

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 11th January 2018

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PART I **FOR COMMENT AND CONSIDERATION**

TRANSACTIONAL SERVICES: HALF-YEARLY REPORT CONTRACT YEAR 6

1 Purpose of Report

The purpose of this report is to provide Overview and Scrutiny Committee members with a strategic overview of contractual performance for the Thames Valley Transactional Services Public Private Sector Partnership. The period of reporting covers the period April 2017 – October 2017.

2 Recommendation(s)/Proposed Action

The Committee is asked to note and comment on Arvato's performance in delivering the Thames Valley Transactional Services contract for the period of April 2017 – October 2017 and advise of any specific reporting requirements for future scrutiny meetings.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3a. Slough Joint Wellbeing Strategy Priorities

The services in scope of the partnership link to the overall effectiveness and efficient running of the council. For all services in scope, Arvato have sought to streamline processes implement contractually agreed service improvements whilst securing a step change in performance year on year with Contract Year 6 seeing a significant uplift in the provision of complex projects and ICT improvements. The Partnership directly supports the Council's medium term financial strategy through optimising and prioritising the collection of revenues whilst ensuring that benefits continue to reach our most vulnerable members of the community in an efficient and timely manner. The overarching aim of the partnership continues to support all of the Council's priorities

3b Civic responsibility

The partnership remains committed to delivering against its civic responsibilities and this contract continues to demonstrate Arvato's commitments to Aspire as an active member of their board.

Arvato are also members of the Thames Valley Chamber of Commerce and the Slough Business Community Partnership. Their contribution includes annual sponsorship of the Slough award for Innovation to successful local businesses

Arvato continue to be actively involved in various local initiatives to help support the borough and its residents. These have included volunteering workshops, training schemes and multiple charity and fundraising events which directly impact young people.

The focus on young people continues with Arvato’s mutual ambition to uplift the community through apprenticeships schemes, including, as a first, a pilot to bring care leavers into the work environment.

3c Five Year Plan

As part of the annual contract review, KPI’s are regularly reviewed and service priorities are realigned to ensure that outcomes identified in the 5 year plan relating to council tax and business rates income collection are considered in line with the contractually agreed targets. Directorate specific projects relating to service specific requirements are subject to ongoing scoping and discussions with Arvato as business needs arise.

4 Other Implications

(a) Financial

Annual increases to Council Tax and Business Rates collection performance measures compared to previous years will undoubtedly boost the Council’s overall collection rates and increase income for the Council to assist in bridging the funding gaps

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	The contract has built in flexibility which enables changes to be appropriately considered using the change control mechanism Furthermore the Contract governance structure includes for regular review of any change controls to ensure that the contract administration remains compliant	Allows for flexibility as the council’s corporate and service priorities change.
Property	With Arvato’s head office in Slough, all risks associated with property have now been mitigated and the risk has transferred to Arvato	Slough Borough Council can make use of the training and meeting room facilities at Phoenix 1 – Farnham Road. The site is closely located to the council offices and as such allows for an

		easier commute from SMP to Phoenix One for meetings / service issues.
Human Rights	Not applicable	
Health and Safety	Arvato have access to their own corporate Health and Safety services	The Council has opportunities to draw on Arvato corporate resources to assist the council as required.
Employment Issues	All staff delivering Transactional services were successfully TUPE'd over to Arvato.	There is a requirement within the contract deliverables for Arvato to offer employment opportunities to the people of Slough. Over 400 people working for Arvato live in Slough.
Equalities Issues	Not applicable - Council policies apply as part of the Staff transfer	
Community Support	Arvato UK headquarters based in Slough	Arvato continue to support community projects, working with Slough mobility, board member of ASPIRE, development of the Arvato apprenticeship academy - strengthening employment opportunities for local residents.
Communications	There is a joint partnership arrangement in place to share information and manage communication	Access to a wider communications network allows the authority to benefit from more positive exposure, marketing and promotion
Community Safety	The employment of Neighbourhood benefit officers provide a more locally accessible and tailored service to local residents	Improved access to services and opportunities to work with our most vulnerable residents to maximise benefits take up.
Financial	Agreed pricing model , KPI framework and Payment mechanism which can be reviewed annually as the councils priorities change	Allows the partnership the flexibility to focus on emerging priorities faced by the council and the services it delivers to manoeuvre the contract delivery to ensure the most appropriate direction of travel as determined by the Council
Timetable for delivery	The contract is in place for a period of 10 years from	Timescales allow for services to be embedded

	April 1 st 2012 – March 2022. This means that both Phase 1 & Phase 2 services run concurrently	and focus on service improvements
Project Capacity	Not applicable - this is not a project	

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

Not applicable.

(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. Staff continue to be fully engaged in service improvements and training opportunities to further improve their skills, which will ultimately deliver more efficient and effective services to the residents of Slough.

5 Supporting Information

5.1 Appendix 1 provides a full description of achievements and challenges by the following service areas:

- Logistics
- Accounts payable/receivable
- ICT
- Council Tax
- Benefits
- Business Rates
- Customer Services
- Transactional HR
- Pensions
- Apprenticeships
- Projects
- Value added

5.2 From an 'Added Value' perspective, the contract continues to excel this year across projects and in most operations, and particularly in terms of their commitments to support young people.

5.3 The contract has continued to demonstrate a steady growth in private sector business with further customers about to be added. Such is the growth that Arvato headquarters are at capacity following a recent densification project. The continued impact on Slough has resulted in increased job opportunities for Slough residents – employees are at 850+ and growing. Wherever possible, Arvato makes use of local suppliers, further enhancing the local economy.

5.4 From a contract performance perspective, contract year 6 has improved in most service areas such as Customer Services and Business Rates. Some areas will always need constant support and attention such as Council Tax.

6 **Comments of Other Committees**

This report has not been considered by any other committees.

7 **Conclusion**

Members are requested to note the progress made during this six month period to October 2017 and comment on performance or other issues accordingly.

8 **Appendices Attached**

Appendix 1 – Contract Year 6 April – October 2017 Half Year Review

9 **Background Papers**

None.

Contract Year 6 April 2016 – October 2017 Half Year Review

Logistics

Many SBC teams have been moving around, and new teams have joined the council. Challenges remain about how best to impact assess this. In recent moves, the post room and couriers had to turn around arrangements in two days, which was achieved, but is not ideal.

Drop off capacity upon existing routes is at maximum, and any new buildings or teams will now reduce quality and times as the service will be spread too thinly. Expansion and further resource may be required should this happen.

The Dip service KPI regularly failed, with a 95% result for November. Adherence to target has been made difficult with the new scanner installation, where integration has proved more complex than originally anticipated. Any backlogs have remained a priority and largely cleared.

However, we now receive far greater volumes to be processed, and this has been absorbed by the team so far, but we'll need to pay close attention to this in 2018 to ensure the quality doesn't drop.

The other issue around the Dip KPI is with the Council's Housing team. I know you are aware that they work differently to almost all the other teams using the Civica Dip system in that we receive their mail and forward the hard copies, as we would for the areas of the Council not using Dip. The mail is worked on and then returned to us to scan in, meaning Housing use Civica as an electronic filing system rather than the powerful work tool it was designed to be. Nor do we currently index scanned docs for Housing and working this way causes a number of issues for Arvato and SBC.

- Significant additional work in delivering and collecting Housing mail for the already pressed mail couriers
- Mail is date stamped when opened in Housing, and kept until complete – there can be a difference of 6 months or more between a document being date stamped and being returned to Arvato to be scanned into Civica. Fortunately this is understood by the client team and is not blamed on Arvato.
- In practice documents are often kept with Housing past their completion date, and only sent Arvato when storage is tight. Documents as old as 4 years have been found. Receiving such a large quantity of documentation in one go makes it impossible for Arvato to process in line with KPI targets.
- This approach presents a risk in creating a security and confidentiality issue, as well as the question of what would happen if the original hard copies were destroyed in the event of fire or flood.
- Housing routinely run with a backlog of hundreds of items awaiting indexing, currently nearly 700, which means they can't be viewed. The Arvato team gets frequent calls asking when a document will be scanned in, which in practice has already been done, but is waiting for the Housing team to index. Leaving aside the time it takes to check, it also leaves Arvato open to unfair reputational damage.

Arvato has offered to take on the indexing function for the Housing team after appropriate training. It would create more work for Arvato, but the win would be avoiding the issues listed above.

Accounts Payable/Receivable

Accounts Payable (P2P):

- Estimated 40,000 creditor payments processed for client with a value approaching £300M.
- Invoices paid within 30 days runs at around 72% currently which is some distance behind the aspirations contained within the government's Prompt Payment Code. Slough Borough Council action is required to improve this, as structurally the team is close to maximum capacity.
- Successfully managed the removal of cheque payments for client suppliers. All now paid via cheaper and more efficient BACS method.

Rent Accounting:

- Successful performance for annual Housing Rents Year End process; together with quarterly statements produced & delivered; Direct Debit collections and Housing Benefit notifications; and assisted the client with Capita Housing system upgrades during the period.
- Working very hard on Former Tenant Arrears which are notoriously difficult to collect. New cases arising are usually more than 300 per annum with a value of around £0.25M.
- Assisted with the review and re-writing of its Former Tenant Arrears Policy.
- Assisting with implementation of 'paperless Direct Debits' for Housing Rent collection
- Processed around 300 rent refunds, on request, with a value of £250K.

Accounts Receivable (AR)

- Aged Debt has fluctuated, but AR collection rates have averaged around 97% during the period, despite several operational issues with the Agresso implementation
- Over 20,000 invoices were raised with a value of approx. £37M
- Assisting with the review of its Debt Recovery & Collection Policy, providing technical expertise in AR function.
- Providing BACS payment service to the Slough Childrens Services Trust, and Cambridge Education (until end of that contract).

Accounting Technicians:

- No reported service failures. Some issues around client/contractor split of responsibilities. Hence, SLA reviewed and discussions held re most appropriate model for delivery of service (service realignment). Thus AT staff TUPE back to SBC in January 2018.
- Supported Slough's schools with all their reporting requirements, on a monthly basis.
- Assisted with programme to bring Environmental Services DSO back to the council.

Cashiering:

- Assisted planning for the latest upgrade to Civica Icon cash receipting system.
- Managed changes for the introduction of new notes and coins (tills and kiosks).

- Driven the work required to remove charges to customers for paying by credit card (target for completion Jan 2018).

General:

- All KPIs in Transactional Finance have been successfully achieved (every month)
- Issues with Agresso have been worked around or now properly addressed. These include the ability to issue AR refunds, ability to run write offs.

ICT

- Support teams have been reprofiled so resources have clearly defined roles resulting in smoother support
 - Service Desk, Application support and service manager
- KPI reporting has proved problematic due to out-of-date, non-reporting systems, but a lot of work has been done to get this to an acceptable level
 - New ITSM tools are now being reviewed, which will transform Arvato IT's ability to report accurately on an on-demand 'live' basis.
- New Service Delivery Manager is committed to further improvement:
 - Support services process review and gap analysis
 - Major Incident Process re-designed and implemented to ensure major incidents are handled in a correct and consistent manner
- Cross team training has generated greater resilience and capacity
 - Currently working on cross team training so this no longer become an issues
- Dynamic changes continuing to occur within Slough demanded greater flexibility
 - An IT change management processes has been improved and will continue to mature
- Despite having finite resources, these have been able to stretch to support key projects including
 - Capita upgrade
 - DSO
 - Hawker House/RMI
 - IPVPN
- PSN has been challenging
 - Now progressing well, with remedial actions from PSNA understood and in motion
- Live service desk tickets reduced from 300 to 100
- Understanding SBC digital strategy is crucial for Arvato IT to align to
 - This strategy is still in development
 - Operational imperatives are starting to shape the strategy, which may not be desirable
- Working relationship between Arvato IT and SBC has improved, with further gains to be had.

Council Tax

- The collection rate at the end of November 2017 is 75.49%, 0.14% less than the 75.63% achieved at the same point last year.
- This is 0.41% behind the profiled target for November 2017 of 75.9%.

Arvato aims to provide year on year optimum collection rates, however this becomes more of a challenge with the increase in new build properties. However, difficulties faced by Slough are not comparable to other areas due to the unique nature of the borough.

Arvato has introduced a text message service whereby the charge payer receives a text or email prompt for payment at an agreed stage of recovery cycle. Arvato continue to evaluate improvement schemes like this, and remain cautiously optimistic as to its long-term efficacy.

Whilst Arvato works closely with enforcement partners, we attempt to collect the debt ourselves first and make numerous attempts to speak with the charge payer prior to a referral to EA. By taking cases to court for potential committal to prison for wilful non-payment Arvato has shown what can happen if people with means choose not to pay. We have seen successful outcomes with committals, which demonstrates our shared commitment to the collection of Council Tax.

Additionally, Arvato has implemented RPA (Robotic Process Automation) processes with return from Enforcement Agents and Attachment of Benefit. A review is due in January. We will also be conducting the contractual SPD review at year end using RPA. The process for Moves and Refunds should be live within the next few weeks. All efficiency savings will be utilized in additional recovery activity.

Benefits

Arvato keeps on top of benefits workloads by processing claims and changes quickly, so that customers know what help they will get and what is left to be paid. Arvato actively encourages the take up of Benefits through Take Up Officers and a Debt and Welfare Function. This has proven to be highly effective, with case studies available.

Slough has high volumes of working age residents, with complex lifestyles, including many with self-employed earnings adding to the challenge. Lots of households in Slough are affected by the Benefit Cap, with significant amounts of Discretionary Housing Payments required for distribution to needy claimants.

Business Rates

Regular inspections and strong ties with SBC planners and building control ensure that the Arvato team monitors any changes to commercial properties, thereby maximising income. Regular monitoring of accounts and early intervention help to maintain payments as required.

Customer Service

KPI's are generally on target, although due to increased volumes, there is a pressure on CS3A the % of Council Tax and Housing Benefit calls answered within 30 seconds. For CS3C the % of Housing Services (Non homeless) calls answered within 30 seconds, Arvato are working to address this through the effective allocation of available resources. The reasons for the pressure are largely due to the increased volumes.

Consistent improvement has been seen in reducing the maximum wait time for face to face at LMP. Close partnership working was demonstrated through a highly successful visit from local councillors to Phoenix House and both the Contact Centre and Customer Service Centre at Landmark Place. Councillors spent time with staff listening to live

customer calls, which was invaluable and provided an insight into the work undertaken by the Team and the real-life challenges faced by many of our customers.

Positive engagement continued with Arvato's contribution to Slough's #Our Day - an excellent opportunity to showcase the support provided to the residents of Slough, and particularly the outcomes from the Debt and Welfare work.

Transactional HR

Ryan Stebbings, an apprentice Trainee Payroll & Pension Officer, achieved the CIPP Level 3 Certificate in Payroll Processes in July – and is now Assistant Payroll & Pensions Officer. This is another personal good news story from the apprentice programme.

The team are consistently achieving target KPIs.

Pensions

Legislation requirements around Local Government Pension have changed considerably over the last couple of years. This has now been made more complex through the need to complete and submit individual starter/leavers forms for TUPE exercises, whereas previously, a single spreadsheet submission was acceptable. More and more of the payroll team's time is taken up with completing forms for Berkshire Pensions.

Payroll Achievements

- DSO TUPE go live in December 2017. All new starters processed and on the payroll.
- School Workforce Census (Statutory Department of Education Return) successfully collated, verified and submitted
- National Minimum Dataset Return (NMDS – Skills for Care) Adult Social Services statutory return successfully collated, verified and submitted.
- New Variation Reports commissioned and utilised for the Agresso Payroll (Arvato brought in extra resource) to meet audit requirements.
- Upload of April 2017 Salary Award for NJC Staff and September 2017 Pay Award for Teaching and Soulbury Staff.
- P60s provided.

With the planned roll out of Employee Self Service Project April 2017 via Agresso, the Payroll Team are actively working with SBC to review processes and test changes. There may be a conflict where resource is required at short notice, with an associated impact on day to day services that could require backfill resource. We need to jointly plan and resource this requirement sensibly.

Apprentices

Slough Borough Council were formally acknowledged as one of Arvato's main Apprentice training providers with the signing of contracts following the Levy in April 2017.

2017 started with a total of 11 apprentices – completing both Level 2 Business Administration and Customer Services apprenticeships with Arvato in September. Over 90% of Arvato apprentices successfully completed their apprenticeship programme. 7 apprentices were directly employed by Arvato and Slough Borough Council following

successful completion of the apprenticeship programme and 4 either going onto higher education or onto other opportunities externally.

In May, Arvato joined forces with Slough Borough Council and the Children's Trust to pilot a scheme to offer previously Looked After Children (LAC)/care leavers an opportunity to complete an apprenticeship programme in Level 2 Customer Services within Arvato. The pilot has raised aftercare issues around starting the apprenticeship programme at the same time as leaving the care system. This includes pastoral care and financial support.

Arvato has indicated that the lack of support for these young people has a detrimental effect on the successful completion of the programme due to high absence levels. Arvato employed 2 LAC apprentices in May 2017, one apprentice was dismissed due to AWOL and high absence levels. The second apprentice also had high absence levels which was linked to financial concerns. Arvato are working closely with all parties to ensure that this young person is supported back to work to successfully complete his apprenticeship programme. A meeting is scheduled to take place in January 2018 to discuss the effectiveness of the pilot and way forward.

In September 9 apprentices started with Arvato. The apprentices are either on level 2 Business Admin and level 2 Customer Service standard (new) programmes. They are due to finish in September 2018.

Projects

The projects team from Arvato has delivered a wide-ranging programme of work, addressing changing business needs, legacy infrastructure and applications upgrades.

Arvato has deployed experienced project personnel, who have demonstrated control in the successful delivery of projects, plus improved the quality of reporting to SBC. Key projects included:

1. Network Upgrade (IPVPN)

A large and complex project to replace the old end of life network with a new network (IPVPN) which offers security, flexibility and resilience. Due to the physical work required, Arvato Project team faced several challenges on this project including permissions for access, highways and wayleave approvals, physical barriers to ducts etc. Despite this, the Arvato project team has successfully completed the phases due for this period.

2. CAFM (Computer Aided Facilities Management)

Replacing an out of support system with limited functionality, the CAFM system is modular and meets the specific requirements of SBC. The phased project rollout was very well received, with significant praise for Arvato.

3. DSO (Direct Service Organisation – Environmental Services)

A large scale and complex programme of works involving handover of the various services provided by Amey to SBC. Arvato's team was engaged from the start of the programme to ensure that required services were captured and delivered in time for the Dec 1 go live;

- Customer Services
- Payroll
- HR support
- ICT setup

- 3rd Party Applications
- Early life support

Arvato assigned a dedicated project team to work on all work streams in parallel. A project control structure successfully addressed mid-stream scope changes.

DSO went live on 1st December 2017 with Arvato providing Early Life Support, with technical staff remaining on standby for all eventualities.

Arvato has been praised for the dedicated focus and attention to detail in this successful programme.

RMI (Hawker House)

The start of the partnership between SBC and Osborne brought a challenge for Arvato in delivering the ICT solution for a new site in Langley. Arvato assigned a dedicated project manager to work with SBC programme manager in capturing the requirements.

Arvato delivered the following well in advance of go live date with ample time to test the systems and processes.

- Setup of Network at Hawker House
- Procurement of IT equipment
- Installation and configuration of IT equipment
- Disconnection and migration of users from LMP and SMP in phased approach
- Setup of support service to include Hawker House in BAU processes

Arvato worked with Architects and developers to ensure that the ICT requirements were defined and understood, ensuring correct capacity planning and right first time delivery. Back end applications and infrastructure development (Via ABC server) ensured that the data flow between organisations was possible and secure.

Arvato was mentioned at the launch in very positive tones.

PSN (Public Service Network)

The IT Health check identified many tasks to make SBC ICT infrastructure and applications PSN compliant. The local Arvato ICT team at Slough was supported by subject matter experts from the wider organisation, mainly cyber security and solution design expertise in guiding the local team.

A plan of work was constructed to mitigate the risks associated with items falling under non-compliant list.

An immediate plan of action was initiated to migrate devices to supported operating systems i.e. XP Platform that is most vulnerable to security breaches, similarly thin client devices moving to a supported platform.

The next phase is to upgrade applications and underlying infrastructure.

Clearly there are transformation items that require support and funding from SBC and these are being addressed jointly, with permissions for work administered via the Information Governance Board.

PSNA (the government administering organisation) rejected SBC's submission, requiring more evidence of mitigation against at risk areas. Arvato's team continues to advise SBC

colleagues on best course of action. Follow up information and plans will be shared with PSNA by the end of December 2017.

2003 Migration

This is a large and complex transformation programme to upgrade the old/out of support server infrastructure, plus the associated migration of applications which are no longer supported. There are circa 34 projects in this programme. Some projects are significant, and require a full business plan and funding approval prior to project launch.

A number of projects have addressed;

- APAS SWIFT
- ModGov
- Express Elections
- Liquid Logic – ASC & CSC application
- MIS – Reporting

Housing & Revs and Benefits migration

Migration of Capita housing and Academy is a technically challenging programme, with many interconnected facets. Due to risks associated with the migration (system availability, year-end processes etc.) Arvato has engaged Capita directly for consultancy and advice. The programme will run as follows;

Phase I

Housing application on current platform to be upgraded to latest level 19.4 – achieved in November 2017.

Application and users to be migrated to new platform, T4 platform in January 2017.

Phase II

Revenues and Benefits Application Academy to be migrated in April / May after year end processing is completed.

Value Add

So far, 2017 has proved to be a year where Arvato and SBC have jointly addressed challenges which, as they are resolved, safeguard continued operations for staff and customers.

Arvato is contracted to provide operational services, and these have been effectively delivered during this period. Where there are challenges and temporary difficulties, these are addressed via the normal client team arrangements, as well as the Operational and Strategic Boards.

In closing, Arvato remain proud of the achievements for apprentices, who amaze us every year with their willingness to learn and advance, bringing renewed energy to the business. When apprentices such as Ryan Stebbings are taken on, it is a proud moment for everyone.

As the Arvato business grows in Slough, with more private sector contracts, the need for quality staff continues. With over half of current staff living in Slough, Arvato is proud of our contribution to the growth of the borough.