

Report to Cabinet

25 November 2021

By the Cabinet Member for Finance & Assets

DECISION REQUIRED



Not Exempt

Service Provision of the Revenues and Benefits from April 2023

Executive Summary

In May 2017 the Cabinet agreed the delegations of the Council's Revenues and Benefits Services to a group of Northamptonshire and Cambridgeshire Local Authorities known as LGSS. LGSS was subsequently disbanded by the Councils involved and since 5 November 2021 Horsham's service is solely provided by Milton Keynes Council. The Revenues and Benefits agreement expires on 31 March 2023.

The service provided to Horsham District Council under these arrangements has been of good quality and the service costs less than at other similar Councils in West Sussex.

Milton Keynes Council has offered to continue this arrangement on a permanent basis from 1 April 2023 with an exit arrangement in which either side can give eighteen months' notice. This report looks at the quality and cost of the service, the cost of change and the alternative partnership arrangements Milton Keynes' Council has suggested. The report concludes this offer still provides the best price and quality service, and avoids the considerable cost of change. The report recommends Cabinet approves the new arrangement and delegate the detail of the final agreement to the Director of Corporate Resources in consultation with the Cabinet Member for Finance & Assets and the Monitoring Officer.

Recommendations

That the Cabinet is recommended:

- i) to agree to secure the provision of the revenues and benefits service through a local authority partnership with Milton Keynes Council
- ii) to delegate to the Director of Corporate Services the negotiations to secure the agreement and all legal documentation with Milton Keynes in consultation with the Cabinet Member for Finance & Assets and the Monitoring Officer.

Reasons for Recommendations

- i) The arrangements with Milton Keynes' and its predecessor LGSS Partnership provided the Council with a cost effective, good quality service.

Background Papers

None

Wards affected: All

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Background Information

1. Introduction and Background

- 1.1. The Council delegated its Revenues and Benefits services a group of Northamptonshire and Cambridgeshire Local Authorities known as LGSS from 1 April 2018. The Revenues and Benefits agreement expires on 31 March 2023.
- 1.2. Horsham District Council has four options for the future provision of its services:
 - a) Remain with the existing partnership.
 - b) Continue with a partnership arrangement but change to new one.
 - c) Outsource the services to a private sector provider.
 - d) Bring the services in house.
- 1.3. With less than eighteen months remaining before the expiry date Cabinet needs to decide now if it wants to outsource the services to a private sector provider or bring the service in-house due to the lead in times for this change. Remaining in partnership would not have such a long lead in time.
- 1.4. Following a Cabinet decision in January 2017, Horsham District Council issued notice on its 11-year involvement in the CenSus Revenues and Benefits partnership on 8 March 2017. This decision was reached after several years of substantial housing benefit subsidy losses, totalling to over £600,000. Following some work carried out by LGA provided consultants the Council decided, in May 2017 to move its service to a local authority partnership based in Northamptonshire called LGSS.
- 1.5. Over the three and a half years since LGSS took over running the service Horsham District Council's Revenues and Benefits Service has operated well. There have been no further losses of housing benefit subsidy, and other performance indicators also improved until the COVID recession hit. That said a large historic error found in the records in the 2020/21 year does increase the risk of a further loss in November 2022. In 2020/21, due to the impact of the lockdowns on employment, benefits caseload increased leading to an increase in processing times. Since the lockdowns many businesses have not returned to paying their business rates in the way they had before, despite the reliefs given by Government. During the lockdowns it was the expertise of LGSS's management that led to our successful application of all business rate reliefs and administration of the many business grants the Government gave us to give to businesses.

1.6. The key performance figures for the service are:

	CenSus	LGSS		
	2017/18	2018/19	2019/20	2020/21
Speed of processing in days	11.07	12.52	7.12	7.48
Local Authority error (0.4% lower threshold)	0.4%	0.3%	0.17%	0.36%
Council Tax in year collection	97.49%	99.72%	98.16%	98.31%
Business Rates in year collection	96.25%	96.76%	97.56%	94.97%

- 1.7. Performance in revenues and benefits services is driven by the type of caseload in the area. In benefits the key factors are the number of working and self-employed claimants leading to slower processing times. In Council Tax the number of bands A-C properties mean collection of higher sums from poorer residents inevitably leading to lower collection rates. In Business Rates more small businesses who bankrupt more frequently and generally pay more slowly lead to lower collection levels. Appendix A shows details of the budgets for each service in West Sussex and the performance. Of these Districts only Mid Sussex has a number of properties, type of businesses and number of households similar to Horsham District's for comparison purposes. In 2020/21 Horsham's performance was better than Mid Sussex's in speed of processing benefits claims and collecting Business Rates but slightly lower in collecting Council Tax. The cost of the service shown is less than half that published for Mid Sussex.
- 1.8. Although LGSS Revenues and Benefits has solid performance and low cost for Horsham District Council there have been considerable issues in the wider Northamptonshire area that have affected our partnership. The lead authority in the wider LGSS partnership, Northamptonshire County Council, got into financial difficulties leading to the Secretary of State deciding to replace Northamptonshire County Council and all the Northamptonshire Districts with two unitary councils, West Northamptonshire Council and North Northamptonshire, from 1 April 2021. West Northamptonshire Council, in partnership with the one remaining unaffected Council, Milton Keynes, was the successor authority for Horsham's Revenues and Benefits Service. West Northamptonshire Council decided it wanted to provide all its services in-house and issued notice to Milton Keynes to exit the arrangement on 5 November 2021. Milton Keynes Council agreed to take over running Horsham District's Revenues and Benefits Service.
- 1.9. The Director of Corporate Resources has discussed the situation in Northamptonshire with the Director at Milton Keynes throughout the period of change. The ex-Northamptonshire County Council server room runs Horsham District Council's Revenues and Benefits system, Academy. Academy is a system provided by Capita. Milton Keynes Council is in the process of moving our Revenues and Benefits computer system away from the closing Northamptonshire County Council server room and into Capita's Cloud. Our solicitors have reviewed the contract in case of future novation. Milton Keynes has retained or acquired many of the key staff from the LGSS team. These include the Horsham Operations Manager, the Business Rates and Recovery Team Leader and our Head of Revenues and Benefits.

- 1.10. Milton Keynes Council has offered to continue the agreement for joint working with Horsham on an indefinite basis from 1 April 2023, with an 18-month notice period should either Council chose to withdraw. Because the old LGSS partnership has now gone, Milton Keynes' Council has asked for a closer working relationship with the Director of Corporate Resources being a full partner of the new partnership board. This type of arrangement falls between the current "bought" service from LGSS and the full politically led partnership Horsham District Council had with the CenSus arrangements.
- 1.11. A review of the reasons for the failure of the CenSus arrangements by an Overview and Scrutiny Task and Finish Group on 26 November 2018 recommended:
- a) Due to the potential risks inherent in joint ventures, partnerships etc between HDC and the public and private sector, when HDC enters into such arrangements with third parties there should be provision in the relevant documentation setting out the terms and conditions of the arrangement for monitoring arrangements by HDC.
 - b) The Overview and Scrutiny Committee should be mindful of the Forward Plan as it can call in any Cabinet decision and ask for pre-scrutiny which provides the ability to comment on the business cases for any such arrangement before the Council is legally committed.

2. Relevant Council policy

- 2.1. Having a good quality benefits service supports the Council's for a strong safe healthy community. Having an effective revenues service supports all the Council's aims because Council Tax and Business Rates make up 32% of the Council's overall income.

3. Details

- 3.1. Milton Keynes' Council has offered to continue a relationship with Horsham District Council to provide a Revenues and Benefits Service. Elements of the service that will remain the same are the provision of senior management and provisions of the technical expertise. Elements that have already changed are the move of the Academy system to the Capita cloud, which is beneficial, and the loss of some of the technical experts to West Northamptonshire, which is potentially damaging. Milton Keynes' are covering this loss through recruiting new experts.
- 3.2. Milton Keynes propose two fundamental changes to the arrangement. The first is they would like a full partnership with Horsham District Council rather than a bought service. Horsham District avoided this proposal in 2017/18 because the LGSS partnership was already large and complex. This new partnership would involve only two Councils and would be managed at officer level with Board meetings. This does not present the challenges on our workload that the full LGSS partnership did. It also presents the opportunity for the two Councils to work together towards some savings in the future.

- 3.3. Milton Keynes has also suggested an open-ended partnership agreement with an eighteen month notice period. This would mean either Council could withdraw, with the relevant notice, but would save the need for ongoing “relets”.
- 3.4. Although details are yet to be finalised, Milton Keynes has suggested the price of the service would remain as at present, subject to any volume changes, and through continuing to work together there will be the potential for future savings.

4. Next Steps

- 4.1. If Cabinet accept the principle of a revised agreement with Milton Keynes then the Director will continue to negotiate the details of the agreement. The delegation in this recommendation allows the Director, in consultation with the Cabinet Lead for Finance & Assets and the Monitoring Officer, to finalise a new open-ended agreement with Milton Keynes providing the costs of the service do not exceed the current costs and inflation. Given their previous recommendation around this type of partnership, Overview and Scrutiny may wish to take an enhanced role in reviewing the development of this agreement.

5. Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1. The Finance & Assets Policy Development Advisory Group discussed the future of the Revenues and Benefits Service at their meeting on 13 September 2021. They were broadly in favour of proceeding with the current arrangements.
- 5.2. The Monitoring Officer, Head of Finance & Performance (as a check and balance to the Director of Corporate Resources), the Council’s Procurement Officer, the Head of Customer and Digital and the Senior Leadership Team have been involved in discussions of this proposal.

6. Other Courses of Action Considered but Rejected

- 6.1. The Council could outsource its Revenues and Benefits Service by letting a public procurement compliant contract. The Council considered this course in 2017 but rejected it following market consultation. After reviewing the business sector, nothing significant has changed and we have not undertaken further market consultation. It would be reasonable to assume outsourcing may lead the 4%-10% savings in the last market consultation, but benchmarking suggests Horsham District’s service is already relatively cheap for our area (see appendix A). The cost of change would also need to be considered and transferring our service in 2017/18 cost around £400,000. This idea is rejected on the grounds a relatively small saving would be likely to be offset by the cost and disruption of change.
- 6.2. The Council could bring its service in house. This was rejected in 2017 for seven reasons of which three significant obstacles still apply: the Council’s lack of experience of running such services, difficulties in local recruitment and the cost of senior management input. The time since the Council last ran these services is now five years’ longer. The loss of the Milton Keynes-based experts,

especially in subsidy, business rates and recovery, is now an additional reason to not go for an in-house option.

- 6.3. The Council could move to another partnership. There is a district council partnership in north London that might be interested. Once more the cost of change would come into play and for a relatively cheap reasonable quality service there is no reason to change. A district council partnership risks the loss of the specialisms in the same way as the in-house option because we know from our CenSus' experience small district-based partnerships do not usually have these skills.

7. Resource Consequences

- 7.1. It is not envisaged there will be any increase in the cost of this service and discussions are underway with Milton Keynes' about shared savings from the proposed partnership.
- 7.2. There are no HR implications from a no change option.

8. Legal Considerations and Implications

- 8.1. The Council can enter into a new agreement for the provision of this service with Milton Keynes under section 111 of the Local Government Act 1972 and all other enabling powers.

9. Risk Assessment

- 9.1. A partnership with one Council means there is a higher risk in the future that a change of officers or political direction at Milton Keynes Council, or at Horsham District Council itself, could leave Horsham District Council facing an eighteen month period in which to resupply. The last resupply cost the Council around £400,000 so the risk runs close to the Council's highest risk level, over £500,000.
- 9.2. Revenues and Benefits as a service carries some of the highest financial risks in the Council. The Council still carries on its Corporate Risk Register a high risk of loss of benefit subsidy through error. As has been seen this year these errors can sit in the historic caseload and crystallise years after the original mistake. Losses can also arise from non-payment of Council Tax or Business Rates, as seen during the 2020 lockdowns, exacerbated by the closure of the Courts. They come from any economic downturn as benefits caseloads and requests for Discretionary Housing Payments rise and payment of Council Tax and Business Rates fall. Losses in business rates come from companies that use tax avoidance, or even evasion techniques, and they can come in all parts of the business from fraud. Because this proposal is close to a "stay the same" option there is no reason to think these risks rise or reduce with this decision. Taking any of the alternative options are more likely to increase than reduce these risks due to loss of familiarity with the new service and locality.

10. Procurement implications

- 10.1.** Although in terms of annual value this contract is the Council's highest value contract the fact it is a delegation under section 111 of the Local Government Act 1972 means there are no procurement implications arising from this report.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1. The Revenues and Benefits Service not only works with every householder and business in the district it also works through the benefits service with our most vulnerable residents. There is nothing in this decision that will change the way the service supports customers with protected characteristics. The employees in these services who work for Milton Keynes Council are trained in their Equality Duty.

12. Environmental Implications

- 12.1. Milton Keynes' employs many workers, including those in the Revenues and Benefits field who are designated "home workers". Milton Keynes Council has increased the number of its staff employed in this way since the 2020/21 lockdowns. This means fewer staff commute to work in either Milton Keynes or Horsham in these services than in Horsham District's own services. More home workers and less commuting generally means lower carbon emissions for providing the service. This will not change with the extension of this agreement but has changed since the original agreement with the LGSS Councils began in 2018.

13. Other Considerations

- 13.1. Revenues and Benefits carry one of the highest Data Protection Breach risks in the Council and the volume of transactions means errors will inevitably occur. There are Data Sharing agreements in place between Horsham District Council, Milton Keynes and also with the Department for Work and Pensions. These do not change from this decision and the focus on the General Data Protection Regulation in these services remains high.

WEST SUSSEX BENCHMARKING – REVENUES AND BENEFITS

REVENUES AND BENEFITS							
	Adur	Arun	Chichester	Crawley	Horsham	Mid Sussex	Worthing
Council tax in year collection	96.09%	97.10%	97.19%	96.63%	98.31%	98.53%	96.00%
Business rates in year collection	96.43%	94.00%	95.59%	97.00%	94.97%	93.74%	91.83%
Benefits processing times	6.93	2.5	5.44	Data not published	7.48	8.5	7.48
Cost reported on Councils' websites	£1.746m joint with Worthing, 2020/21 budget	£2.281m Budget 2021/22	£1.876m Budget 2021/22	£1.261m Budget 2021/22	£1.125m Budget 2021/22	£2.554m Budget 2021/22	£1.746m joint with Adur, 2020/21 budget