

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview and Scrutiny Committee **DATE:** 8<sup>th</sup> April 2014

**CONTACT OFFICER:** Roger Parkin – Strategic Director Customer and Community Services  
(For all enquiries) (01753) 875207

**WARD(S):** All

### **PART I** **FOR COMMENT AND CONSIDERATION**

#### **YEAR 2 PROGRESS ON THE THAMES VALLEY TRANSACTIONAL SERVICE CENTRE (APRIL 2013 – March 2014)**

##### **1 Purpose of Report**

The purpose of this report is to provide the Overview and Scrutiny Committee with information on the progress of Year 2 of the Thames Valley Transactional Service Centre Partnership with arvato covering the period of April 2013 to March 2014.

##### **2 Recommendation(s)/Proposed Action**

The Committee is requested to scrutinise the progress made and performance of arvato within the reported period.

##### **3 Slough Wellbeing Strategy Priorities**

Economy and Skills –

The partnership relationship between arvato and Slough Borough Council (SBC) continues to develop and work towards achieving the ambitions of SBC. Key areas of priority include:

- creating new income streams that will be shared with the authority by attracting new public sector work into the TVTSC and the borough of Slough;
- adding value through the partnership by focusing on the young and unemployed by recruiting apprentices, offering NVQ qualifications and employment, arvato have also recently signed the membership paperwork to become a Board Member for Aspire and are corporate members of the Chamber of Commerce. They are now looking at volunteering in the local community via the Prince's Trust;
- introducing a recruitment strategy that will specifically target the unemployed in the borough with a focus on young people and on part-time jobs that appeal to family members with young children; and
- Supporting sustainable SME businesses to deliver more jobs for Slough residents by setting up an advisory service providing advice on topics relating to arvato's core business.

Specific actions taken include:

- the recent relocation of arvato UK & Ireland to Slough which will bring additional business to the borough;

- the creation of a specific schools package to attract business from educational facilities such as schools and universities;
- the recruitment to the Neighbourhood Benefit Officers which is currently underway with appointments scheduled to be made in April 2014. These posts will assist both the Housing Service in terms of housing benefit applications and ensure the maximisation of benefit take up in the borough by providing a more local accessible and tailored service and the introduction of a Social Inclusion and Income Maximisation strategy for Customers; and
- increasing income to the Council via Council Tax and Business Rates

#### 4 **Joint Strategic Needs Assessment (JSNA)**

In September 2012, arvato UK & Ireland's public sector team in Slough launched a pioneering apprenticeship scheme in partnership with Slough Borough Council. Apprentices were selected from the local area to study for NVQ Levels 2 and 3, and to train in different areas of the business. Once they have completed their apprenticeship, arvato then supports them in finding permanent posts by providing workshops on job search, CV writing and filling out application forms, and interview skills.

To date, 11 apprentices have enrolled on the apprentice scheme, which lasts 12 months. Young people selected for the apprenticeships training are those who perhaps consider themselves unsuited to undertaking conventional training and study. The arvato project provides these students with a positive alternative; one which focuses on IT, literacy and numeracy skills, and also on key workplace skills such as communication (verbal and written), attendance and time-keeping. The second scheme started on Monday 9 September 2013 with five placements in Transactional HR, Revenues & Benefits, Transactional Finance, Logistics and Customer Service Centre. All are currently working towards their NVQ level 2 qualifications

A structured training package of tasks has been designed to ensure apprentices continually broaden and strengthen their existing skills, and develop new ones. Support and motivation are also part of the scheme to help the apprentices organise the next step on their career ladders.

It is envisaged that by the end of their apprenticeship, the trainees will be equipped with a wealth of transferable employment skills, along with an invaluable route plan for their future.

There is no guarantee of a job within arvato at the end of the apprenticeship. However, trainees will be able to demonstrate the knowledge and competency acquired to potential arvato departments, and will therefore be in an excellent position to take advantage of any openings that do arise.

## 5 **Other Implications**

### (a) **Financial**

The partnership presents a number of opportunities for SBC which will be realised over the 10 year contract period.

### (b) **Risk Management**

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	The contract was reviewed in December 2013 to take into consideration additional council services: ICT and Customer Services which have provided further opportunities to the Council.	Change control procedure in place.
Property	See 6.9.	See 6.9.
Human Rights	Not applicable.	
Health and Safety	Dedicated Corporate Health and Safety service in place to support arvato.	

Employment Issues	All staff have TUPE'd over to arvato (Phase 1 & Phase 2) with existing Terms and Conditions - with no redundancies and this remains the current position as at the end of Year 2 of the partnership.	See 6.9.
Equalities Issues	N/A	
Community Support	Neighbourhood Benefits Officers provide a more locally accessible and tailored service, and will be supported by the introduction of a Social Inclusion and Income Maximisation strategy for customers.	Additional work being done under the banner of Slough Aspire
Communications	There is an ongoing joint partnership working group which meets monthly to discuss and share information.  Monthly liaison meetings between arvato and retained services remain ongoing.	Access to a wider communications network will allow the Authority to benefit from more positive exposure, marketing and promotion.

Community Safety	N/A	
Financial	Pricing model, KPI framework and Payment Mechanism relating to the partnership is contained within the contract and this has now been updated to incorporate Phase 2 services.	Improvements in income generation and value for money for SBC. The 'go live' of Phase 2 has provided opportunities for further savings and investment.
Timetable for delivery	The partnership is contracted for a period of 10 years from 1 <sup>st</sup> April 2012 and Phase 2 services will run concurrent with the existing contract provision (started December 2013).	
Project Capacity	N/A	

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

There is no identified need for an Equalities Impact Assessment.

(e) Workforce

Approximately 100 staff were TUPE'd successfully as part of the procurement process on existing terms for Phase 1 services. A further 98 staff were successfully TUPE'd as part of Phase 2. All staff continue to be fully engaged in service improvements and training opportunities to further improve their skills, which ultimately improve services to the residents of Slough. Further details of the work undertaken on training and development are included within this report.

## 6 Supporting Information

- 6.1 The Thames Valley Transactional Services Partnership (Phase 1) commenced in April 2012. This was subsequently followed by the outsourcing of Phase 2 services in December 2013.

The contract covers a period of 10 years and Phase 2 services run concurrent with the existing contract term.

For purpose of clarity the following services sit within each phase:

Phase 1 (April 2012)	Phase 2 (December 2013)
Revenue & Benefits <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• NNDR</li> <li>• Housing Benefits</li> </ul>	Customer Services <ul style="list-style-type: none"> <li>• Face to face</li> <li>• Call Centre</li> </ul>
Transactional HR <ul style="list-style-type: none"> <li>• Payroll</li> <li>• E-HR</li> <li>• Recruitment</li> <li>• HR –Information Management</li> </ul>	ICT - as a fully managed service
Transactional Finance <ul style="list-style-type: none"> <li>• Rent Accounts</li> <li>• Cashiers Service</li> <li>• Procure to Pay</li> <li>• Accounts receivable</li> <li>• Financial Processing</li> </ul>	
Dip & Logistics Services <ul style="list-style-type: none"> <li>• Document Image Processing</li> <li>• Logistics</li> <li>• Courier Service</li> </ul>	

## 6.2 Progress to date

### 6.2.1 Contract Overview - Year 2

#### Phase 2

Following a year long project from December 2012 - December 2013, Phase 2 services were successfully outsourced to arvato on December 2 2013.

To avoid increased legal costs and to ensure that both Phases ran concurrently it was agreed that the contract would be coterminous with the original arvato partnership contract which in turn would ensure the appropriate transfer of an additional 98FTE's under the TUPE regulations.

As part of the arrangement it is recognised that there are considerable advantages to be derived from the economies of scale that will be achieved from arvato through their global purchasing power for investment in IT and the benefits of the wider growth of their businesses in Slough. The execution of a "Deed of Variation" as an addendum to the original contract instead of a separate contract gave Slough the opportunity to review the existing contract provision to allow further adjustments which will strengthen the council's position within the partnership.

#### Review of Year 1 KPI's

Following a full 12 month base line period for Phase 1 KPI's, the council has worked with arvato to revise the full suite of KPI's. The review gave due consideration to the increasing financial pressures faced by the council and the increasing emphasis on cash collection for Council Tax, Business Rates and Aged Debt. These are

currently being negotiated with a view to implement them in readiness for Year 3 of the partnership.

#### Accommodation

The lease of Airways House expired at the end of December 2013 and this was subsequently extended for a further month whilst our partner secured their new office block and commenced refurbishment of the new arvato Corporate Head Quarters - Phoenix One based on Farnham Road. With effect from the end of December 2013, all staff residing at Airways House relocated to arvato's corporate Head Quarters and the ICT team originally based on the 1<sup>st</sup> floor of SMP also transferred across to Phoenix One. Whilst further floors are currently under refurbishment in readiness for the buildings official opening on the 31 March 2014, further plans are currently underway to move the customer services call centre team later in the year.

#### Cambridge Education Contract

arvato continue to provide support to Cambridge Education to ensure that they are appropriately set up for payroll and financial processes and reporting. A joint communication structure (including SBC) is currently being put in place.

#### Partnership Governance

Members are asked to note that the original governance structure set up for the partnership continues to act as the main vehicle since the incorporation of Phase 2 services.

#### Involvement with ASPIRE

arvato continue to support Slough Aspire, through attending network events and have embraced opportunities to lead on presentations at the local Jobs Fair in Slough. In the mid-term arvato have signed the relevant agreement to join the Aspire board, joining members including SBC, Segro and Berkshire College.

#### arvato restructure

Since entering into the Public Sector market in 2005, arvato's base has grown in the Local Government market, and diversified into Central Government and Health. As a result a holistic review of the business has been necessary to ensure that it was fit for business and to address client needs. The result of the review was a restructure of the organisation which came into effect on January 1 2014. The impact on the Slough Partnership has meant a change in Site Director to Peter Schriewersmann for Slough and confirmed solution leads across all partnerships to ensure consistency of approach, and to wherever possible share and implement good practice.

#### Corporate Social Responsibility (CSR)

In addition to arvato's strong support for Slough Aspire, our partners have also signed up to become a Corporate Member of the Thames Valley Chamber of Commerce, and have launched a corporate charity campaign for the Prince's Trust – consisting of fundraising, volunteering and education opportunities, which further demonstrates local commitment.

## 6.2.2 Phase1 services - performance to date

*Members are asked to note that a full breakdown of performance for year 2 against the suite of KPI's is appended to this report in Appendix 1, at the time of writing this report March's performance figures are pending as they are reported 1 month in arrears.*

### **Revenue and Benefits**

#### Business Rates

The Business Rates collection figure for the end of February 2014 is 95.2% (which is ahead of last year's collection rate).

This is the first year of Localism, whereby a proportion (49%) of Business Rates income is now direct income to the Council, in previous years Business Rates was collected on behalf of central government

A considerable amount of work has been undertaken by arvato to ensure accuracy of the Business Rates database by cleansing the database, checking information previously supplied, serving completion notices and reviewing all mandatory and discretionary reliefs. This has resulted in an increase in write-off's which was expected in order to correct and cleanse the accounts.

The successful appointment of an Inspector within the service will further enhance the provision of the service.

The recent flooding, as well as changes in legislation relating to small business rate relief and Retail Relief will however add pressures to the service and may impact collection rates.

#### Council Tax Collection

The Council Tax collection figure for the end of February 2014 is 93.4% (which has reduced by approximately 0.57% against last year's collection rate).

There have been a number of major legislative changes that have affected the 2013-14 financial year including the introduction of Council Tax Support, whereby working-age customers who may not have had to pay Council Tax in the past now have to pay a minimum of 20% of their bills.

There is still a considerable amount of work to do on cleansing the Council Tax database in the same way as the work already completed on Business Rates.

#### Housing Benefits

Housing Benefit turnaround times are about where the council would expect them to be. These are currently in and around the target figures set (showing an improvement against last year's performance levels).

February statistics showed that new claims were being processed within 19.18 days against a target of 20 days and year to date figure was 20.3 days.

Changes of circumstances were being addressed within 3.27 days within the month, against the target of 10 days. This figure is exceptionally low as in February all the recalculations of benefit for the new financial year take place and these are counted within the Department of Work and Pensions (DWP) figures as a Change in Circumstances. The year to date figure as at the end of February 2014 was 9.23 days.

Discretionary Housing Payments grant from the DWP is on target to be spent by year end with some additional sums from a one off grant from the DWP and a small amount from the general fund.

The Hardship Fund has also paid out small amounts.

LA Subsidy error remains within target and has improved in comparison to previous year's performances.

### **Transactional HR**

Transactional HR services has consistently achieved the KPI targets for Year 2 of the Partnership with one exception relating to the implementation of Paygate.

During the course of the year, the service has delivered the following key activities:

- upgrade to Paygate system in July 2013;
- continued upgrades to the payroll system;
- achieved statutory deadlines for the submission of P11's to HMRC;
- implementation of a nationwide, project auto-enrolment across the council;
- creation of a second payroll for the Cambridge Education Contract in readiness for go live in September 2013;
- processed two TUPE transfers for both Cambridge Education and Phase 2 Transactional Services; and
- currently undertaking a data cleansing exercise on the establishment data held on the payroll system to ensure accuracy of data held.

The service continues to work closely with the retained Strategic HR function to deliver HR services, and further work is currently being undertaken with the new Site Director to further strengthen the relationship and effectiveness of service delivery cohesively to the retained council services.

### **Transactional Finance**

Accounts Receivable continues to achieve all KPI targets and against some KPI's the targets have been exceeded month on month. This Team is responsible for recovering debt owed to the council and works very closely with the client team to ensure that recovery is pursued in cases of non payment. As at February 2014, the total debt was reported as £8.08 million showing an increase of some £700k on the January figure of £7.36m. This reflects heavy activity within council services in terms of raising debt in the run up to the financial year end, thus increasing the likelihood of payment by the 31 March 2014. Monthly monitoring of invoice payments and debts placed on hold, further assists in managing the council's debt provision.

In October and November 2013, arvato at the request of the commissioner undertook a series of Sundry Debt workshops with council officers to review the current processes. Recommendations derived from these workshops have been drawn up and are currently being agreed with both the Section 151 Officer and the Director.



arvato are also in the midst of developing a proposal to address aged council tax debt and, subject to their internal sign off, will be passed to the council for consideration.

In cashiering, performance levels have also been consistently achieved with the exception of April and June, where the performance was impacted due to the council's upgrade of the cash receipting system.

Work continues on the implementation of the Payment Kiosks at Landmark Place and the three local access points. Completion of this project will see methods of payment and access to payment services increase for council residents. It is anticipated that the Kiosks at Landmark Place will be live and operational by the end of March 2014. Wider roll out to the local access points will take place very early in the new financial year.

The cashiers, in line with the Welfare Reform Act, continue to issue social fund payments. As at February a total of £90,126 was paid out to over 978 customers.

### **DIP, Logistics and Courier Service**

This service area has consistently achieved all KPI targets for Year 2 to date, and delivered against various (back) scanning requirements of departments within SBC. Consideration is currently being given to rationalise the postal pick up points within St Martins Place, and this will be reviewed in line with the council's Accommodation Strategy.

An early review of storage and archiving has resulted in the destruction of a large quantity of expired files situated at the Reading Archive Centre. This has resulted in a council saving of £3,500 per annum.

#### **6.2.3 Phase 2 Services – Performance to date**

*Members are asked to note that the services that sit within phase 2 are subject to a 12 month base line period effective from December 2013. Whilst work is currently being undertaken to provide reporting for ICT, customer services performance is included as at Appendix 1*

#### **Overview**

Both ICT Services and Customer Services were outsourced to arvato as part of Phase 2. The services went live in December 2013 and have now been in operation for just over three months.

The Committee is asked to note that both services are currently undergoing a period of transition and as such progress is as we would expect after a short period of time. With regards to ICT, arvato are currently undergoing a full restructuring and some of the posts identified as part of the proposal are subject to recruitment.

At the point of 'go live', detailed service specifications, contractually agreed indicative targets and detailed service improvement plans were in place for both services.

## Customer Services

At the point of transfer, there was agreement that performance targets relating to Customer Services would be staggered over the life of the partnership with an understanding that these would be reviewed year on year.

For a period of 12 months, arvato will undertake a baselining exercise after which the performance levels will be presented to the council for further detailed discussions. As per the contractual arrangements, these KPI's will be discussed and reviewed to take into account the scheduled service improvements and the direction of travel for the council as steered through the Council's Customer Service Board which is attended by arvato.

***The indicative KPI's can be seen within Appendix 1.***

Over the last two months, key activity within Customer Services has included:

- Supporting Housing Services with the introduction of the new Housing Allocations Policy which went live on January 1 2014. The service recorded 4,913 additional contacts across all access channels for the months of January and February, with the main impact on the Front of House reception service who dealt with 2,428 customers. Increased volumes are expected to continue throughout March with customers submitting appeals.
- the Management Team at the Customer Service Centre continue to work closely with a Solution Lead from the Sefton Council Partnership to implement both the Customer Service Delivery Plan and the Improvement Plan. Areas for review include:
  - management information requirements for both Front of House and the Call Centre;
  - organisational review to best consider resource impact;
  - training – and the development of an annual training plan and skills matrix;
  - workflow – managing demand; and
  - Contact Management Solutions.
- changes are also underway to review the current reporting structure to reflect performance against the indicative KPI's as agreed at the commencement date to provide greater visibility and transparency of performance;
- it is anticipated that with annual billing, there will be further increases in customer contact. Training has been undertaken to ensure Customer Services are able to support the increased contact, particularly around making arrangements for the payment of council tax;
- Service Reviews continue to be held on a monthly basis with service managers across the council, and quarterly meetings take place with Heads of Service;
- Call Centre Relocation – work is currently underway to re-locate the Call Centre to arvato's corporate head quarters at Phoenix One. It is anticipated that this will take place once the new ACD system has been implemented within the next nine months, although this is still to be confirmed. Staff have been consulted, and expressions of interest have been received, as to their preferred location. These are currently being considered by the Customer Services Management Team;

- arvato's Transformation Team are due to undertake a review of the customer services' processes using the Lean Six Sigma approach to further streamline service and to drive out inefficiencies; and
- Customer Services provided support for the flooding help line during the month of February to assist the emergency planning process.

## **ICT**

The ICT Strategy for 2012 – 2015 was approved by SBC's Corporate Management Team in 2012. The core principles of the strategy are still valid, however many delivery elements are now the responsibility of arvato since the Phase 2 outsourcing in December 2013. The IT Strategy will be jointly reviewed and revised as appropriate during 2014 and updated in future. The IT Strategy will also incorporate project specific information based on corporate initiatives. Departmental service planning will feed into detailed requirements and future IT Business Strategies.

The initial IT Work programme was developed with arvato during the outsourcing phase and is incorporated in the Phase 2 contract as an IT Service Improvement Plan. This consists of three main projects – infrastructure refresh, replacement storage area networks (SAN) and disaster recovery provision. These projects are to be funded from existing capital bids, and will be monitored by the IT Information Governance Board. The Information Governance Board will also oversee all IT related initiatives, will be responsible for determining priorities, allocating development days and resolving any resourcing conflicts within projects. All directorates will be invited to have a representative on this Board.

Further capital investment will be required in future years. These requirements will be discussed and agreed with arvato on an annual basis.

The Phase 2 contract also offers the provision for arvato to propose "Invest to Save" projects and identified examples for early consideration are – replacement landline telephony, license management rationalisation, and introduction of corporate Wi-Fi. For Such projects, arvato will prepare business cases to show potential return on investment.

Since December 2013, arvato have relocated the transferred IT staff to their new Corporate Head Quarters at Phoenix One and restructured their entire national IT operating model. Staff are being identified for new roles and governance is being put in place for both operational and project work. A new joint process has been set up to manage ongoing work requests. All new work is being controlled via the retained IT Function. Business Analysts are working with the new business departments to identify and document new requirements and progress chase as necessary.

A comprehensive collection of Key Performance Indicators for IT has been identified for Phase 2. The contract provides for a 12 month period of base-lining as arvato will be required to implement new systems in order to monitor these.

### **6.2.4 Service Improvement Plans**

In light of the decision to outsource both Customer Services and ICT, the Service Improvement Plan for Phase 1 was put on hold to enable the successful transfer of the additional services. This was necessary as many of the Phase 1 improvements were based on ICT dependencies.

As the additional services are now live under arvato's remit, a review is underway to re-align the Phase 1 improvements to address any overlap and dependencies identified when both additional services were retained council services. Members are asked to note that for both additional services in Phase 2 – detailed improvement plans are already in place and will be monitored on a monthly basis as part of a joint service improvement board governance framework

## 7 **Conclusion**

The Committee is asked to assess the performance and progress made by the partnership and acknowledge the considerable amount of work undertaken by both arvato and the council during this time.

The partnership continues to focus on the development of a successful Thames Valley Transactional Service Centre which has the ability to:

- maximise income;
- raise and respond to community and customer expectations whilst improving performance;
- improve access to jobs;
- improve use of resources and streamlining processes; and
- provide efficiencies and improvements to the council.

## 8 **Appendices Attached**

Appendix A – KPI Performance Report

## 9 **Background Papers**

None.