

<b>Title of item : ARP Value for Money Review</b>	<b>Item: 7</b>
Report of : Andrew Claydon, Strategic Director, FHDC	

## Background / Situation

### 1. Purpose of Report

- 1.1 At its meeting on 3 December 2009, the Joint Committee agreed that a collaborative value for money review of ARP be undertaken with the results to be presented to the Joint Committee's next meeting.
- 1.2 This report presents the initial conclusions from the review.

## Facts / Issues

### 2. Methodology

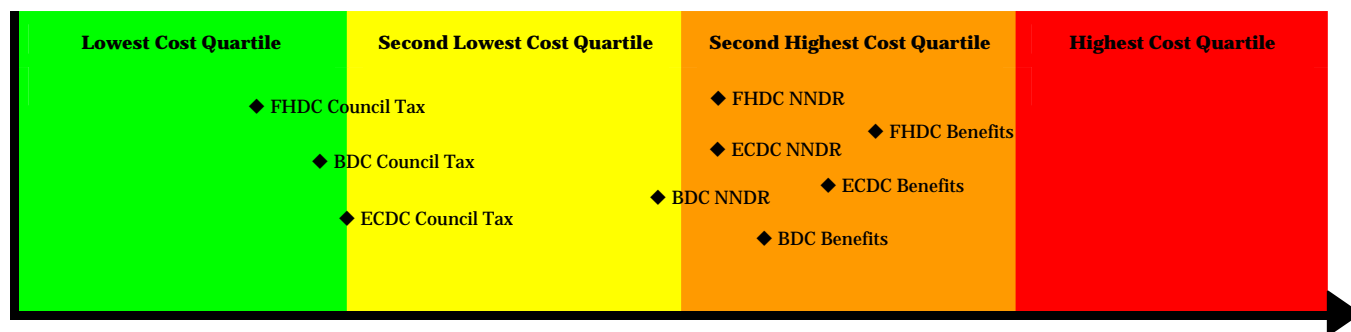
- 2.1 To help assess whether ARP delivers value for money services, comparisons have been made with data drawn from CIPFA's benchmarking clubs for council tax collection (135 councils participating) housing & council tax benefit administration (120 councils), and NNDR collection (119 councils). Data is from the year 2007/08 (using 2008/09 data would have incurred additional fees). Attention has focused on three cost-related indicators:
  - Gross costs of collecting council tax per dwelling
  - Gross costs of administering housing and council tax benefit per weighted case<sup>1</sup>
  - Gross costs of collecting NNDR per rateable property
- 2.2. In calculating these indicators, the starting point has been the gross expenditure taken from ARP's 2008/09 audited accounts. To these have been added the costs retained by each council in supporting these services – most notably customer service-related functions, but also elements of finance, IT and general support.
- 2.3 The question of how ARP's costs are allocated across the three authorities has not been examined in depth; rather the study has focused on ARP's overall costs – are these competitive or not? – and the costs retained by each council in supporting the three main functions.<sup>2</sup>

### 3. Benchmarking Results

- 3.1 The results are set out in the table below. The ARP gross cost is shown in the second row, and then, in turn, the retained costs for each council **plus** the ARP gross cost. The CIPFA average gross costs is shown in the bottom row.

	Council Tax Collection Per Dwelling £	HB & CTB Administration Per Weighted Case £	NNDR Collection Per Rateable Property £
ARP Gross costs	12.63	61.03	35.23
+ FHDC Retained Costs	16.49	74.05	48.64
+ BDC Retained Costs	17.40	65.06	40.28
+ ECDC Retained Costs	17.78	70.99	48.56
<b>CIPFA Average Gross Cost</b>	<b>20.95</b>	<b>68.10</b>	<b>47.92</b>

- 3.2 These results indicate that costs for collecting council tax are below average for all three councils, costs for collecting NNDR are close to the average for Forest Heath & East Cambs and below average for Breckland (largely due to a low level of retained costs), while costs for benefit administration are reasonably close to the average for all three councils. The chart below shows estimated quartile positions<sup>3</sup> – marked by the ♦ symbol - for each council for each of the three services.



3.3 This review is primarily concerned with ARP, and not with the retained costs of the councils concerned. The table below shows some comparative ARP costs per unit of caseload:

Council Tax		Benefits Administration		NNDR		Net Difference
ARP Staff Costs	CIPFA Average Staff Costs	ARP Staff Costs	CIPFA Average Staff Costs	ARP Staff Costs	CIPFA Average Staff Costs	
7.82	8.07	41.75	40.3	22.37	22.52	+41954
ARP IT Costs	CIPFA Average IT Costs	ARP IT Costs	CIPFA Average IT Costs	ARP IT Costs	CIPFA Average IT Costs	
1.63	1.96	7.46	6.00	5.77	6.01	+32154

3.4 Although staff costs are higher than indicated by the CIPFA averages, the cost difference amounts to only about 1.3% of ARP's staffing bill. IT spend, however, is around 5% higher than the CIPFA averages would indicate, without taking account of some IT costs retained by Forest Heath.

3.5 ARP has additionally pointed out that some staff costs incurred during 2008/09 were directly connected with income-generating activities (for example, undertaking work for Uttlesford and St Edmundsbury). If account is taken of this, then ARP's gross staff costs are likely to be a little below the CIPFA averages.

#### 4. Benchmarking Conclusions

4.1 Some conclusions about overall value for money being achieved by the three councils can be obtained by:

- Calculating what the gross costs of service provision would be for each council if it were at the CIPFA average for each of three service areas.
- Comparing the above with the actual gross costs of provision for 2008/09.

If this is done, then for 2008/09 all three partners have gross costs of provision which are lower than the combined CIPFA averages for the three services. For Forest Heath, the net difference across council tax and NNDR collection and benefit administration is around -£52k, for East Cambs -£73k, and for Breckland -£312k (it should of course be noted that Breckland is significantly larger than the other two partners, and that East Cambs is larger than Forest Heath). Costs wholly or largely within the domain of ARP appear to be close to the CIPFA averages.

#### 5. Improving Value for Money

5.1 ARP has identified some options based on the partnership expanding to encompass 7 authorities, rather than the current three. Under this scenario, the following could be achievable:

- A reduction of 1 senior management post, 6.5 business support posts, 4.2 revenues posts, 1 fraud post, and 6 benefits posts.

This would give a full-year saving of around £427k in salary costs on a combined wage bill for the seven authorities of £5517k, which equates to around 8% of total salary costs. Since salary costs account for about two thirds of ARP's gross expenditure, the net saving is likely to be of the order of 5% of gross expenditure. This does not take account of any redundancy or other costs associated with implementing this change.

5.2 The scenario above assumes an additional 4 councils joining the ARP. Work is underway to translate this into a more generic model so that savings can be modeled upon 1, 2, 3 or more councils joining the Partnership. This will help existing partners to understand more clearly the cost implications of growth.

5.3 ARP has also identified an internal re-structuring exercise that it believes will lead to greater efficiency, regardless of whether the Partnership expands or not. By removing three posts from the structure and re-grading others to compensate, a net annual saving of around £31k is achievable.

5.4 It was noted in paragraph 3.4 that IT costs seemed higher than the CIPFA averages for these services. As a consequence, it is suggested that consideration should be given as to whether a separate procurement exercise around ARP's IT requirements should be undertaken.

#### 6. Operational Efficiencies

6.1 Examination is on-going into whether further operational efficiencies are achievable within ARP. Due to software upgrades being installed, it has not been possible to progress this process-related work as quickly as anticipated. A further update will be provided at the meeting on 11 March.

#### 7. Retained Cost Issues

7.1 While the principal focus of this exercise is the value for money delivered by ARP, the costs retained by the partner councils in delivering these services cannot be overlooked. For example, both Breckland and Forest Heath spend significant sums on customer services related to council tax collection; might there be options which could reduce retained costs such as these, such as ARP playing a greater role in delivery? It is probably a point worth pursuing further.

## **Outcome / Decision**

### **8. Initial Conclusions**

- 8.1 Gross costs for each of the three councils for collecting council tax are below the CIPFA average.
- 8.2 Gross costs for Forest Heath and East Cambs for collecting NNDR are close to the CIPFA average, and below average for Breckland.
- 8.3 Gross costs for each of the three councils for benefit administration are fairly close to the CIPFA average, but above the median.
- 8.4 The largest single cost wholly in the domain of ARP – staff costs – is close to the average CIPFA level given the caseload.
- 8.5 IT costs appear to be above average, and it is suggested that there may be merit in looking at procurement options for ARP's IT support.
- 8.6 A “stepped” model should be produced, setting out the cost implications of different levels of growth for ARP.
- 8.7 An expansion of ARP to encompass seven partners rather than three would result in a reduction of about 5% in gross combined costs for the councils concerned.
- 8.8 ARP has identified re-structuring opportunities which will save £31k per annum.
- 8.9 Further work is being undertaken around process-related operational efficiencies.
- 8.10 There may be costs retained by individual councils in delivering these services which merit further examination.

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<sup>1</sup> The weighted caseload is calculated by taking the average number of live claims for 2008/09, weighting it to allow for the mix of claimants (private rented sector claimants are weighted higher than RSL tenants who are in turn weighted higher than council tenants), and adding the number of new claims received during the year.

<sup>2</sup> ARP's gross costs have been calculated by using its audited accounts for 2008/09. Retained costs for Breckland and Forest Heath have been obtained from internal budget workings, and for East Cambs by using the revised estimate for 2008/09 included in the 2009/10 budget summary.

<sup>3</sup> It should be noted that there are some marked differences between CIPFA's *averages* and the *medians* for the datasets – particularly for benefits administration. This explains why all three councils are fairly close to the average, yet above the median for benefits administration.