


Agenda Item No:	5	
Committee:	Overview and Scrutiny	
Date:	23 November 2015	
Report Title:	Anglian Revenues Partnership (ARP) Update - Reviewing Performance	

1 Purpose / Summary

To update Overview and Scrutiny on performance of the Council's Revenues and Benefits service, since it became part of ARP on 1 April 2014.

2 Key issues

- At Council on 19 December 2013, Members endorsed the Council's approach to Service Transformation including the way forward in respect of Shared Services. This meeting approved that the Council's Revenues and Benefits service join ARP as of 1 April 2014.
- The Business Case for Fenland joining ARP, as previously advised to Council at its 19 December 2013 meeting generated savings to ARP of £272,000 per full year, of which Fenland receives £136,000 per full year over five years.
- At Council on the 6 November 2014, Members approved the introduction of an in house ARP Enforcement Agency Service (previously called Bailiffs) At the end of July 2015 the first cases were passed to the new Enforcement Agency Service. The service will be run by ARP to ensure that customers are treated fairly and are not overcharged fees. The estimated annual surplus generated by the fees charged, after deducting the cost of the internal service, is £150,000 from 2016/17 onwards (shared between the partner councils) this will benefit the Council Tax Payer rather than Enforcement Agencies in the private sector. Fenlands share of the surplus is estimated at £22,000.
- As full members of the ARP, the Council has joint control over its governance and direction, with two Members (the Leader and Portfolio Holder for Finance) sitting on the Joint Committee together with Members from the other four main partner Councils. The Joint Committee has recommended that, subject to approval at each partner Council, we move to one Member for each Council in the future and this was agreed by Fenland's Council at its meeting on 5 November 2015.
- Joining ARP demonstrates the Council's open minded approach to shared services. Discussions will continue in other areas where a robust business case can be developed which delivers savings and maintains a high quality service to residents and local businesses.

3 Recommendations

That Overview and Scrutiny are requested to:

- Note the attached report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor John Clark, Leader of the Council Councillor Chris Seaton, Portfolio Holder for Finance
Report Originator(s)	Paul Corney, Head of Anglia Revenues Partnership
Contact Officer(s)	Paul Corney, Head of Anglia Revenues Partnership Email: paul.corney@angliarevenues.gov.uk Tel: 01842 756437 Geoff Kent, Head of Customer Services Email: gkent@fenland.gov.uk Tel: 01354 622290 Rob Bridge, Corporate Director Email: robbridge@fenland.gov.uk Tel: 01354 622201
Background Paper(s)	Meeting the challenge - service transformation and efficiencies Report to Council 19 December 2013 Anglia Revenue Partnership Governance and Delegations Report to Council 27 February 2014

1 Background

- 1.1 ARP is a shared Revenues and Benefits service that from April 2014 comprised five partner authorities (Breckland, East Cambs, Fenland, Forest Heath and St Edmundsbury). It also had a partnership working arrangement with Suffolk Coastal and Waveney District Councils. From April 2015 Waveney and Suffolk Coastal also became full members of the ARP.
- 1.2 The ARP has the 3rd largest caseload for Revenues and Benefits in England as shown overleaf:-

	HB & CT Claimants	Council Tax Dwellings	No of live NNDR Properties	TOTAL		
Birmingham	154,280	431,588	44,130	629,998		
Leeds	87,520	342,658	25,910	456,088		
Anglia Revenues Partnership	64,004	327,122	26,662	417,788		
Cornwall UA	61,120	261,092	27,150	349,362		
Sheffield	66,100	240,672	16,690	323,462		
Manchester	78,050	221,965	22,660	322,675		
County Durham UA	67,090	238,256	14,440	319,786		
Liverpool	81,950	217,838	16,240	316,028		
Average	17,092	71,981	5,299	94,372		

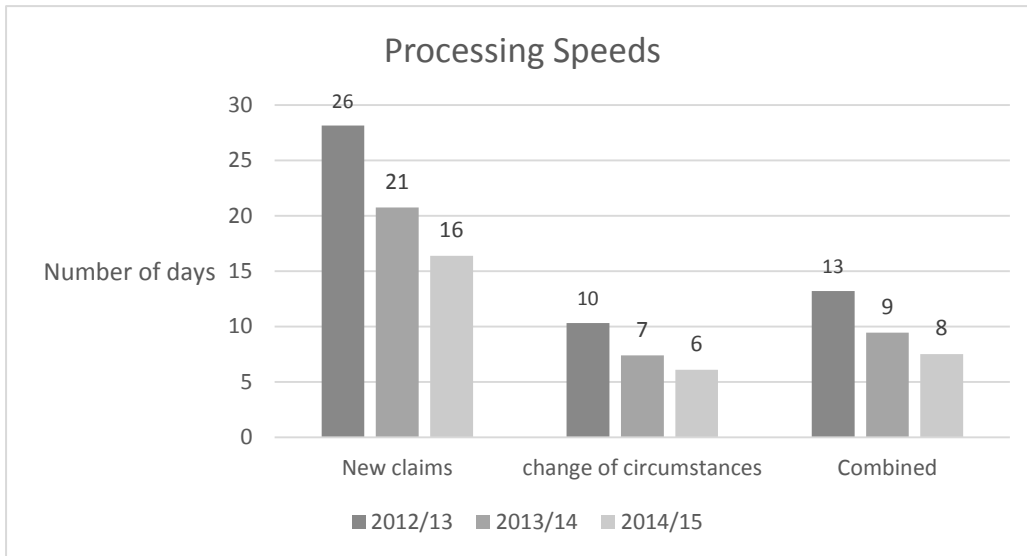
- 1.3 ARP's Revenues and Benefits service is responsible for; making Benefit awards (both Housing Benefit and Council Tax Support) to the value of over £250 million, claiming housing benefit subsidy back from the Government of over £200 million per annum and are responsible for the billing and collection of more than £560 million in Council Tax and Business Rates per annum.
- 1.4 ARP operates a Joint Committee to facilitate the delivery of the Revenues and Benefits service for each of the seven full member authorities of ARP, which is delegated through Section 101 (5) of the Local Government Act 1972 and regulations made under section 20 of the Local Government Act 2000. At its meeting on 27 February 2014, Council resolved to agree to the arrangement above.
- 1.5 The arrangements outlined in section 1.4 above mean that the Joint Committee is enabled by legislation to make decisions on behalf of all the Councils that are part of ARP with regards Revenues and Benefits service provision.
- 1.6 The Council is represented at Joint Committee by two Members. These are the Leader and Finance Portfolio Holder. Joint Committee meets at Breckland District Council four times annually. Meetings have been attended by Fenland Members quarterly since the 30 June 2014. The Leader noted the effective running of meetings and is confident that the Joint Committee allows Fenland's interests to be fully represented as part of ARP.
- 1.7 The Joint Committee has recommended that we move to one Member for each Council in the future. This recommendation is subject to approval by each partner Council and will only take effect once all partner Councils have approved. This was approved by Full Council at Fenland on the 5th November 2015.
- 1.8 The shared service will generate £660k of savings to Fenland over five years by:-
- Reductions in staff by sharing activities across Councils, by economies of scale.
 - Councils sharing contracts for certain services such as computer systems, print and post costs, etc. to reduce unit costs.
 - Additional savings as processes and functions merge between ARP partners.
- 1.9 The ARP shared management team with joint responsibility for Revenues and Benefits at the seven authorities took up their posts on the 1 April 2014, they successfully reviewed

the resources required across the seven Councils for the combined service and introduced a new structure across the partnership with effect from 8 September 2014.

- 1.10 The initial business plan did not factor in redundancy costs because the value would be unknown until the process was completed and so it was estimated that in 2014/15 there may be a net cost to the partner councils.
- 1.11 Across the ARP 230 staff work in Revenues and Benefits teams. As posts became vacant after 1 April 2014 they were not filled so that the number of staff who would be made redundant could be kept to a minimum. There have been no compulsory redundancies amongst Fenland staff.
- 1.12 The management of staffing resources during the restructure meant that in 2014/15 the partner councils saw a net saving after the cost of redundancies and all the benefits of the original business case have also been exceeded. The surplus over and above the business case estimate was £110,274 and Fenlands share of this surplus is £14,843. It was agreed by Joint Committee to retain the surplus to fund projects and to set up the financing of the ARP trading arm (see 4.1 onwards).
- 1.13 The ARP Enforcement Agency Service has been active since the end of July 2015 and early indications are extremely positive with over £263,000 collected in respect of Council Tax and Business Rates arrears and £94,000 in fees. The amount of Council Tax collected for Fenland is £43,775. Performance will be monitored and compared with the performance when the service was provided externally. The in-house team has achieved a collection rate of 6.43% in the first full three months of operation, this compares favourably with one of the external providers previously used by the Partnership. The external providers achieved an average collection rate of 5.01% in the first three months under the new regulations.
- 1.14 The Enforcement team is working much more closely with the Council Tax teams than the external providers were able to. We are better able to respond in cases where vulnerable people are involved to help those people who are genuinely having difficulty in paying.
- 1.15 The Enforcement Agency Service charges fees in respect of the cost of collection, in the past these fees were charged and retained by the external bailiff companies, it is estimated that from 2016/17 there will be a surplus of fees collected in comparison to the cost of the service of £150,000 which will be shared by the partner councils of the ARP. Fenlands share of the surplus is estimated at £22,000.
- 1.16 ARP represented the first major shared service initiative for the Council. Following a robust Business Case, it has started to deliver significant financial savings whilst at the same time maintaining the high standards of performance and customer service that underpin Council services.

2 Revenues and Benefits performance since 1 April 2014

2.1 Benefits performance continues to improve. The chart below shows the performance for the last 3 years:-



- 2.2 The continued improvement is a result of the automation of data transfer from the DWP. Changes to state-administered benefits such as Jobseekers' Allowance mean that Council-administered benefits (Housing Benefit and Council Tax Support) may need adjusting as customers' income changes. Information regarding these changes is now received automatically each day allowing claims to be updated quickly and without time-consuming additional work in most cases.
- 2.3 Currently performance for 2015-16 to date is 18 days for new claims, 6 days for changes and 7 days overall. This performance is better than the national average (23 days for new claims and 7 days for changes in circumstances) and is currently within upper quartile for new claims.
- 2.4 New claims performance is currently higher (18.1 days) than target (16 days). This is a knock-on effect of a higher number of claims received at the start of the financial year. The in-month performance is improving each month as the year progresses which will see cumulative result continue to improve to meet our cumulative year-end target of 16 days.
- 2.5 Risk based verification (RBV) was implemented at the start of August. This is an automated process that changes tailors the level of evidence required to support new claims for benefit based upon the level of risk of fraud and error. RBV initially slowed claim processing as staff got used to it. It enables "low risk" claims to be processed more quickly; this percentage has increased from 22% of claims in August to 47% of claims in October. This will also assist improvements in processing times in the second half of the financial year.
- 2.6 Further improvement in benefit processing times will also take place in early 2016. Currently ARP uses two separate document imaging computer systems (these store images of all benefit application forms, letters from customers and other proof supporting Revenues and Benefits cases). Currently Fenland, Suffolk Coastal and Waveney Councils use a system called Anite; whereas Breckland, East Cambs and Forest Heath

Councils use a system called Comino. All seven ARP partners will move to Comino at the start of 2016. This will allow greater resilience across the partnership and allow additional resources to be targeted as appropriate to ensure that processing performance targets are met.

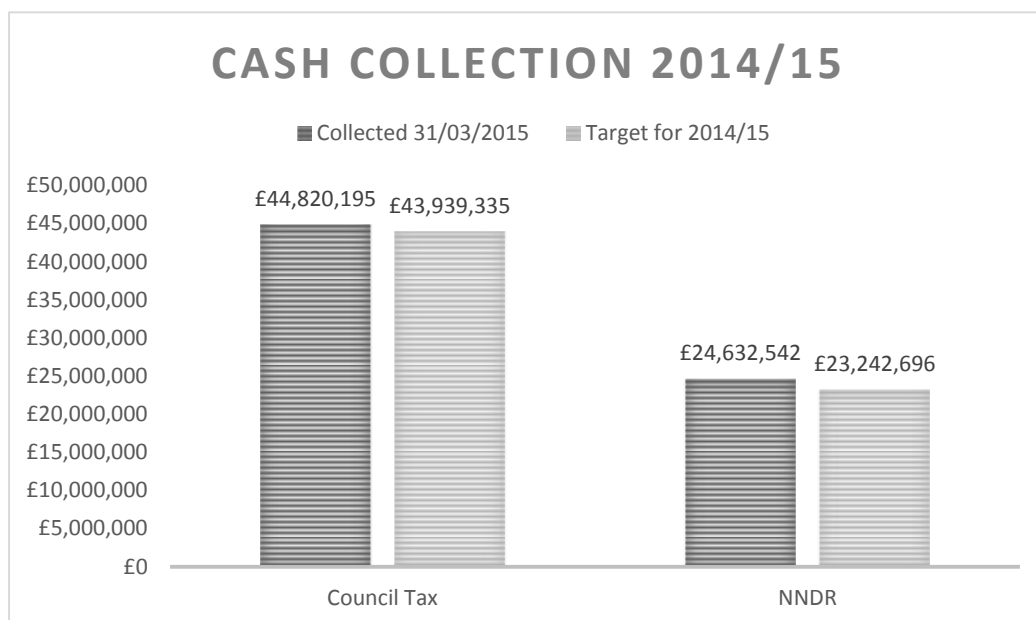
2.7 In addition, there has been a decline in the numbers of benefit cases in payment (Housing Benefit and Council Tax Support):-

Year	Housing Benefit cases	Council Tax Support cases
2013	7,103	9,409
2014	6,979	9,180
2015	6,869	8,768

2.8 Each year as part of the setting of the budgets targets are set in respect of the income we need to collect in the Council Tax collection fund and the NNDR collection fund.

2.9 Collection Funds are how Councils account for the collection of both Council Tax and NNDR. All monies received in respect of these are paid into these funds held by the Council and then distributed to precepting authorities (Cambs County Council, Cambridgeshire Police Authority, Cambridgeshire Fire Authority) and then to Fenland District Council to contribute towards overall funding.

2.10 Collection of Council Tax and NNDR is monitored monthly and performance is reported to the Joint Committee. The collection of Council Tax and NNDR for the 2014/15 financial years was above target as shown in the chart below:-



During the financial year the Council Tax and Non-Domestic rate yield increased considerably as shown below:-

	1 April 2014	31 March 2015
Council Tax	£45,096,754	£45,505,908
Non-Domestic Rates	£24,422,606	£25,412,454

- 2.11 The increase in yield is budgeted for in the Council's annual budgets and results from a continuing upward increase in the number of both commercial and domestic properties in Fenland as the table below shows:-

Date	Commercial properties	Domestic properties
1/4/14	2,990	43,381
1/4/15	3,032	43,777

- 2.12 At the end of September 2015 collection is ahead of the collection fund targets for Fenland as set out below:-

	Collection Fund target £	Actual £	Difference £
Council Tax	26,939,268	26,975,216	+ 35,948
Non-Domestic Rates	14,129,728	14,933,197	+ 803,469

- 2.13 The large positive variance in respect of NNDR collection is expected. It is affected by the need to make provision for appeals against the NNDR Rating List. The Rating List is the basis of NNDR and is in essence the market rental value of each property that takes into account the type of property, location and turnover. This information is used to create the "Rateable Value" by the Valuation Office Agency (VOA) (a Government agency), that together with the nationally set "Multiplier" sets the basic rates payable each year that the Council bills and collects.
- 2.14 A large number of businesses have appealed to the VOA as they think that their Rateable Value has been assessed as too high. If these appeals are successful, this will reduce the rates payable and in turn reduce the yield the Council receives.
- 2.15 The Council therefore takes prudent action to make allowance for these appeals. In addition, the VOA is currently resetting the Rateable Values that apply to purpose-built Doctors' Surgeries nationally, which will potentially see the Council needing to make large refunds of £000s locally for.
- 2.16 It is therefore expected that the collection fund surplus in respect of NNDR will reduce down to a nominal amount by 31 March 2016.

3 Other developments this year

- 3.1 Significant changes have occurred in the investigation of fraud and error. In November 2014 the DWP set targets for LAs to reduce claimant error in the Benefits system.
- 3.2 ARP identified the software Councils used to assess and review claims did not have the functionality to enable the identification of suitable cases. It worked with the software

company to lead on and develop a bid on behalf of 139 LAs to a DWP fund established to assist LAs with this new task.

- 3.3 This process involved ARP in extensive discussions with the software company, DWP and through LA user groups the other LA sites, resulting in a successful bid for substantial funding awarded to the ARP to develop, test and implement a solution for the 139 LAs.
- 3.4 The software is now live and available for all the LAs to use. ARP has been involved in further meetings with the DWP, who are running a case study to share nationally the best practice identified by ARP.
- 3.5 Housing Benefit fraud transferred to the DWP on the 1 September 2015 for all partner Councils to become part of the DWP's Single Fraud Investigation Service (SFIS). ARP presented a business case to Joint Committee to fund a post SFIS Counter Fraud team to concentrate on other areas of fraud, retaining the skills of experienced investigators to maximise areas of fraud which affect the income of the seven partners and the three County Councils. Despite the team only having been formed on 1 September 2015, they are already meeting targets.
- 3.6 The Fraud team have worked on tenancy fraud cases from April 2015, the National Audit Office state that the average saving from tenancy fraud to the public sector purse is £18,000 per case.
- 3.7 The table below shows the performance of the fraud team, The Single Person Discount fraud shows the amount saved from the date the discount is removed to the end of the financial year:-

	Overall fraud identified	Fenland fraud identified
Single Person Discount since Sept.	£36,971	£9,618
Council Tax Support since Apr	£109,783	£27,005
Tenancy Fraud Since April	£234,000	£90,000
Other Since Sept	£16,473	£5,164
Total identified	£397,227	£131,787

4 Future Governance of ARP

- 4.1 Each Council has two Members who sit on a Joint Committee. These must be part of the relevant Council's Executive. For Fenland, this is the Leader and the Finance Portfolio Holder. This gives Joint Committee a composition of fourteen Members.
- 4.2 When the previous ARP update was presented to Overview and Scrutiny there were five Councils as full partners within ARP in that they shared both resources and Governance. Suffolk Coastal and Waveney Councils became full partners of the ARP in April 2015, although since April 2014 staff were pooled within ARP and managed by ARP Managers.
- 4.3 The previous report advised that when Suffolk Coastal and Waveney Councils became full members of ARP, it may be necessary to further review Joint Committee membership. The review has taken place and the Joint Committee has recommended

that there is a reduction in members from two per authority to one and all partner councils are being asked to approve this recommendation. However, this will not weaken Fenland's (or any partner council's) position with regards to Governance. Fenland will still have the same voting ratio with regards to Joint Committee decisions in future. Full Council agreed this change on the 5th November 2015.

5 Future developments and expansion of ARP

- 5.1 Now that we have 7 partners in the ARP the Joint Committee have agreed that it is unlikely that we will agree to any further full members. However it is still the intention to look for future growth in other ways.
- 5.2 At the Cabinet and Council meetings on the 17th September 2015 Fenland agreed to be a partner in an ARP trading arm (ARPT). Fenland will be an equal partner and have equal shares in the Company. This should generate further income and savings above our current arrangements and has the potential to generate further income for ARP going forward.
- 5.3 The 7 partner Councils have agreed:
- To Breckland and Forest Heath Councils, that amendments to the company constitution and shareholder agreement be made to allow the expansion of the ARP Trading Company Limited to include all seven full partner councils of the ARP Joint Committee
 - To all Councils, to approve the investment in ARP Trading Company Limited
 - To all Councils, to approve loans of £10,000 each to the trading company to cover initial working capital requirements (with approval to amend the Council's Treasury Management policies if required)
 - That the agreement of the revised company constitution and shareholder agreement be delegated to Operational Improvement Board.
 - That each authority nominates a person or persons to represent the authority's interests at shareholder meetings
- 5.4 The ARP strategic management team and The Operational Improvement Board (Directors from each of the Partner Councils) will develop and present business cases to the Joint Committee in relation to potential income generating opportunities and the trading arm will represent one of the options available for generating income by offering services to other councils.
- 5.5 The business cases that will be considered in the first instance are likely to be
- Consultancy services on partnership planning and service delivery
 - Project management for service transformation
 - Enforcement Agency (Bailiff) services
 - Resilience – staff on an agency basis, when our resources allow
 - Fraud investigation and Council Tax maximisation
 - Specialist advice, including maximising subsidy claims

- Training
- Management and mentoring services

- 5.6 Every ARPT business case will include information concerning the way in which the opportunity is to be resourced. All partners agree that the first priority will continue to be to ensure that the current services provided by the ARP for residents are in no way compromised by any trading activities.
- 5.7 When Fenland joined ARP, it was able to realise the long-term savings mentioned in this report. Any further efficiency savings and trading opportunities will see a share coming to Fenland. ARP will continually seek to generate further savings and income and will not compromise existing service quality for existing member authorities and residents.