

MAIDSTONE BOROUGH COUNCIL

CABINET MEMBER FOR CORPORATE SERVICES

REPORT OF ASSISTANT DIRECTOR FOR CUSTOMER SERVICES

Report prepared by Stephen McGinnes

Date Issued: 22 January 2008

1. Partnership Working for Revenues and Benefits

1.1 Issue for Decision

- 1.1.1 To consider the business case (attached as Appendix A) put forward for Maidstone BC to enter into a shared service arrangement with Tunbridge Wells BC for the delivery of its counter fraud and visiting service, which operates in support of the housing benefit service.

This would establish the first shared front line service involving Maidstone Borough Council.

1.2 Recommendation of Assistant Director of Customer Services

- 1.2.1 That the Cabinet Member for Corporate Services endorse the business case that has been put forward and authorise both the necessary operational changes as outlined in the attached document and that that Assistant Director for Customer Services negotiates a partnership agreement to take the joint service forward.
- 1.2.2 That upon agreeing terms for the partnership agreement, a final report is made to the Cabinet Member to establish the shared service.

1.3 Reasons for Recommendation

- 1.3.1 Following the report to the Cabinet member in September 2006 outlining the need for shared services within the revenues and benefits services within local district councils, initial discussions took place between Maidstone BC and Ashford BC. With no clear way forward further discussion followed with Tunbridge Wells BC, Sevenoaks DC, and Dartford BC.

From those discussions Maidstone BC and Tunbridge Wells BC emerged as the only two authorities committed to progressing these discussions into a clear and workable business case for shared service delivery.

An exercise was undertaken at the start of the process to look at the different aims and aspirations of the various authorities. As a result of these discussions more detailed and exclusive negotiations have continued between Maidstone BC and Tunbridge Wells BC to create the attached business case and an outline as to how the shared service would operate.

- 1.3.2 It was decided to explore the partnership working on a service by service basis. The decision to consider entering into partnership for the delivery of the fraud and visiting service in the first instance was taken in order to address the existing service risk in operating a small specialist team of investigators, with service resilience identified as a key issue.
- 1.3.3 The financial savings to be generated through the initial 5 year term of the partnership are estimated to be £400,000, with a further potential saving through a programmed review of support services.
- 1.3.4 Following implementation the service area would look to build on the partnership by either extending the operation of the fraud and visiting service to include the same operation within one or more other Councils in Kent or take the next step in terms of a wider partnership between Maidstone and Tunbridge Wells in relation to revenues and benefits.

1.4 Alternative Action and why not Recommended

- 1.4.1 The council could decide to reject the business case that has been put forward for a partnership arrangement between Maidstone BC and Tunbridge Wells BC and continue with the current service delivery. However, to either delay or reject the proposals would affect the potential financial benefits and the council's active involvement in the shaping of future service delivery.

Having identified through the county wide price book that the service should look for the opportunity to generate service savings, this partnership is also seen as an important opportunity to reduce cost whilst maintaining and building on service quality as well as sharing best practice between the two authorities.

- 1.4.2 The Council could look to work with a different partner. However, discussions that have already taken place with other neighbouring councils suggest that the proposal put forward represents the best match in terms of the desire to improve efficiency, maintaining high performance and a commitment to develop improvements through partnership working.

1.4.3 The council could look to implement a shared service arrangement within a different element of the revenues and benefits function or try to implement a model for the whole function in the first instance, however, as highlighted above there were specific reasons for looking at fraud and taking a wider perspective would carry considerable risk and potentially delay the realisation of any tangible benefits or jeopardize the whole partnership approach.

1.5 Impact on Corporate Objectives

None

1.6 Risk Management

1.6.1 A full risk assessment has been undertaken within the planning and development of the business case.

1.6.2 Preparing the business case is consistent with the councils partnership protocol and is essential in identifying and mitigating the risks when entering a partnership of this nature.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Social Inclusion	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	

1.7.2 Financial

The implementation of the partnership arrangement is expected to deliver the partnership savings of £400,000 during the initial 5 year term of the agreement, with the potential for additional savings through a programmed review of corporate support services.

It is estimated that the savings for Maidstone would be in the region of £52,000 per year leading to an estimated £260,000 over the five year period.

A breakdown of existing budgets and the proposed joint costs is provided at point 4.2 of the attached business case.

The set up costs for the partnership will be met through the existing service budget.

1.7.3 Staffing

The implementation of the partnership arrangement is expected to reduce staffing by 2.2 FTE, with a copy of the current and proposed structure held at point 4.1 of the attached business case.

Initial discussions suggest that the staffing reduction will be possible through existing vacancies and anticipated staff changes. However, that position cannot be confirmed until the business case is authorised and formal negotiations commence.

It is not anticipated that any redundancies will be made as a result of the partnership arrangement.

1.7.4 Legal

A recommendation as to the most suitable governance arrangement will be included within the final report referred to within 1.4.

1.8 Background Document

1.8.1 Report to the Cabinet Member for Corporate Services dated 13th September 2006.

NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED

Is this a Key Decision? Yes No

If yes, when did it appear in the Forward Plan? January 2008

Is this an Urgent Key Decision? Yes No

Reason for Urgency

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

Cllr Peter Hooper

Cabinet Member for Corporate Service
Telephone: 01622 729302
E-mail: peterhooper@maidstone.gov.uk

Stephen McGinnes

Revenues and Benefits Manager
Telephone: 01622 602310
E-mail: stephenmcginnes@maidstone.gov.uk

Fraud and Visiting Partnership

1. Introduction

1.1 Maidstone Borough Council and Tunbridge Wells Borough Council are proposing entering into a Shared Service (Partnership) arrangement to deliver the Fraud and Visiting aspects of their Benefits Service.

This document sets out the basic business case for a shared Fraud and Visiting service between the two councils and a summary of the action to implement such an arrangement.

1.2 The business case needs to answer the following questions:

- What should be the staffing structure of the shared service?
- What are the Governance arrangements?
- What needs to change?
- What are the benefits?
- What are the financial implications?
- What are the risks?
- What is the exit strategy?

1.3 The overall aim of the individual services and partnership arrangement extends beyond the fraud and visiting element of the service, to encompass the full function of revenue collection and benefit administration. The delivery of the fraud and visiting partnership is seen as an important first step in achieving this goal.

2. Background

2.1 The Housing Benefit (HB) and Council Tax Benefit (CTB) schemes are national schemes, which the government has passed to local authorities to administer. In this context, and whilst accepting that each council might administer the scheme in a slightly different manner, HB and CTB services (including the Fraud and Visiting element) offer themselves as prime candidates for a shared service approach.

The Audit Commission, in its report entitled 'The Efficiency Challenge: The Administration Costs of Revenues and Benefits', says that 'Partnership working, either within the public sector or with the private sector offers councils the greatest potential for efficiency savings, if they are prepared to overcome the perceived barriers'.

There are already several revenues and benefit partnerships in operation across the country, for example The Anglia Revenues Partnership (Breckland, Forest Heath and East Cambridgeshire District Councils), which gained Beacon status in 2006-2007 for Transforming the Delivery of Services Through Partnership and, more locally, the CenSus Partnership (Adur, Horsham and Mid-Sussex councils) who have developed a partnership in revenues with a view to rolling this out to benefits.

Kent Leaders have issued a Statement of Intent to explore areas of partnership working across the Kent authorities.

2.2 Both Councils use the same operating system (Academy) to run the Fraud and Visiting services. However, Maidstone use the Anite Document Management system and Tunbridge Wells use the VALID Document Management System

3. Vision for the Partnership

3.1 The vision for the partnership is to achieve service excellence through truly innovative thinking and value for money service delivery, built upon a strong quality culture embraced by the management, policies, governance and service delivery of the partnership.

Specifically the partnership will improve the Revenues and Benefits services for its customers, offer a 'seamless' service and put its Customers at the heart of every process.

The Partnership will;

- Provide a flexible and more resilient service which is able to ride the peaks and troughs of service delivery
- Maintain the delivery of high performance
- Reduce costs by sharing through economies of scale and administration
- Share knowledge and expertise, increase staff skills and provide staff with career development and new opportunities
- Act as an exemplar of best practice, seeking to continually develop and improve the delivery of services for its customers

The partnership will work together to gain the trust and confidence of all stakeholders in pursuit of the goal of a fully combined service.

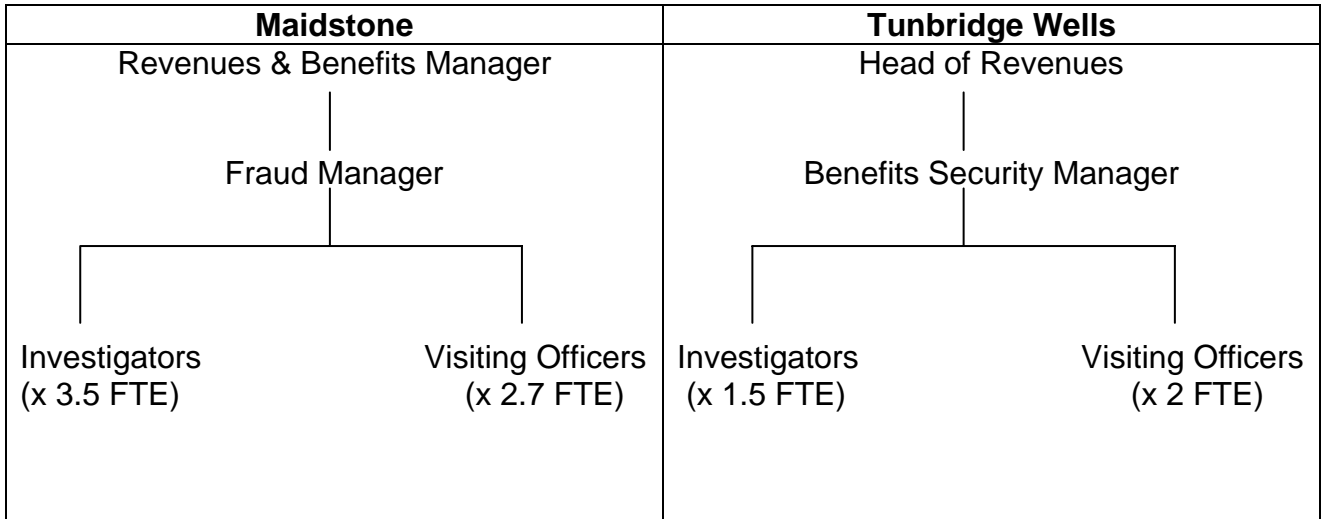
3.2 In delivering a fraud and visiting service the partnership will specifically deliver,

- Improved value for money, with a cashable saving for both partners
- Improved service resilience, with a combined team of technical experts
- Improved quality, with the sharing of skills, expertise and best practice
- An exemplar of best practice, capable of wider delivery within Kent
- A tactical fraud team large enough to invest in the investigation of serious and cross boundary fraud

4. Current Baselines

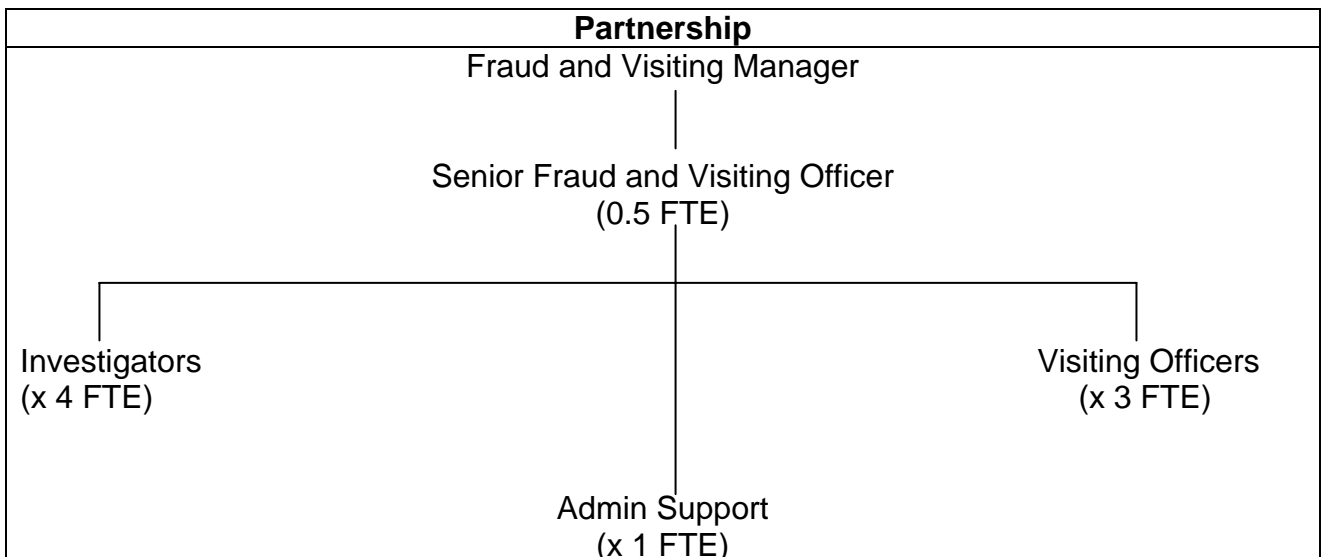
4.1 Structure

The current structure of the two councils' fraud and visiting functions are set out below



This gives a total of 11.7 FTE.

The proposed structure is set out below



This is a total of 9.5 FTE and would lead to a saving of 2.2 FTE (18.80% on current joint establishment) posts.

Early informal discussions suggest that this staff saving could be achieved through existing vacancies and anticipated staff changes in coming months. This means that we can, potentially, achieve the proposed structure with the staff in place in April 2008.

4.2 Costs

The table below sets out the existing 2008/09 headline budgets and the proposed Partnership budget for 2008/09, along with an indication of the likely level of savings.

	Existing 2008/09 budget			Proposed 2008/09 budget	Saving
	TWBC	MBC	Total	Total	
Employee costs	£ 140,734	£ 204,144	£ 344,878	£ 272,357	£ 72,521
Transport Costs	£ 13,970	£ 12,257	£ 26,227	£ 21,201	£ 5,026
Supplies & Services	£ 25,288	£ 37,947	£ 63,235	£ 60,700	£ 2,535
Support Services	£ 48,812	£ 79,586	£ 128,398	£ 127,763	£ 635
Totals	£ 228,804	£ 333,934	£ 562,738	£ 482,021	£ 80,717

The following table sets out the estimated contribution and saving for each partner calculated as a proportion of the combined live benefit caseload.

	TWBC	MBC	Total
Live caseload	6,600	9,300	15,900
% of combined caseload	41.5	58.5	100.00
Cost of Joint Service	£200,039	£281,936	£482,021
Current Service Cost	£228,804	£333,934	£562,738
Annual Saving	£28,719	£51,998	£80,717

5. Future costs

5.1 Further work needs to be undertaken to agree a central service budget for the new fraud and visiting partnership. On completing that exercise the budget would be recharged to each authority based on their proportion of the combined live benefit caseload at the start of each year.

5.2 The support services and associated central recharge for each partner will continue to be provided and charged on the implementation of the joint team, with a rolling programme to review the delivery of those services. It is the intention of the partnership to move to a single service provider where a cost saving can be achieved.

5.3 The partnership is expected to deliver a five-year saving of £400,000.

6. Performance Management

6.1 During 2007/2008 there are three BVPIs that relate directly to Fraud. There are none relating purely to Visiting. The Fraud BVPIs are 76b (Fraud Investigators per 1,000 caseload); 76c (Fraud Investigations per 1,000 caseload) and 76d (Prosecutions and Sanctions per 1,000 caseload).

Latest full-year performance (2006/07) is set out below:

BVPI	MBC	TWBC
76b - Fraud Investigators per 1,000 caseload	0.43	0.23
76c - Fraud Investigations per 1,000 caseload	43.95	70.41
76d - Prosecutions and Sanctions per 1,000 caseload	5.60	5.60

6.2 It should be noted that there are no quartile ranges for these BVPIs and that there is no polarity attached to any of the BVPIs (i.e. a high score/low score does not necessarily mean better performance).

6.3 It would be fair to say that both sections deliver comparable levels of performance.

6.4 With the planned deletion of the existing fraud BVPI's from April 2008 and no direct replacement being introduced, the partnership proposes to review the measures by which performance is monitored and gain agreement within Kent as to how performance is best monitored and compared.

6.5 Our aim is to make the Partnership's targets more outcome based. To this end, we have set initial targets, which focus on the savings that the Partnership can bring to the Public Purse.

6.6 We recognise that there might be a need to re-visit the targets partway through the year, given that there will obviously be a bedding-in period for the Partnership. The headline targets are:

Fraudulent Overpayments - £250,000. These will be overpayments that have been discovered as a result of a fraud investigation.

Reductions in benefit - £180,000. To measure this we will use the Weekly Benefit Savings formula that was in force until recently. Basically, this multiplies by 32 the weekly amount of benefit that has been stopped as a result of intervention by the Partnership team.

6.7 This will allow the partnership opportunity to introduce new measures that focus on the quality and value of investigations as opposed to the existing purely quantitative measures, therefore supporting the move to a tactical team capable of investing the time to investigate and prosecute serious fraud.

7. Risks

7.1 There are inevitably risks associated with a project of this type.

- Loss of key staff during the implementation process
- Targeted levels of performance not achieved
- Financial savings not being achieved
- An inability to fill the posts in proposed structure
- An inability to align Fraud Policies

A full risk assessment has been completed to support the project a copy of which is held at appendix 1.

8. Project Plan

8.1 A project team has been established to oversee the introduction of the joint team, made up with representatives from each authority, with the project and wider partnership aims chaired by a senior officer from each authority acting as the partnership board.

The representatives are;

Tunbridge Wells BC

Maidstone BC

Director of Services to the Community
Head of Revenues
Benefits Security Manager

Assistant Director of Customer Services
Revenues and Benefits Manager
Fraud Manager

Staff from other technical disciplines such as legal services and human resources will be called upon to support the project as and when required.

8.2 A summary of the proposed actions and timeframe is attached at appendix 2.

9. Governance

9.1 A summary of the governance arrangements considered for the implementation of the team is listed at appendix 3.

9.2 In recommending the governance arrangement for the joint fraud and visiting team consideration has been given to both the shared desire to progress the partnership to include the wider revenues and benefits function; and desire to maintain a high level of control over what is seen as a key local service.

9.3 It is, therefore, proposed that the partnership is formalised through a shared service agreement and overseen by a Strategic Partnership board, with a senior officer (Director level) from each authority.

9.4 It is proposed that the Fraud and Visiting Manager will report to an operational board consisting of the Revenues and Benefits Manager from Maidstone and the Head of Revenues from Tunbridge Wells.

10. Exit Strategy

10.1 It is expected that the Partnership will last for at least five years, with an annual review at the end of each year. Arrangement for the ending of the partnership will be included within the shared Service Partnership agreement, which will as a minimum state;

- 12 months notice to be given by a partner wishing to leave the Partnership
- The minimum notice period for either partner
- The distribution of costs and assets on ending the partnership
- The treatment of authority specific data and shared data
- The retention of staff by each partner on ending the agreement

11. Conclusion

11.1 A shared Fraud and Visiting Partnership offers the opportunity to produce efficiencies; improve resilience; improve the service to our customers; show a willingness to embrace the Kent Commitment and be a first-step in a potential full Revenues & Benefits shared service.

Service Plan - Risk Assessment – Risk Scenarios

Area	Para.no	Vulnerability	Risk	Consequences
Staffing	1 2 3	<ul style="list-style-type: none"> Loss of key staff during implementation process Inability to fill posts in new structure Staff unable/unwilling to embrace new arrangement 	<ul style="list-style-type: none"> High risk fraud is not investigated Open cases not progressed Joint working / investigations arrangements fail Performance targets missed Adverse audit comments Partnership is seen as failing to deliver 	<ul style="list-style-type: none"> Additional time and cost in recruitment Increased cost to the tax payer through fraud and error Time invested in open cases that cannot be progressed is lost Change in public perception “getting away with it” DWP reluctant to invite joint working reducing future opportunity Reputation suffers and public lose confidence Confidence in officer ability to deliver partnerships is reduced Relationship between MBC and TWBC is damaged Adverse impact on staff morale
Governance / Management Arrangements	4 5	<ul style="list-style-type: none"> Incompatible service aims Organisational change, unitary status, other cluster working 	<ul style="list-style-type: none"> Service lacks clear direction Inconsistencies in approach / standards Partnership loses momentum Blocks opportunity for 	<ul style="list-style-type: none"> Poor performance Low staff morale Decision making is hindered and slow Partnership fails to deliver and as a consequence does not progress into a wider operation Staff feel let down and leave

			other partnerships	<ul style="list-style-type: none"> ▪ Service is unable to fully progress other partnership opportunities
Finance	6	<ul style="list-style-type: none"> • Financial gains not achieved 	<ul style="list-style-type: none"> • Base data is incorrect 	<ul style="list-style-type: none"> ▪ Additional financial pressure
	7	<ul style="list-style-type: none"> • Unexpected set up costs 	<ul style="list-style-type: none"> • Significant change to corporate recharges 	<ul style="list-style-type: none"> ▪ Change in relation to one partner causes unreasonable impact on whole partnership and planed savings
	8	<ul style="list-style-type: none"> • Different views or ability in terms of investment 	<ul style="list-style-type: none"> • Fail to properly resource 	<ul style="list-style-type: none"> ▪ Service is unable to deliver objectives ▪ High
	9	<ul style="list-style-type: none"> • Cost on ending the partnership • Change to the DWP subsidy arrangements 	<ul style="list-style-type: none"> • Exit arrangements fail to provide sufficient safeguard • Potential loss of subsidy 	<ul style="list-style-type: none"> ▪ A partner is left with high staff costs / redundancy cost ▪ Investment required to re establish service for individual LA ▪ Increased cost to LA
Performance	10	<ul style="list-style-type: none"> • Fail to hit performance targets 	<ul style="list-style-type: none"> • New structure fails to deliver 	<ul style="list-style-type: none"> ▪ Increased cost to the tax payer through fraud and error
	11	<ul style="list-style-type: none"> • Fails to deliver value for money • Govt introduce new targets for Fraud and Visiting 	<ul style="list-style-type: none"> • Staff changes and morale impact on performance • I.T issue prevents intended process • Unable to meet targets 	<ul style="list-style-type: none"> ▪ Adverse audit comments ▪ Reputation suffers and public lose confidence ▪ Member confidence is reduced in Officer ability to deliver partnerships ▪ Audit criticism

SERVICE PLAN – IDENTIFIED RISKS – MANAGEMENT ACTION PLANS

Plan owner:	Stephen McGinnes / Bill McCafferty
--------------------	---

Likelihood	A				
	B				
	C				
	D			6	9
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
3	DII	EII	Impact on staff
6	DII	EII	Financial gains not achieved
9	DI	EII	Cost on ending the partnership

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> Regular staff updates Combined team events Clear timetable for change 	Adequate	Ongoing updates on progress in HR matters Fair allocation of grades and appointment to posts	S.McGinnes (MBC) & B.McCafferty (TWBC)	Retention of key staff	Monthly	-

<ul style="list-style-type: none"> • Joint working group with finance specialist • Monthly review by Service Manager • Periodic review from Partnership board 	Adequate	Ongoing review	S.McGinnes (MBC) & B.McCafferty (TWBC)	Service delivered on budget	Quarterly	30.06.08
<ul style="list-style-type: none"> • Commitment to exit strategy and partnership agreement within implementation plan • Consultation with specialists in HR, legal & finance • Retention of existing staff by each partner • Referral of key decisions to corporate management team and cabinet member 	Adequate	Consult and report prior to partnership commencement	S.McGinnes (MBC) & B.McCafferty (TWBC)	Clear and achievable plan for partnership end	On presenting the partnership agreement	Feb 2008

Likelihood	A				
	B				
	C	5			
	D		1,2,7	,6,3	9
	E			4,8,10,11	
	F				
		IV	III	II	I
	Impact				

Appendix 2.

#	Name	Responsible	Due Date
1	Project Team Meeting	All	06-Nov
2	Agree Partnersnership Proposal - Governance / Finance / Staffing	All	23-Nov
3	Agree Project Plan, Methodology and Vision	All	23-Nov
4	Project Team Meeting	All	07-Dec
5	Report to CMT & Cabinet Member	BM/SM	07-Jan
6	Agree Key staff and gain time commitment	BM/SM	07-Jan
7	Project Team Meeting	All	11-Jan
8	Whole Team Event - "getting to know you"	BM/SD/SM/GS	17-Jan
9	Joint scoping meeting for HR / agree data needs	BM/SM	17-Jan
10	Joint scoping meeting for Finance	BM/SM	17-Jan
11	Joint scoping meeting for IT	BM/SM	17-Jan
10	Scoping meeting for legal - identify lead / contract requirments	SM	17-Jan
12	Identify and match key policies and procedures / identify operating models	SD/GS	17-Jan
13	Validate existing costs	BM/SM	25-Jan
14	Review and agree corporate recharges for each	BM/SM	25-Jan
15	Review and agree T&C for joint team (new / existing staff)	BM/SM	25-Jan
16	Agree recuitment process / number and approach for displacement	BM/SM	25-Jan
17	Project Team Meeting	All	08-Feb
18	Whole Team Event - workshop to explore new ways of working	BM/SD/SM/GS	08-Feb
19	Agree joint budget and management arrangements	BM/SM	08-Feb
20	Agree arrangements for overspends / income	BM/SM	08-Feb
21	Agree single set of policies / procedures & new perating model	BM/SD/SM/GS	08-Feb
22	Agree partnershup performance measures / targets	BM/SD/SM/GS	08-Feb
23	Review job evaluation requirements	BM/SM	08-Feb
24	Review draft partnership agreement	All	08-Feb
25	Report to CMT & Cabinet	BM/SM	08-Feb
26	Approach union to outline changes/identify concerns/agree future needs	BM/SM	08-Feb

27	Advertise Fraud Managers post	BM/SM	08-Feb
28	Interview and appointment fraud manager	All	22-Feb
29	Project Team Meeting	All	07-Mar
30	Whole Team Event - Q & A	BM/SD/SM/GS	07-Mar
31	Test IT Readiness	SD/GS	07-Mar
32	County wide agreement to performance measures	Fraud Manager	07-Mar
33	Advertise / slot in remaining staff	Fraud Manager	07-Mar
34	Agree composition of operational board / partnership board / terms of reference	All	07-Mar
35	Appoint remaining fraud team	Fraud Manager	21-Mar
36	Agree draft fraud strategy document	All	21-Mar
37	Project Team Meeting	All	04-Apr
38	Formal Signing of partnership agreement	All	04-Apr
39	New workflow and reporting goes live	All	04-Apr
40	Operational Board meeting	OP Board	18-Apr
41	Partnership Board meeting	Partnership Board	07-May
42			
43			
44			
45			
46			
47			