Taunton Deane Borough Council

Executive - 5 December 2012

Revenues and Benefits Service Feasibility Study

Corporate and Client Services Manager
(This matter is the responsibility of Executive Councillor Stock-Williams)

1. Executive Summary

The forthcoming changes through Welfare Reform (including the introduction of a new local Council Tax Reduction Scheme) and localisation of Business Rates will mean significant changes to our Revenues & Benefits service over the next few years. This report sets out the results of work undertaken by the Corporate and Client Services team and Southwest One to identify the changes needed to the Revenues & Benefits element of the Southwest One contract to accommodate the legislative changes. The report includes details of a feasibility study into bringing the Revenues & Benefits service back in-house and recommends that Members should do so. The report notes this recommendation is <u>not</u> about the performance of the service – Revenues and Benefits continues to be a high-performing service. It is simply about how to best manage the service, cost and service delivery to customers through a period of significant change.

2. Background

2.1 Our Revenues & Benefits service is provided through our contract with the Southwest One partnership. The structure of the Southwest One contract did not anticipate fundamental changes in either the Revenues or Benefits arenas during the term of the agreement.

2.2 Central Government are implementing significant changes for Benefits and Local Taxation (Council Tax and Business Rates). These changes will be:

- introducing a new local Council Tax Support scheme from April 2013 (to replace Council Tax Benefit);
- new Housing Benefit claims from working age people no longer considered, but instead taken on by the DWP under Universal Credit;
- from early 2014 phased migration of existing Housing Benefit claims from working age people;
- from Autumn 2014 phased take on of housing support under Pension Credit for those of pensionable age;

- greater local flexibility for Council Tax discounts and exemptions;
- partial localisation of Business Rates.

2.3 These changes will take place over the next four years during which we anticipate significant changes in workload for the Revenues & Benefits service coupled with an overall cut in the government grant we receive to administer benefits. Appendix 1 provides a detailed overview of the potential impact of these changes.

2.4 It is clear these legislative changes will require us to make significant changes to our Revenues & Benefits service and consequently to our contractual arrangements for providing these services.

3. Key objectives and options considered

3.1 We have identified three key objectives for the Council in how we carry out the legislative changes in the Revenues & Benefits service. These are:

i) To minimise the cost to the Authority and the impact on customers of implementing the changes to the Benefits and Local Taxation regulations;

ii) To maximise our flexibility to manage the Revenues & Benefits service resources through the period of significant change; and

iii) Look to reduce the costs to the Council of delivering the Revenues & Benefits service.

3.2 There are two broad options for accommodating these changes within our contract with Southwest One which have been tested against these objectives. These are:

i) Change the pricing model within the contract to provide a pricing structure that can keep pace with a rapidly changing environment and varying workloads, while ensuring we maintain service delivery; or

ii) Return the Revenues & Benefits service to in-house service provision through the service termination provisions built into the contract.

3.3 We have discussed both options with Southwest One. We have been unable to identify a realistic, flexible pricing structure, which would allow us keep the service in Southwest One and vary the price to accommodate the, as yet, unknown fluctuations in workload and grant funding. Consequently we have agreed that option two is the most effective solution to allow us to meet the objectives outlined above.

3.4 As a result we have undertaken a detailed study into the feasibility of bringing the Revenues & Benefits service back in-house.

3.5 I would stress we are only considering bringing this service back in-house to most effectively manage the significant period of change that Revenues and Benefits will go through. The feasibility study is being worked through in partnership and with the full cooperation of Southwest One. This is <u>not</u> about the performance of the service and Revenues & Benefits continues to be a high-performing service.

4. The feasibility study

4.1 The feasibility study has been conducted with Southwest One and has looked in detail at the financial, contractual and staffing implications of terminating the Revenues & Benefits service.

4.2 We have agreement in principle with Southwest One about the key changes required and discussions are continuing to agree the fine detail.

4.3 The results are outlined below and in the attached appendices.

5. Financial implications & comments

5.1 The financial changes required and the implications of these changes have been examined in detailed by the Council's Strategic Finance Officer, Maggie Hammond.

5.2 A summary of the financial implications of terminating the Revenues & Benefits service is contained in Appendix 3. (NB. Appendix 3 is confidential as it contains information of a commercial nature which may be prejudicial to the Council's interests if made public).

5.3 In conclusion we have identified that it is feasible to make this change from a financial perspective and to do so would not be prejudicial to the Council's overall budget position.

6. Contractual implications

6.1 We have reviewed the contract with Southwest One and taken specialist legal advice to identify the contractual changes required and the implications of changing the contract. A summary of the contractual implications is set out in Appendix 4. (NB. Appendix 4 is confidential as it contains information of a commercial nature which may be prejudicial to the Council's interests if made public).

6.2 In conclusion we are satisfied that it is feasible to terminate the Revenues & Benefits service within the terms of the contract and to amend the contract to reflect this change.

7. Implications for staff

7.1 We currently have 39 TDBC staff seconded to the Revenues & Benefits service within Southwest One. Should we decide to terminate the service these staff will de-second in accordance with the terms of the Staffing Agreement. They will lose their right to 'assured employment' at the point that their secondments end.

7.2 In addition Southwest One currently employ 9 'direct-hire' staff within Revenues & Benefits. The TUPE Regulations 2006 will apply to direct-hire staff in the service at the point of transfer.

7.3 Any termination of the service would be a significant change for staff. Therefore we have conducted a formal consultation exercise with the potentially affected staff. The results of this exercise are contained in Appendix 2. It is clear from the consultation responses that the staff in the Revenues and Benefits Service are supportive of the transfer of the service back to TDBC.

7.4 Should the Council support the recommendation to return the services to TDBC, a full change and transition plan will be developed in conjunction with Southwest One to support staff during the transfer.

7.5 In addition the Retained HR Manager is keeping the union regularly briefed on progress via the Unison Change Forum. Unison have been involved in the staff consultation exercise and have made the following comments:

> *"1. People not already in the Local Government Pension Scheme should seek to join (including 'direct hire' people if the service returns to TDBC). It is unlikely that equally good pension provision could be obtained outside the LGPS.*
>
> *2. People should be aware that, however important they believe their service to be, there is a potential threat to everyone's job arising from ongoing Government spending cuts. The financial situation facing the Council is expected to get worse year by year with a £3.3m deficit forecast by 2015/16 (25% of the annual budget). It should not therefore be assumed that a service being performed by SW1 will continue unchanged if it returns to TDBC. Some of us imagined statutory services to be relatively safe in the 2008 Core Council Review but instead, saw some of our colleagues lose their jobs. Staff who are not already members of UNISON as the representative trade union should consider joining."*

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7.6 Southwest One are keeping their direct-hire staff within the Revenues and Benefits Service briefed through the Southwest One Staff Council.

8. Partnership implications

8.1 Southwest One is one of the Council's key partnerships.

8.2 Any significant change to our contract, which a termination of Revenues and Benefits would be, has potentially significant implications for the ongoing viability of the partnership as a whole. Thus we have engaged with all the partners to explain our reasons for this change and continue to brief them regularly.

8.3 Revenues and Benefits is a service which is only delivered by Southwest One for TDBC and consequently its removal from the contract should not impact on service delivery by Southwest One to the other partners.

9. Conclusions from the feasibility study

9.1 The feasibility study indicates it is feasible from a financial, contractual and staffing perspective to terminate the Revenues & Benefits service. Ideally we should look to bring the service back in-house from 1 April 2013, although this date would be subject to agreement with Southwest One.

10. Next steps/exit management

10.1 If Members decide to terminate the service we will need to finalise and agree the contract and financial changes with Southwest One. This will need specialist legal support that can be met from within an existing Earmarked Reserve managed by the Corporate and Client Services Manager, Richard Sealy.

10.2 We and Southwest One will have to plan and jointly implement an exit plan. This may require the provision of extra staff resource in the Client & Corporate Services Team to manage the exit process.

10.3 The exit plan will include a detailed change and transition plan to support staff through the transfer process.

10.4 The provisional high level timetable for exit (assuming a 1 April 2013 return of service) is as follows:

- Dec 2012 – Full Council Decision
- Dec 2012 - complete commercial & contractual negotiations & issue termination notice
- Dec 2012 to Mar 2013 – preparation for service transfer
- 1 Apr 2013 – service transfer date
- Apr to Jul 2013 – service stabilisation

10.5 Appendix 4 provides more detail about the exit arrangements.

11. Legal Comments

11.1 Any termination of Revenues & Benefits would be a significant change to our contract with Southwest One. Therefore we need to ensure that we continue to use specialist legal support in order to maintain the consistency of the advice received to date.

12. Links to Corporate Aims

12.1 This links closely to our priority around tackling deprivation.

13. Environmental Implications

13.1 There are no environmental implications.

14. **Community Safety Implications**

14.1 The are no community safety implications.

15. Equalities Impact

15.1 A detailed Equalities Impact Assessment is attached at Appendix 5.

15.2 The termination of the Revenues & Benefits service will see the secondee staff return to the Council. In practice there will be little day-to-day change resulting from the termination because they will not physically move and their activities will be unchanged.

15.3 Any termination will also affect any Southwest One direct-hire staff working in the service at the point of transfer. They will transfer in accordance with the TUPE Regulations 2006.

16. Risk Management

16.1 Key risks in this project have been identified and are being managed. A project risk register has been produced and is regularly reviewed.

17. Corporate Scrutiny comments and recommendations

17.1 This report was considered by Corporate Scrutiny on 26 November 2012 who recommended acceptance of the recommendations outlined below.

18. Recommendations

18.1 The Executive are asked to consider this report and make a recommendation to Full Council on 11 December 2012 to:

i) Approve in principle the termination of the Revenues & Benefits element of the Southwest One contract; and

ii) Delegate authority to the Group Leaders, Chief Executive, S151 Officer, Solicitor to the Council and Corporate and Client Services Manager to decide when to issue the formal termination notice for the Revenues and Benefits service once agreement has been reached with Southwest One regarding the financial and contractual changes required to the contract.

(NB. This recommendation is made for operational reasons because at the present time we are still negotiating the detailed financial and contractual changes required to implement any termination decision. Once these negotiations have been completed we need the ability to serve a termination notice promptly in order to be able to bring the service back in-house as quickly as possible. Going through the Scrutiny, Executive and Full Council process again will result in significant delay, which has potential financial and service delivery implications.)

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APPENDICIES

Appendix 1 – The impact of the Welfare Benefits Changes
Appendix 2 – Summary of feedback from the staff consultation exercise (CONFIDENTIAL)
Appendix 3 – Summary of the cost/budget impact (COMMERCIALLY CONFIDENTIAL)
Appendix 4 – Contractual implications (COMMERCIALLY CONFIDENTIAL)
Appendix 5 – Equalities Impact Assessment

APPENDIX 1

The impact of the Welfare Reform & changes to Local Taxation

The Prime Minister stated the Welfare Reform Act passed in March 2012 was “an historic step in the biggest welfare revolution in over 60 years”. There will be a £19bn annual drop in national welfare spending from 2014. It is estimated the annual benefit loss in Somerset will be £153m and this will be significant for the local economy.

The changes introduced by Welfare Reform have been preceded by significant changes to reduce spending on Housing Benefit. These include cuts in Local Housing Allowance, limits on help towards rent costs for single people under 35 years old and significant increases in deductions for “non-dependants”.

Universal Credit & the Role of Local Authority Staff

From October 2013, Jobseeker’s Allowance, Employment and Support Allowance, Working Tax Credit, Child Tax Credit, Housing Benefit and Income Support will start to be merged into a single Universal Credit payment. Universal Credit will be paid to one person in the household once a month in arrears. Payments of any housing element direct to landlords will be the exception rather than the rule. As Housing Benefit for Local Authority tenants (Rent Rebate) is credited directly to rent accounts, the move towards direct payments to tenants could have a significant effect on the Council’s income and debt collection arrangements.

Universal Credit for new working age customers will roll out in different DWP Districts from October 2013 to April 2014. The Government expects people to claim Universal Credit “on-line” stating that applications for Universal Credit will be “digital by default”. The DWP will provide the core delivery of Universal Credit. However the DWP will need Local Authorities to provide face-to-face support for a “minority” of UC claimants, with more complex needs.

The DWP say they are planning to announce funding decisions for decommissioning alongside the arrangements for the main Housing Benefit administration grant. They have stated that UC “is so fundamentally different from the existing services that it does not represent a relevant transfer for the purposes of TUPE.”

Help towards housing costs for those living in supported accommodation will be provided outside Universal Credit. People in supported accommodation will still be able to claim and receive Universal Credit but their housing costs will be provided separately. The DWP are exploring the feasibility of localised funding.

People of pensionable age will start to receive help towards their housing costs as a Housing Support element in Pension Credit from October 2014.

If all goes according to the DWP’s plan, the gradual migration of Housing Benefit claims to Universal Credit and Pension Credit will be phased from 2014 until Autumn 2017.

In their letter to Local Authority Chief Executives, the DWP state that from 2013 it is important for us “to manage down” benefits services while keeping enough capacity to provide face-to-face support.”

Social Sector Size Criteria Changes ("Bedroom Tax")

From April 2013 we will have to reduce Housing Benefit for working age social housing tenants where they occupy accommodation with more bedrooms than required by the people in that household. There will be reductions of 14% for one "spare" bedroom and a 25% cut for those with 2 or more "spare" bedrooms. There will be a need for Benefits staff to work closely with the Housing Service in future to manage the impact of this change as well as other cuts in welfare benefits for Social Housing tenants.

Maximum Benefit Cap

In April 2013 the DWP will introduce a cap on the total benefit working-age claimants can receive. The intention is that households on out of work benefits will not get more in benefit than the average weekly wage, after tax and national insurance. For couples the weekly cap will be £500 with a £350 cap for single people. Initially Local Authorities will administer the cap through Housing Benefit. There will be exceptions to the cap for people receiving Working Tax Credit, certain disability benefits, War Widows and Widowers and those who have reached the age to qualify for Pension Credit.

Single Fraud Investigation Service (SFIS)

To support new powers in the Welfare Reform Act, the DWP are developing a Single Fraud Investigation Service (SFIS). This will bring together investigations undertaken by the DWP, HMRC and Local Authorities.

Following a consultation exercise Local Authorities agreed with the DWP that LA staff should remain employed by LAs, but work under SFIS powers, policies and priorities. The DWP have stated that investigations into Localised Council Tax Support and Local Authority Corporate fraud will be out of scope under SFIS.

In Taunton Deane, we have 2 investigation officers (currently seconded to Southwest One) who will join SFIS in April 2013. They will work to DWP priorities, policies and procedures. Their existing line management arrangements will be unchanged. Their line manager does not carry out most her duties in investigative work and therefore will not join SFIS.

This is only an interim operating model for SFIS. It will allow for decisions to be made about the operating arrangements for Universal Credit (UC). The DWP have stated that firm decisions about the long-term organisational model for SFIS cannot be made at this stage as full evaluation of Universal Credit and SFIS Implementation will control future decisions.

Localised Council Tax Support Scheme & Data Sharing with the DWP

From April 2013 Council Tax Benefit (CTB) will be replaced by a localised Council Tax Support Scheme. It is likely much of the information currently collected for Housing Benefit (HB) will be required for the new scheme. In October 2012 we had 8,536 CTB recipients. Our combined HB and CTB caseload is 9,579 (many CTB recipients also claim HB).

Many of our customers are "passported" to maximum Council Tax Benefit through receiving a "qualifying" benefit such as Income Support. However, Universal Credit will consist of different components and is likely to be paid at more generous rates. To classify Universal Credit as a “passport” to maximum Council Tax Support is likely to be cost prohibitive when funding for such schemes will be cash limited.

Currently we are able to access DWP systems to get information on the benefits and allowances received by our customers Details on the information available to LAs from the DWP when Universal Credit is implemented have not been confirmed. If we do not have access to a full breakdown of the components of Universal Credit, the administrative requirements of calculating Council Tax Support are going to be extensive and burdensome. Until we have some certainty on the data sharing arrangements between Local Authorities and the DWP it will not be possible to predict the staffing numbers we will need to provide face-to-face support for a “minority” of UC claimants and to run the new localised Council Tax Support Scheme.

At present, the maximum CTB that can be awarded is 100% of the Council Tax liability. This means that some people are not required to pay anything toward their Council Tax; for some, they have not had to pay Council Tax for many years. The design of our Localised Council Tax Support scheme will see many people who have previously not had to pay anything for Council Tax being required to pay a minimum amount of between 20% to 25% of their liability. This will mean the Revenues Team will need to collect comparatively small debts from people who are relatively poor and who have not been used to paying Council Tax in the past.

Technical Reforms of Council Tax

The Government will give new powers to Councils to change the Council Tax exemptions for empty properties in their areas from April 2013. This will allow the Council to raise more Council Tax but has resultant consequences for the Revenues Team in collecting the debt.

In addition, while the default instalment arrangement to collect Council Tax will remain at 10 months, Council Tax payers will have the right to pay their bills over 12 months. This will clearly affect the Council’s cashflow during the year. In addition, the “in-year” collection rate is a key performance indicator for the Southwest One partnership. Any shift in Council Tax payers extending their payments until 31 March will impact on performance in this area. It will leave officers without the opportunity of chasing non-payment in February and March as has previously been the case.

Business Rate Retention Scheme

Currently, all Business Rate income collected by billing authorities is “pooled” nationally (known as the NDR pool). The pool is redistributed to individual councils by the Formula Grant and Central Government carries the full risk of non-collection or decline in the base.

From April 2013 instead of all business rates going straight into the Treasury, Taunton Deane Borough Council will keep some the business rates revenue generated in the local area. This is intended to provide an incentive for local authorities to drive economic growth, as the authorities will be able to keep a share of the growth generated from business rates revenue.

The need to collect Business Rates will be increasingly important to ensure Taunton Deane is able to maximise income. Additionally, inspections undertaken by the Revenues Team to ensure premises are billed properly will require a greater priority in the future.

TDBC are presently working in conjunction with SCC and the other Somerset Districts to operate a Somerset rating Pool from 1st April 2013. Membership of the Pool is discretionary but is likely to beneficial to TDBC through smoothing future rating volatility and enabling a greater proportion of rate growth to be retained locally than if we were to 'go it alone'. Rate retention and pooling will require more frequent analysis of rate income and liability, trend analysis of write-offs and appeals as well as reporting to CLG and the lead pooling authority.

Conclusions

The impact of Welfare Reform and changes to local taxation will see significant changes which can be summarised as follows:

- Maintaining appropriate staffing for residual Housing Benefits claims with gradual migration to Universal Credit will be extremely problematic against a backdrop of reducing administration grant from Government and internal budget pressures;

- The greatly reduced administration grant from Central government will mean that we are likely to face tough choices in the future around putting more money into the service to maintain service delivery or accepting cuts in service delivery.

- Uncertainty on Local Authority involvement in the delivery model for Universal Credit will make it difficult to predict staffing requirements;

- Localisation of Housing Support for supported accommodation with the potential for future significant change in the delivery model for such support;

- The Benefits Service must work closely with the Housing Service and Registered Social Landlords when housing support is paid directly to claimants as part of Universal Credit;

- The need for Revenues & Benefits Services to contribute to wider Corporate Agendas due to significant decreases in the local economy through cuts in Welfare Benefits;

- Loss of key staff to SFIS and the need to provide for investigating Council Tax Support and Corporate Fraud;

- The potential for an increase in full “means-testing” for more Council Tax Support claimants on the introduction of Universal Credit;

- The potential for an administratively burdensome scheme for Council Tax Support should data sharing on similar levels to those for Council Tax Benefit not be given by the DWP;

- Difficulties faced by Revenues staff in collecting small debts from people who have not previously had to pay Council Tax;

- Changes in instalment arrangements for Council Tax will result in increased difficulty in collection and the consequent effect on performance targets and cashflow;

- Increased emphasis on collection performance for Business Rates with a greater emphasis on inspections.

- Increased monitoring and trend analysis of Business Rates to support the reporting requirements of the lead authority in a Somerset Rating Pool and for internal budgetary monitoring (subject to TDBC participation in the Pool).

APPENDIX 5

Equality Impact Assessment – pro-forma

<table>
<tr><td>Responsible person</td><td>Richard Sealy</td><td colspan="2">Job Title: Corporate & Client Service Services Manager</td></tr>
<tr><td rowspan="4">Why are you completing the Equality Impact Assessment? (Please mark as appropriate)</td><td colspan="2">Proposed new policy/service</td><td></td></tr>
<tr><td colspan="2">Change to Policy/service</td><td>√</td></tr>
<tr><td colspan="2">Budget/Financial decision – MTFP</td><td></td></tr>
<tr><td colspan="2">Part of timetable</td><td></td></tr>
<tr><td colspan="2">What are you completing the Equality Impact Assessment on (which, service, MTFP proposal)</td><td colspan="2">Revenues & Benefits Feasibility Study</td></tr>
<tr><td colspan="4">Section One – Scope of the assessment</td></tr>
<tr><td>What are the main purposes/aims of the policy/decision/service?</td><td colspan="3">The Revenues & Benefits Feasibility Study recommends that the Revenues & Benefits element of the Southwest One contract be terminated and be brought back in-house. The aim of this decision is to:

i) To minimise the cost to the Authority and the impact on customers of implementing the changes to the Benefits and Local Taxation regulations;

ii) To maximise our flexibility to manage the Revenues & Benefits service resources through the period of significant change; and

iii) Look to reduce the costs to the Council of delivering the Revenues & Benefits service.</td></tr>
<tr><td>Which protected groups are targeted by the policy/decision/service?</td><td colspan="3">1. Age 2. Disability; 3. Gender Reassignment; 4. Pregnancy and Maturity; 5. Race; 6. Religion or belief; 7. Sex; 8. Sexual Orientation; 9. Marriage and civil partnership

TDBC currently have 39 staff seconded to the Revenues & Benefits service who will be de-seconded if the service is terminated. In addition Southwest One currently employ 8 ‘direct-hire’ staff within Revenues and Benefits. The TUPE Regulations 2006 will apply to ‘direct-hire’ staff at the point of transfer.</td></tr>
<tr><td>What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used
The information can be found on....</td><td colspan="3">A consultation exercise has been undertaken with all staff within the service and UNISON the recognised trade union regarding the possibility of the service being returned to the council. The results of that exercise have been reviewed and do not identify any specific impacts for protected group.

A detailed list of staff potentially affected by the transfer has been provided to the Council and has been reviewed. No specific impacts have been identified from this exercise in relation to protected groups.</td></tr>
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Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality
No specific impacts have been identified in respect of protected groups from the proposal to bring the Revenues and Benefits service back in-house. The termination of the Revenues & Benefits service will see the secondee staff return to the Council. In practice there will be little day-to-day change resulting from the termination because they will not physically move and their activities will be unchanged. Any termination will also affect any Southwest One direct-hire staff working in the service at the point of transfer. They will transfer in accordance with the TUPE Regulations 2006. This may result in minor changes to terms and conditions such as pay date, annual leave year etc.
I have concluded that there is/should be:

No major change - no adverse equality impact identified	√
Adjust the policy/decision/service	
Continue with the policy/decision/service	
Stop and remove the policy/decision/service	

Reasons and documentation to support conclusions	The staff consultation responses and detailed list of staff potentially affected by the return of the service.

Section four – **Implementation –** timescale for implementation
▪ Dec 2012 – Full Council decision as to whether or not to terminate the Revenues & Benefits service followed by the issue of a contractual termination notice ▪ Dec 2012 to Mar 2013 – exit period ▪ 1 Apr 2013 – return of the service/TUPE date (NB. This date is provisional and would need to be agreed with Southwest One).
Section Five – Sign off

Responsible officer: Richard Sealy Date: 5 November 2012	Management Team Date: 5 November 2012

Section six – Publication and monitoring
Published on

Next review date	Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

<table>
<tr><th colspan="6">Actions table</th></tr>
<tr><td>Service area</td><td colspan="2"></td><td>Date</td><td colspan="2">5</td></tr>
<tr><td>Identified issue drawn from your conclusions</td><td>Actions needed</td><td>Who is responsible?</td><td>By when?</td><td>How will this be monitored?</td><td>Expected outcomes from carrying out actions</td></tr>
<tr><td>NO SPECIFIC ACTIONS IDENTIFIED</td><td></td><td></td><td></td><td></td><td></td></tr>
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