It should also be noted that the councils are currently out to tender for their ICT service. There is a possibility that the successful contractor will also be in the market to supply benefits administration. There may be a good opportunity to take advantage of the synergies.

It is recommended that the councils seek a contract with a suitable supplier that gets the service to the position where it:-

- Can pass work over to the successful contractor on a flexible 'top-up' basis depending on the recession (ongoing increases in workload) and allowing for changes (i.e. reductions in workload) as universal credit is introduced.
- Has an option to pass up to 100% of the workload to a private sector supplier.

The contract will fall above the threshold that requires compliance with the European Union (EU) Procurement Directive. At present, officers have been unable to identify an existing framework agreement that might shorten the process. An update will be given at the meeting.

3.22 The timescale will be dependant on how long it takes to prepare documents, evaluate responses and receive consents. It is not mandatory but in view of the complexity, it is highly desirable to have a pre-procurement stage. This would allow for a Soft Market Testing exercise to engage with the market to help shape the procurement and to understand what is required to encourage firms to bid and to bid competitively.

The first formal stage is the OJEU notice and this will need a Pre-Qualification Questionnaire (PQQ) and information about the service. There are only a few fixed time periods under the EU Rules and they depend on which procedure is used. Assuming the Restricted Procedure is used, the advert must be published for at least 37 days.

Time is required to evaluate the responses and to select a shortlist which should be at least four and no more than six bidders under the contract procedure rules.

The Tender stage can follow as soon as all the documentation including the

specification, and the terms and conditions, are ready. This must be open for at least 40 days.

Time will then be needed to evaluate the tenders, report to members, carry out due diligence and for a lead-in period. A formal programme would need to show the mandatory 10-day standstill period and staff consultation. The whole process is likely to take a year depending upon the availability of procurement, finance and legal advice in addition to input from the service.

An indicative timetable, avoiding peak activity around the time of annual billing and the introduction of local support to council tax, might be:-

Milestone	Date
Market Testing	November / December 2012
Issue OJEU notice, specification overview, Pre Qualification Questionnaire (PQQ)	Mid January 2013
Closing date PQQs	End February 2013
Assess PQQs	Mid March 2013
Invite providers to tender	April / May 2013
Assess tenders	June / July 2013
Member approval	August 2013
Notification of decision / Standstill period	September 2013
Transition plan implementation	October - December 2013

It might be possible to shorten this timetable if only a part of the service were tendered.

4. IMPLICATIONS

4.1 Policy

4.1.1 The recommendations in this report are within the policies of the Joint Committee, Three Rivers District Council and Watford Borough Council.

4.2 Financial

4.2.1 The figures below are those for the operational costs of the shared service. The two councils maintain 'client accounts' which include the benefit payments, government subsidy and internal recharges.

The figures show:-

- A relatively stable position prior to shared services, when, in 2008/09, there was in total a small approved overspend and the under-spend resulting from staff vacancies was used to employ agency staff.
- In 2009/10 the costs of agency staff outstripped the under-spend resulting from vacancies.
- The reduction in the direct establishment budget for 2010/11 reflecting the reduction of two assessor posts in the business plan.
- Significant approved expenditure over original budget in 2010/11 and 2011/12 as overtime and the use of agency staff and contracted services outstrips the establishment budgets.
- A shortfall in the current year's budget that needs addressing as this

trend continues.

In past years the two councils' budget monitoring processes have approved the expenditure over the original budgets, incurred to address the pressing circumstances. The same processes need to be applied to the current year.

	TRDC & Watford		Shared Services						
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	2008/09	2008/09	2009/10	2009/10	2010/11	2010/11	2011/12	2011/12	2012/13
Benefits	£	£	£	£	£	£	£	£	£
Direct Establishment Costs	1,280,280	1,048,498	1,318,960	1,131,450	1,095,620	973,333	1,113,840	1,031,905	1,152,510
Overtime	20,900	24,412	20,800	27,545	0	28,535	0	60,146	0
Agency Staff	14,000	240,592	0	322,048	0	562,372	0	301,114	0
Temporary Staff	2,000	0	2,000	0	2,000	0	0	0	0
Indirect Establishment Costs	8,960	7,693	6,140	7,220	0	21,885	6,520	15,790	6,520
Total Employment Costs	1,326,140	1,321,194	1,347,900	1,488,263	1,097,620	1,586,125	1,120,360	1,408,955	1,159,030
Transport Costs	1,320	6,771	4,830	7,586	14,330	12,149	11,000	10,150	11,000
Supplies & Services	55,650	81,803	23,190	159,414	68,560	181,877	142,260	102,863	125,660
Total	1,383,110	1,409,767	1,375,920	1,655,262	1,180,510	1,780,150	1,273,620	1,521,968	1,295,690

4.2.2 The table below shows the position for the current financial year. An overspend is forecast on employment costs of £283,450 (cf £288,595 in 2011/12 above).

	2012/13 Original Budget	2012/13 Budget to 30.08.12	2012/13 Spend at 30.08.12	2012/13 Forecast	2012/13 Variance
	£	£	£	£	£
Direct Establishment Costs	1,152,510	480,212	449,171	1,109,560	-42,950
Overtime	0	0	19,777	47,460	47,460
Agency Staff					
Serco	0	0	47,463	158,600	158,600
Liberata	0	0	0	15,600	15,600
Temporary Staff	0	0	53,651	104,740	104,740
Indirect Establishment Costs	6,520	2,717	3,121	6,520	0
Total Employment Costs	1,159,030	482,929	573,183	1,442,480	283,450
Transport Costs	11,000	4,583	2,969	11,000	0
Supplies & Services	125,660	52,358	32,152	125,660	0
Total	1,295,690	539,870	608,304	1,579,140	283,450

It is recommended that a 'resilience' budget of £285,000 be agreed for 2012/13 and that officers bring forward a growth bid for 2013/14 during the service and financial planning process in November. In accordance with the Delegation and Joint Committee Agreement, Watford pays 57% of the costs of benefits and Three Rivers 43%.

4.3 Legal Issues (Monitoring Officer)

4.3.1 There are no specific legal matters relating to this report.

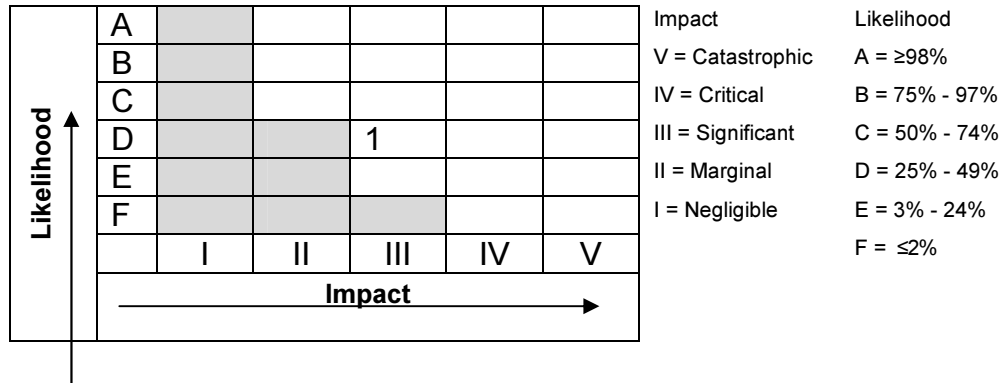
4.4 Risk Management and Health & Safety

4.4.1 The subject of this report is covered by the Revenues and Benefits Service Plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

4.4.2 The following table gives the risk associated with this report:

Description of Risk		Impact	Likelihood
1	That backlogs of work continue and that the improved performance required of the service is not achieved.	III	D

4.4.4 The above risk is plotted on the matrix below depending on the scored assessments of impact and likelihood. Risks are tolerated where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require either monitoring or managing, in which case a treatment plan is prepared.



4.4.5 Officers are considering the treatment plan and any further action that might be taken should the proposals in this report fail to address the risk. Actions to increase the in-house staff's productivity are backed up by capability procedures should they be required, and, as a contingency, further external assistance could be purchased to assist with telephone enquiries.

4.5 Equalities, Staffing, Accommodation, Community Safety, Sustainability & Environment, Communications & Website and Customer Services

4.5.1 None specific.

Appendices

None

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

'Revenues & Benefits – Update'. Reports and Minutes of meetings of the Three Rivers and Watford Shared Services Joint Committee held on 28 May 2012 and 2 July 2012.