



St Edmundsbury
BOROUGH COUNCIL

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Service Delivery Review Panel 14 June 2006

St Edmundsbury Borough Council

Potential Partnership with Customer Services Direct Ltd

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1. Purpose

- 1.1 The purpose of this report is to make a recommendation to the Policy Development Committee at the meeting on 12 July 2006 and then Cabinet at the meeting on 2 August 2006 as to whether St Edmundsbury Borough Council should conduct a detailed business case and contract or procure customer access related services and corporate services (e.g. Finance, Human Resources (HR) and Information Communication Technology (ICT), from Customer Services Direct (CSD).
- 1.2 CSD is a joint venture company owned by British Telecom (BT), Suffolk County Council (SCC) and Mid-Suffolk District Council (MSDC).
- 1.3 The customer access and corporate services model evaluated in this report is that operated by CSD, SCC and MSDC at Stowmarket and Needham Market. The decision to be taken relates to whether this particular model is appropriate for St Edmundsbury.
- 1.4 It should be noted that the Public Service Village (PSV) project will require a level of integration between the partner councils to optimise and improve service performance to customers and to deliver financial efficiencies. The assumptions and method behind this plan for integration will need to be developed as part of the PSV project with SCC and CSD, but will certainly need to use the evidence and guiding principles collected and developed in this paper. This position reflects the fact that the CSD model is evolving.
- 1.5 The decision needs to be made in this time frame to support ongoing work on the specification of the PSV project. Any delay in making this decision will affect that project, and will also trigger additional, as yet unbudgeted, resources for detailed examination of the business case.
- 1.6 The analysis and findings reported in this paper apply equally to our current customer operations in Haverhill and Bury St Edmunds, and any future expansion of these into the rural communities.

2. Executive Summary & Recommendations

- 2.1 In terms of the quality of services provided to customers, the analysis of CSD concludes that the Stowmarket model is broadly equivalent to SEBC service levels before implementing improvements through the service improvement or Vanguard Interventions. This is not to say that CSD services are poor. However, our mission at SEBC is to improve significantly on the current level of service. CSD also wants to continuously improve on this level of service.
- 2.2 CSD propose that engaging with them in a contract to offer joint customer access and shared corporate services could deliver savings of up to 50% of our current costs, or £1million per annum. These are evaluated as aspirational, and there is no evidence as to how these might be achieved. Even if fully delivered, they are significantly less than the £3million cashable savings that have already been achieved through the DR-IVE programme (15% of our 2004/2005 revenue cost structure). SEBC would probably have to buy service provision under contract from CSD because the Council may not wish to be exposed to the financial risks associated with joining the company board. However, CSD also state that it is *"unlikely that any further shareholders would be invited to join at this stage of the contract"*. CSD are clear that other governance models could be developed if this were the only barrier to entry.

- 2.3 In terms of improving customer service and satisfaction levels, the evidence gathered from CSD's Stowmarket contact centre demonstrates that the service levels offered by the facility are similar to SEBC services that have yet to be redesigned (using the Vanguard method). SEBC services that have been through the Vanguard process are significantly better than those offered by the Stowmarket model in terms of delivering customer service & reducing cost (e.g. planning, waste, homelessness and invoice payments). Investing capital of £500,000 in a contact centre is therefore not justified.
- 2.4 There are potentially benefits to be gained by sharing ICT and other systems within the PSV project. It would be sensible to share common ICT infrastructure, desk-top application software and some expert systems (e.g. the finance "Oracle" system and HR support systems) to allow complete flexibility of operation in the new building. A model addressing these objectives, ongoing investment, staffing structures and business support will be developed as part of the PSV project, but it is envisaged that this will not mean transferring services or staff to CSD as a separate company.

2.5 **Recommendations**

- 2.5.1 The recommendation to the Service Delivery Review Panel comprises three elements and is based on the evidence-driven findings, analysis and discussion that follow in this report:-
- 2.5.2 The Panel is recommended not to conduct a full business case or to commence procurement of a solution involving CSD, based on their current operating model deployed at Stowmarket, the disbenefits currently outweighing the benefits for both customer access and shared corporate services. As the CSD model of operation evolves, perhaps by addressing the front-back office separation of work, then this position should be re-evaluated as part of the PSV project.
- 2.5.3 Regarding the PSV programme, and as a work stream operating within the governance arrangements for that programme, SEBC and SCC customer access, ICT and other service requirements need be identified and defined to ensure the optimum common process, architecture and software for internal and external customers. This will need to encompass system purpose and demand data from various channels, including; face to face, telephone, and the internet.
- 2.5.4 SEBC do not support a fully integrated customer access model like the Stowmarket contact centre but recognise that there will be a need for a single reception at the PSV providing joint county and Borough Council customer services. There will need to be a level of integration between the services of the partner councils in the PSV where it can be demonstrated that service improvement and reduced costs can be delivered. It is envisaged at this stage, however, that this will not mean transferring services or staff to CSD as a separate company.

3. **Customer Services Direct – An Overview by CSD**

- 3.1 At its meeting on 1 February 2006, the Service Delivery Review Panel received Report W547 – Proposal from Customer Services Direct (CSD) for the Development and Operation of Integrated Public Access in Suffolk. Paragraphs 3.2 – 3.5 below are quoted from that document and summarise the main aims for setting up the company.

- 3.2 *Both the County and Mid Suffolk District Council were looking to improve public access to council services for individuals and businesses – making them quicker, easier and more convenient to access.*
- 3.3 *Government services have historically centred on working practices, rather than customers' needs. To this end, depending on the type of enquiry, members of the public were frequently passed between several departments or from one council to the next. Added to this, a proliferation of red tape made it difficult for local council staff to work effectively and efficiently, wasting both time and money.*
- 3.4 *A customer-focused, easily accessible and high quality service was therefore Suffolk's number-one objective. In order to achieve this, Suffolk County Council and Mid Suffolk District Council determined they needed to adopt a 'one-stop-shop' approach, joining up county and district services and enabling citizens to access council services across multiple channels; on the Internet, by telephone or over the counter. This would also ensure that both Suffolk County Council and Mid-Suffolk District Council achieved the UK central government's aim for all services to be e-enabled by 2005.*

3.5 **The Joint Venture Solution**

To realise this vision, Suffolk County and Mid Suffolk District Councils signed a ten-year joint venture agreement with British Telecommunications (BT), who selected CGI as its transformation partner. Not only well known for its key strengths in government transformation and change management, CGI was selected for its pioneering single-window government approach. The partnership allowed much needed investment funding of around £50 million to be delivered to both councils.

4. **Methodology**

- 4.1 The following assessment of CSD by SEBC has been carefully planned, thorough and evidence-driven where possible. It has been partially funded by the Improvement & Development Agency (IDeA) and the Office of the Deputy Prime Minister (ODPM) and fully complies with their requirements to follow a thorough and robust process. The total cost of the study was approximately £200,000, around 75% of which was funded externally.
- 4.2 The analysis has addressed both sides of the business equation; service performance as driven by customer requirements, and service cost structures. In order for Members to make a considered and robust decision, the methodology has included the following elements of work undertaken over the past 20 months:-
- 4.3 **Base line review of service performance and cost**
Reports W276 and W277 to the Service Delivery Review Panel on 26 September 2005 outlined detailed analysis of the current performance, cost structures, strengths and weaknesses of each of the major service areas within SEBC. This evidence and analysis forms the base line against which any change to service provision should be compared.
- 4.4 **DR-IVE cost reduction and efficiency improvement programme**
This programme of work, now entering its third year seeks to deliver the Cabinet commitment to improve the efficiency and value for money offered by the organisation, and to set council tax rises in line with the annual rise in the Retail Price Index (RPI). In the first two years, cashable savings of £3.1million have been

achieved enabling St Edmundsbury to be the top-performing council in the UK with regard to delivering cash savings for customers.

4.5 **Vanguard systems performance improvement programme**

This programme of work has sought to redesign key services against customer requirements. Significant improvements in performance have been delivered during a period where significant cost has been taken out of the organisation through the DR-IVE programme. The Vanguard programme of work is scheduled to continue over the next 3 years & beyond.

4.6 **Definition of alternative options for St Edmundsbury**

CSD has been one of several potential options reviewed by members of the Review Panel. Other options include the route taken by Colchester Borough Council to set up their own customer contact centre designed around modern technology and working practices, and the partnership formed between Forest Heath District Council and Breckland District Council to deliver a joint revenues and benefits service. Members have visited these sites to gain first-hand experience of the alternatives.

5. **St Edmundsbury Borough Council's Guiding Principles**

5.1 In order to assess the CSD proposal, the following guiding principles have been developed from the learning gained from our service improvement and cost reduction programmes (Vanguard and DR-IVE) against which proposals can be compared and contrasted. These should be used to inform the decision to be made, and against which to test that decision, now and in the future. These principles are equally valid for our operations in Haverhill and Bury St Edmunds.

5.2 The overall objective or goal for future service provision of Members and officers within the organisation is summarised as:

"To improve customer services whilst reducing our costs"

The guiding principles are:-

- (a) to develop modern, efficient work processes designed to meet customer purpose and demand;
- (b) to develop a modern, purpose-built facility configured around the customer and the redesigned services to be offered (the Public Service Village (PSV));
- (c) to have no separation of the back office and front office. Our experience in redesigning our services has demonstrated to us that fragmenting work processes sub-optimises the work systems and drives in cost;
- (d) we want to position the service experts at the front end of the process dealing with customers. That is their job and it enables customers (external and internal) to receive expert service as soon as they request it;
- (e) HR, finance and ICT are integral to the front line service delivery processes, and should not be separate corporate functions remote from customer service delivery. They need to live and breathe front line service delivery and co-lead continuous improvement with the service delivery teams;

- (f) ICT should be deployed, if appropriate, *after* service redesign. ICT should not drive service redesign as this often introduces unnecessary cost and steps into the work processes;
- (g) no use of customer relationship management (CRM) ICT software. CRM is a system that provides scripted responses to customer questions and records those questions and service requests to enable organisations to build up a history of requests to track past performance and improve future performance. We believe that our customers do not want managed relationships with their local authority. They would rather have no contact with the local authority, but when they do they want high quality services delivered quickly and at a cost that represents value. CRM builds in complexity and cost to work systems through batching, hand-offs, and duplication of work. We don't need CRM because we are achieving increased customer satisfaction by getting our service delivery right using Vanguard principles;
- (h) we should constantly seek to reduce and eliminate the following in our work practices: hand-offs, re-work, duplication, sorting/re-routing, non-value work, double checking, inspection, delays, bottlenecks, black-holes, batching, queuing and filtering. These all drive in delay for the customer and cost to the organisation; and
- (i) we should set no arbitrary targets or measures for customer service performance that we are responsible for, e.g. 80% of customer questions should be answered at the first point of contact; telephones will be answered within 6 rings; customer satisfaction must be above 90%, etc. Arbitrary targets always sub-optimize the system of work and drive in cost because people try to cheat the targets with a subsequent reduction in customer satisfaction and increase in organisational costs. We do of course need to meet the statutory and centrally administered Best Value Performance Indicators (BVPIs).

6. Findings & Results

6.1 SEBC statement of requirements from CSD

6.1.1 Appendix 1 to this report identifies and defines the critical elements, or success factors, that SEBC shared with CSD early in 2006 to gather the information contained in this paper, and required to enable a decision about a potential future partnership or contract. The information shared comes from several SEBC sources: the Cabinet's commitments; our published budget; our medium term financial strategy (5 year model); our cost reduction & efficiency improvement programme (DR-IVE); our service performance improvement programme (Vanguard); and the service base line programme conducted throughout 2005 (reports W276 and W277 to the SDR panel refer). Significantly, the paper makes clear the following service quality and cost imperatives for SEBC:

6.1.2 Service quality

Any potential partnership must improve service quality to our customers. SEBC now have significant expertise to bring to any partnership in terms of service performance improvement through the learning gained from our Vanguard and DR-IVE work.

6.1.3 **Financial background & cost**

It is clearly stated that in order to meet the financial commitments of the cabinet, as well as our medium term financial strategy, we need to make cashable cost savings of £2.8million over the next three years. This requirement means that savings identified by redesigning the way we offer services need to be available to us to be "cashed in" and put forward to the budget process. Partnership or contractual models based on the retention of these savings within the partnership to fund the investment do not support this basic business and political imperative.

6.1.4 The paper in Appendix 1 proposes three potential scenarios for partnership:-

- (a) customer access only;
- (b) shared corporate services only; and
- (c) a combination of both customer access and shared corporate services.

Service transaction volumes, corporate service staffing numbers and operational budget costs are given (the data already being in the public domain).

6.2 **CSD Scoping Document for a Service Partnership with SEBC**

6.2.1 Exempt Appendix B to this report is the CSD response to the SEBC proposal contained in Appendix A. A summary of the CSD findings are shown below. These will be discussed and analysed later in Section 7. CSD state that these proposals require a more detailed discovery exercise but are based on experience elsewhere:-

6.2.2 CSD is confident that they can contribute to our requirement of identifying £2.8million of cashable savings over the next three years.

6.2.3 CSD notes our requirement to retain existing service budgets and efficiency savings.

6.2.4 CSD makes it clear that introducing improved customer access, with multiple delivery channels, requires a significant investment. To off set this investment, savings would need to be delivered through a review of end to end work processes and improved efficiency. The likely customer access investment for a similar model as Mid-Suffolk is indicated at £550,000, excluding property and any building costs.

6.2.5 CSD state that if SEBC were to use CSD current ICT systems, they would be able to achieve 20% savings on pay and non-pay costs within 18 months. These savings would be achieved through economies of scale by becoming part of a larger service.

6.2.6 CSD state that SEBC would find it difficult to realise savings of this order without a loss of critical mass which would potentially undermine service performance.

6.2.7 CSD state in their Appendix A that cost savings in the range of 20-50% of 2005/2006 operating costs could be achieved by offering integrated corporate services (HR, ICT and Finance). This would mean savings in the range £600,000 to £1,500,000.

6.2.8 CSD recommends that a joint working approach, with strong governance arrangements, is agreed for the respective organisations, to commence work on a project to build the detailed business case for a merger of the services. This work would develop and agree the model and timescales by which SEBC services would be delivered using the CSD capability.

6.2.9 CSD outline some of the key risks associated with the work recommended above in section 6.2.8. These include:-

- (a) the staff transfer model;
- (b) communications to staff and customers;
- (c) budget management;
- (d) technology availability; and
- (e) customer service levels during transformation.

6.3 Findings & results from the CSD Stowmarket Contact Centre

6.3.1 To validate, with evidence, some of the statements made above by CSD regarding customer access in their offer document, the SEBC Customer Services Manager spent five days in the CSD contact centre in Stowmarket. This centre delivers services to customers on behalf of Mid-Suffolk District Council and Suffolk County Council, both face-to-face and by telephone. The detailed results of this exercise are not reproduced as part of this report because they are commercially sensitive to CSD as a limited company. However, the results have been shared with CSD, who acknowledge their usefulness in making future improvements to service provision, but they do challenge some of our definitions of customer value and failure demand and what constitutes one-stop service delivery.

6.3.2 The purpose of the visit was to gather data about the operation of the call centre, and methods of face-to-face service delivery to enable comparisons to the service improvement/Vanguard work undertaken by SEBC.

6.3.3 All the agents working at the call centre were friendly, polite and as helpful as possible to customers.

6.3.4 Table 1 below shows the high level summary of the findings from the call centre and categorizes customer enquiries, or demand depending on how it was dealt with, using the following SEBC methodology:-

- (a) Pass Back. Demand is passed back to the customer, for example the customer is advised to call another number or is sent a form to complete.
- (b) One Stop. Demand is dealt with one stop, where the customer's question is fully resolved or the service is delivered there and then.
- (c) Pass On. Demand which is passed on, where the customer's enquiry is passed onto a department within the Council to enable the service to be delivered or to answer the enquiry.

6.3.5 Each enquiry was subsequently classified as either Value or Failure demand using the following definitions:

- (a) Value Demand: is what we are here for, the demand we want e.g. "please can I have a bulky waste collection".
- (b) Failure Demand: is demand caused by a failure to do something or do something right for the customer, e.g. "why have you not collected my bulky waste as you said".

Table 1 – Summary of Findings from Stowmarket Contact Centre

Demand coming into the Call Centre	Category	Results
Telephone Demand		
• Split between Value and Failure demand:	Value Demand	52%
	Failure Demand	43%
	Unclassified	5%
• How demand is dealt with:	One Stop	27%
	Pass Back	14%
	Pass On	59%
Face to Face Demand (services only; not payments)		
• Split between Value and Failure demand:	Value Demand	52%
	Failure Demand	48%
• How demand is dealt with:	One Stop	7%
	Pass Back	15%
	Pass On	78%

6.3.6 The major findings summarized from these results are that:-

- (a) Levels of Value and Failure demand measured at Stowmarket are in line with those found at St Edmundsbury before implementing improvements through the service improvement or Vanguard work.
- (b) Dividing the organization into a front and back office causes some confusion to the customer; builds in delays to service fulfillment; and sometimes creates animosity between the two halves of the organization because they work at cross purposes.
- (c) The Stowmarket model, based on the evidence collected probably has a high level of built-in cost as a result of handling high levels of failure demand and the continued reliance on the back office to provide many services after customers initial contact through the contact centre.

7. Discussion & Analysis of Key Issues

7.1 Investment & Governance

7.1.1 If SEBC were to join or procure services from CSD, capital investment of £550,000 would be required for the customer access element if the Stowmarket model was replicated. To break-even on this investment, cost savings of 17.5% of 2005/2006 costs would need to be made and returned to CSD to pay for this investment.

7.1.2 If SEBC were to self fund this investment, to provide a return sufficient to pay back the investment and return equal funds to our capital reserves, savings of 35% of 2005/2006 costs would need to be generated. The CSD proposal makes assumptions that these levels of savings could be found but gives no details about how these might be achieved. These would be more difficult in SEBC, after two years of DR-IVE, than in either SCC or MSDC.

- 7.1.3 Currently, CSD operates as a joint venture company with three shareholders; BT (80.1), SCC (16.5%) and MSDC (3.4%). CSD are clear in their submission that "*if SEBC were to invite CSD to act as a service provider, it is unlikely given the current distribution of risk and reward between the existing partners that any further shareholders would be invited at this stage of the contract*". This issue of governance is important; effectively it would mean that SEBC service levels would be determined, or heavily influenced by two other authorities in Suffolk with SEBC acting as a customer to the joint venture company co-owned by those authorities. CSD confirm that SEBC would clearly be involved in these strategic and operational decisions, but nevertheless some SEBC member control would be lost.
- 7.1.4 CSD describes various staffing models but does not address their associated costs. If a secondment model operated, as is the case with MSDC personnel (whereby SEBC staff were seconded to CSD when the service areas transferred), and given that CSD may have spare capacity already post transfer of SCC and MSDC staff, no mention is made in the financial summary of the likely redundancy costs that would require funding by SEBC. These could be high and would probably offset the levels of savings that are indicated.

7.2 Customer Service Improvement

- 7.2.1 CSD makes it clear that "*customer service improvements do not lend themselves well to quantification and are difficult to assess. Nevertheless, improvements have value in that customers may feel they get value for money for their council tax*". This is a worrying statement. The Vanguard work at SEBC, reported to both Scrutiny panels over the past year shows large, measurable improvements in service performance to customers when comparing the redesigned service to the starting point. For example, waste management has demonstrably shown that the system of new bin delivery has been reduced from an average of 25 days to less than 2 days with no additional cost. This is evidence that customer service improvement can be measured and communicated to customers, where resultant customer complaints in this service have been reduced to effectively zero.
- 7.2.2 The results from the Stowmarket contact centre analysis are important. CSD claim a "*step change*" from their approach to public access enabling customers easier access to council services and higher levels of consistency of those services. The results from our investigation, using Vanguard systems principles, show this not to be the case. High levels of failure demand, system complexity, hand-offs between customer and service centre agents, batching of work, pass back to customers, and low levels of one stop capability were evidenced across many services. These findings result in significantly increased costs for the organisation. Overall, the level of service at the contact centre is broadly equivalent to a pre-Vanguard service at SEBC. It is acknowledged that parts of MSDC and SCC have now started independent & separate work with Vanguard to improve their Planning and Trading Standards services respectively.
- 7.2.3 The proposition includes the CSD web site and its transactional capability with its links to One Suffolk and Direct.gov.uk. However, the SEBC site is also transactional and linked to both of these other sites to provide customers with easy access to information and on-line services. There are no clear benefits over and above the existing functionality demonstrated with respect to web access from CSD.
- 7.2.4 The CSD proposal includes the opportunity to extend opening hours for customers, both during the week and also on Saturdays. At present, we do not know if there is

customer demand for this in St Edmundsbury but we will seek to answer this question during the next 3-4 months in order to further develop our customer access strategy and PSV plans.

7.3 Shared Corporate Services

7.3.1 In general, the CSD proposition claims that sharing corporate services delivered by CSD would give SEBC access to new technology; re-engineered processes; extended service hours; improved data management; 80% resolution of customer enquiries at the first point of contact; a reduction in service costs; and greater business efficiency. As is the case for MSDC with the Stowmarket model, it should be noted that the some of these services would be provided remotely, off-site in Ipswich by existing CSD staff rather than in our existing or new PSV facilities.

7.3.2 Finance

By statute, some functions would need to remain within SEBC (e.g. the s151 officer, financial governance, strategic planning, some treasury management, auditor compliance). Other areas of finance could be delivered by CSD. The attractiveness of this proposal is based on the belief that a split in front and back office services can drive out costs and deliver enhanced customer service. This argument runs counter to our guiding principles above, and these are reinforced by the evidence collected at Stowmarket where we believe that splitting services has driven in cost to the system (section 6.3.6.2 refers). It is worth noting that SEBC plan a financial system upgrade later in 2006, and this is budgeted for and in the project plan. We should, however, investigate the opportunity to buy-into the Oracle financial system used by SCC and CSD, especially as we will be integrated with SCC in the PSV building. Redesigning the invoice payments system in conjunction with other Finance service reconfigurations will deliver £170,000 of savings under DR-IVE Years 2 and 3.

7.3.3 Revenues & Benefits

The issues for the Revenues & Benefits service are similar to Finance above. Current service performance, at 21 days average time to assess and process a new housing benefit claim, is better than CSD at Stowmarket and will improve significantly post-Vanguard, which is due to start in June '06. SEBC already have a new ICT system (Sx3), so the technological investment driver is not valid for us at this time.

7.3.4 Human Resources

The HR issues are key to the organisation and its future development. Significant progress has been made in the last 2 years to get HR closer to their customers. The success of this approach is reflected in the current HR KPIs, where sickness, staff turnover, number of grievances, etc. are all well down when compared to 2003/2004 levels. Key to supporting this work has been the new HR/payroll system which allows greater levels of efficiency to be achieved. The size of the SEBC HR function is equivalent to the industry average for the size of organisation. The CSD proposition is focused around the one stop shop model. This is probably appropriate for an organisation of 27,000 staff, but is possibly not suited to a small organisation of 500 full time equivalents (FTE's) where a personal approach has delivered significant service improvements with no additional investment.

7.3.5 Information Communication Technology

ICT is a key area for business improvement and this is recognised in the CSD proposition. Emphasis is placed on the seven delivery teams focused on different parts of the business.

- 7.3.6 ICT led the SEBC work to fully comply with the ODPM's e-government work over the past three years (BVPI 157), achieving 100% compliance by the required deadline of December 2005. All of our major business systems have recently been renewed (finance, revenues/benefits, planning, homelessness) and so the driver for additional investment in ICT is not strong for SEBC, unlike SCC and MSDC when CSD was established.
- 7.3.7 ICT within SEBC is sometimes stretched in terms of their resources and the total numbers of projects they have "live" at any one time. As part of the PSV project, it will probably make sense to join up parts of the SEBC function with CSD to offer a common, comprehensive service to all users based at the PSV. Areas such as infrastructure, desk top applications and even some expert systems such as sharing of the Finance system (Oracle) might offer improved service at reduced costs. These could be achieved without necessarily joining, or procuring, services from CSD however.
- 7.3.8 Ongoing investment is required in ICT in any organisation, and although members have always approved expenditure items in the past, it is unclear if additional capital money for further ongoing investments will be made in the future. This potential issue has been hidden in the past 3 years where government capital grants for e-government totalling £900,000 have been made to SEBC to fund this type of investment. This risk is included in the risk register attached to this report in Appendix C.

7.4 Efficiency & Cost Reduction

- 7.4.1 The CSD proposition, when including both customer access and the sharing of three corporate service areas, could potentially result in revenue savings of up to £1million, assuming a 50% cost saving on 2005/2006 costs. Details of how this would be achieved are not clear, and from the evidence gathered at Stowmarket probably could not be delivered. In contrast to this, DR-IVE has delivered over £3million of cashable savings in the first two years (the largest share delivered by ICT). Further savings of over £2million are planned in years three to five. This evidence demonstrates that SEBC can deliver the national efficiency agenda, and its own medium term financial strategy, ensuring robust and accountable expenditure of public money. The 2005/6 CPA Use of Resources score of 3 confirms this.
- 7.4.2 Emphasis is placed on achieving greater economies of scale (EOS) between organisations and services within an organisation. The EOS argument is notoriously difficult to translate into tangible savings in any industry. Again, the evidence from the Stowmarket analysis shows this to be the case with CSD.

7.5 Assessment against our Guiding Principles

- 7.5.1 The guiding principles laid out in section 5 of this report can be used as a benchmark or guide to test the proposition from CSD. These are principles, or values that are important to us as an organisation, particularly in our role as a community leader and provider of high quality public services. It is clear from the results, analysis and discussion above that the CSD offer, with the possible exception of sharing some ICT infrastructure and applications as part of the PSV programme, does not fulfil these principles.

8. Strategic Risk Assessment

- 8.1 This section presents members with an assessment of the strategic or high-level risks associated with the decision to be made. Lower level, tactical or operational risks are not included as these are not significant factors that need to be addressed at this stage when taking the decision.
- 8.2 Appendix C summarises the strategic risks and presents the inherent risk before mitigation and the residual risk after the proposed summary of actions. This format complies with the Cabinet's recently approved corporate risk management process.
- 8.3 The key types of strategic risk fall into the following categories:-
- (a) Customer;
 - (b) Staff;
 - (c) Cost (revenue & capital);
 - (d) Local Government Reorganisation (LGR);
 - (e) Public Service Village (PSV);
 - (f) CPA including Use of Resources assessment; and
 - (g) Central government policy.

A team-based approach has been used to assess these risks in line with Audit Commission guidelines. For each risk type, levels of inherent risk have been identified, as have mitigation actions. For all but two strategic risks, residual risk levels of green have been achieved. The remaining two yellow risks relate to:-

- (1) the central government agenda which is driving shared customer access & corporate services under the belief that customers want this, and that greater efficiency will be delivered. As discussed above, this belief is probably erroneous, or at least grossly exaggerated; and
- (2) the approximate £2million capital investment that will be required in ICT over the next 10 years if SEBC are not part of CSD. This risk is judged medium/yellow as the investment would need to be funded even if SEBC were a member of CSD.

9. Conclusions

- 9.1 For sharing corporate services (HR, ICT and Finance), the stated 50% or £1million financial savings are aspirational and there are no details as to how these might be achieved. Even if fully delivered, they are significantly less than the £3million that has already been achieved through the DR-IVE programme. Associated redundancy costs have been not been included.
- 9.2 In terms of improving customer service and satisfaction levels, the evidence demonstrates that the service levels offered by CSD at their Stowmarket contact centre are broadly the same as services at SEBC before redesign. SEBC services that have been through the Vanguard process are significantly better than those offered by the contact centre in terms of delivering customer service and reducing costs. Investing capital of £500,000 in a contact centre is, therefore, not justified.
- 9.3 There may be potentially benefits to be gained by integrating and sharing ICT and other service systems within the PSV project. It would be sensible to share common ICT infrastructure, desk-top application software and some expert business systems

(e.g. the finance "Oracle" system and potentially any HR support systems) to allow complete flexibility of operation in the building. A model addressing these objectives, ongoing investment, staffing structures and business support will be developed as part of the PSV project.

10. Recommendations

- 10.1 The recommendation to the Service Delivery Review Panel comprises three elements and is based on the evidence-driven findings, analysis & discussion in this report:-
- (a) The Review Panel is recommended not to conduct a full business case or to commence procurement of a solution involving Customer Services Direct Ltd, based on their current operating model, the disbenefits currently outweighing the benefits for both customer access and shared corporate services. As the CSD model of operation evolves, perhaps by addressing the front-back office separation of work, then this position should be re-evaluated as part of the Public Service Village project;
 - (b) Regarding the PSV programme, and as a work stream operating within the governance arrangements for that programme, SEBC and SCC customer access and ICT requirements need be identified and defined to ensure the optimum common work processes, architecture and software applications for internal and external customers. This will need to encompass system purpose and demand data from various channels, including:- face-to-face, telephone, and the internet; and
 - (c) The Borough Council do not support a fully integrated customer access model like the Stowmarket contact centre but recognise that there will be a need to have a single reception at the PSV providing joint county and district council customer services. There will need to be a level of integration between the services of the partner councils in the PSV where it can be demonstrated that service improvement and reduced costs can be delivered. It is envisaged at this stage, however, that this will not mean transferring services or staff to CSD as a separate company.

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St Edmundsbury Borough Council

Service Partnership with Suffolk CC -- Information Gathering Exercise

1 Purpose

- 1.1 The purpose of this document is to support further discussion and analysis of potential joint service provision between St Edmundsbury Borough Council (SEBC) and Suffolk County Council (SCC).
- 1.2 We would like to explore the opportunity to share customer access with SCC (face-to-face, telephone and web), and also to share some corporate services.
- 1.3 To explore this, the document proposes a number of potential partnership scenarios detailed in section 5.

2 Background

- 2.1 SEBC place great value on the quality and range of the services that we provide, with many services performing in the top quartile nationally. Any potential future service partnerships would need to at least protect, but more probably enhance this position to the benefit of our customers. We are currently actively engaged in improving our service quality levels whilst reducing our operating costs.
- 2.2 SEBC believe that we have significant value to add to any joint working with SCC, particularly in the area of customer focused service process redesign and this could be part of any supporting financial model.
- 2.3 All information, cost and volume data are provided in confidence and should not be passed on to other parties or used for any purpose other than information gathering. The information is provided for discussion in the context of information gathering but is not part of any negotiation and is "without prejudice" to any subsequent discussions which may take place.
- 2.4 It is worth noting that the Suffolk Chief Executives Group (SCEG) are leading the development of a joint vision and implementation plan for customer access across the county. The proposals contained in this document will need to fulfil the outcomes of this work.

3 Financial Background

- 3.1 Our financial situation has a critical influence on the potential outcomes of this project and the method by which we tackle it. Although capital rich, we have a predicted revenue budget gap of around £2.8 million over the next three years.
- 3.2 This means that to balance our budget, reduce our reliance on reserves to zero and continue to set sustainable council tax levels at or around the level of RPI, we need to make cashable revenue savings of £2.8m over the next three years on a 2004/5 budget

of £20.6m. This is on top of the cash savings of £3.3 million we have already made in 2004-5 and 2005-6.

3.3 This budget reality affects significantly the options for the sharing of services and customer access. Because of its unaffordability, it means that we do not have the following option open to us:

3.3.1 We cannot enter into a long term agreement by which existing service budgets are transferred (including allowances for annual cost growth) and cashable and non-cashable efficiency savings are retained by any partnership to fund that partnership.

4 Service Delivery Review (SDR) Programme

This programme comprises the following four projects:

4.1 The Public Service Village (PSV) project is the property element of our Service Delivery Review programme. The PSV will co-locate all SEBC staff onto a single site with modern customer access facilities and work processes.

4.2 Vanguard system redesign. Using the methodology trialled in SEBC in late 2004, we are systematically redesigning our services from a customer perspective. Improvements in performance of 500% have been achieved (Homelessness) and 50% cashable improvements in efficiency identified (Invoice Payments and Development Control). This work will continue as part of normal business in the future.

4.3 Customer access strategy & implementation. During late 2004, the organisation formally adopted its Customer Access Strategy and Implementation Plan, developed in conjunction with the IDeA.

4.4 E-government. The council is currently 100% compliant to BVPI157. However, and more importantly, we plan to develop our e-services within the Vanguard framework to better deliver the access channels and performance levels demanded by customers.

4.5 Figure 1 below shows these projects in context within the overarching SDR programme.

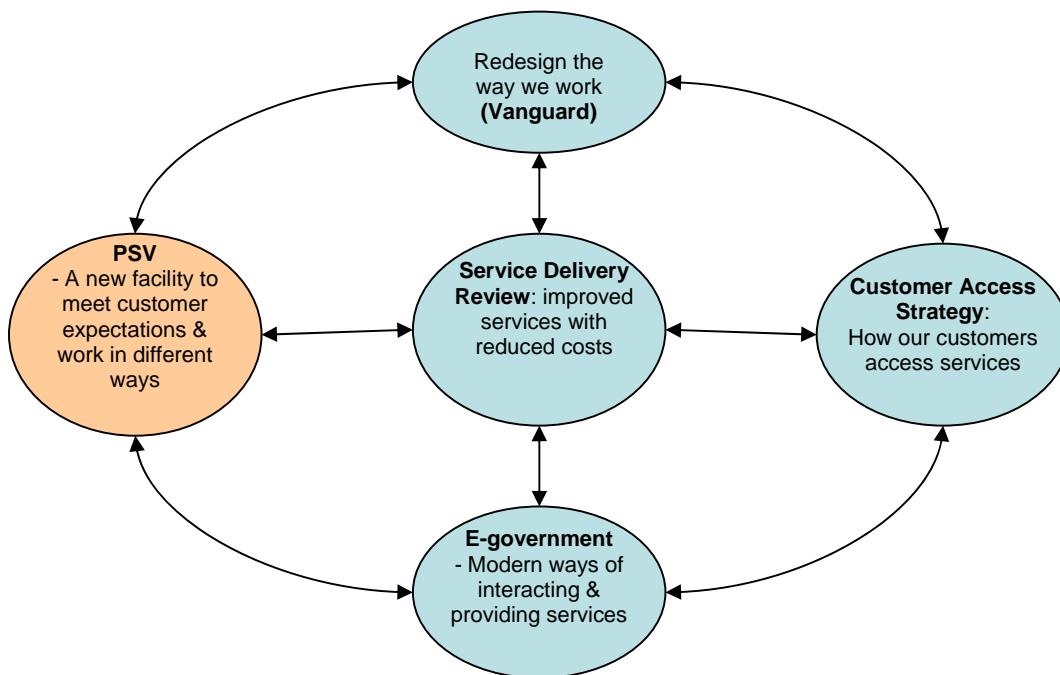


Figure 1 Service Delivery Review Programme

5 Proposal

SCC are asked to investigate the following three scenarios and to develop a preliminary Outline Business Case (OBC) sufficient for SEBC to understand if there is a potential value to a formal study of a detailed business case.

5.1 Scenario 1: Customer Access

This scenario is about offering joint customer access with SCC (face-to-face, telephone and web) in Bury St Edmunds and Haverhill. The Bury St Edmunds location, either in the town centre or as part of the PSV development needs to be justified against a full analysis of customer requirements, or demand. The decision as to the location of the face-to-face method of customer access will need to be made by the end of Q2 2006 to support procurement of the PSV project. Potential SEBC customer interaction volumes are shown in Appendix 1.

5.1.1 Key Principles of Operation

The principles of operation are important to SEBC. As the organisation moves to becoming more customer focused, lean and efficient, regard to the following points are fundamental to ensure we offer the best services to our customers whilst maximising cashable efficiency gains from our work.

- 5.1.1.1 Service work processes need to be designed against customer purpose and their requirements.
- 5.1.1.2 Customer demand type (e.g. face-to face, telephone, etc.), frequency, value, and non-value levels need to be determined

before service migration to the access points. This is required to avoid automating high levels of non-value added customer demand.

5.1.1.3 Current service performance measures need to be developed understanding performance variation over time and the causes of this.

5.1.1.4 System process work flow needs to be mapped, simplified and redesigned against customer demand to achieve customer purpose and eliminate non-valued added work.

5.1.1.5 New performance measures related to customer purpose, and accounting for variation over time, need to be defined and introduced.

5.1.1.6 Staff and management thinking underpinning the current service system performance needs to be quantified and addressed if required.

5.1.2 Ongoing Continuous Improvement and Service Performance Levels

5.1.2.1 SEBC propose that no service level agreements (SLAs), and no arbitrary performance targets should be adopted. SEBC are focused on year on year continuous improvement in terms of increases in service performance whilst reducing costs.

5.1.2.2 Where required, BVPI's will need to be reported to the central government functions in line with their specifications and requirements.

5.2 Scenario 2: Shared Corporate Services

This scenario explores the potential to share corporate services with SCC. The services outlined below are potentially within scope. The current service budget-book costs are shown as is the equivalent full-time headcount to enable the scale of the services to be understood. The principles of operation for these services should be as stated above in section 5.1.1.

5.2.1 Property (annual service cost: £2,000,000; staff: 13 FTE)

5.2.2 Finance (annual service cost: £1,015,000; staff: 26 FTE)

5.2.3 e-Services and ICT (annual service cost: £915,000; staff: 18.5 FTE)

5.2.4 Revs & Bens (annual service cost: £900,000; staff: 50 FTE)

5.2.5 Human Resources (annual service cost: £305,000; staff: 10 FTE)

5.3 Scenario 3: Customer Access and Shared Corporate Services

This scenario is a combination of scenarios 1 and 2.

5.4 Partnership Financial Model

The funding model is important to SEBC. We seek to make year-on-year cost savings as indicated below. These savings are required to eliminate our use of reserves to balance our budget and to meet the political imperative of setting levels of council tax in line with the annual increases in the Retail Price Index (RPI). This year-on-year reduction in service costs is required from any potential partnership, coupled with improvements in service quality.

5.4.1 The following year-on-year cashable savings are part of our ongoing business plan:

- Year 1-3: 10% year-on-year
- Year 4-6: 5% year-on-year
- Year 7-10: 2.5% year-on-year

5.5 SEBC Support to SCC

SEBC would like to work in partnership with SCC and can offer considerable experience in the areas of service redesign, capacity improvements and cashable cost reduction using a variety of different methods. We seek to work collaboratively on the many work systems that overlap between the District and the County (e.g. Homelessness, Social Care, waste, highways and engineering) to redesign these services against customer requirements, thus improving performance whilst reducing costs.

6 For more information please contact:

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Appendix 1 Current Service Volumes

	Customer Transactions by Service	
Service	Transaction	Volume
Waste Management	Brown Bin Collections	1,016,730
	Blue & Black Bin Collections	2,276,849
	Trade Waste Collections	104,000
	Graffiti Removals	38
	Abandoned Vehicles disposals	597
	Fly Tipping Incidents	521
	Bulky Collections	5,573
		3,404,308
Revenues and Benefits	Council Tax Bills	55,000
	Business Rate Bills	5,000
	Benefit Claims	4,500
	Benefit Circ Changes	5,000
	Benefit Entitlement Reviews	3,500
	Ctax and NNDR Reminders	15,562
	Ctax and NNDR Finals	3,846
	Ctax and NNDR Summons	4,886
	Property Inspections	2,000
	Fraud Investigations	378
	99,672	
Housing	Applicants presenting as Homeless	818
	Number of affordable homes delivered (3 yr average)	94
	Number of successful Homebuy applications	10
	Number of supported bids for funding to the Housing Corporation	24
	Number of service requests from planning or developers	50
	Number of empty homes brought back into use (3 year average)	6
	1,002	
Environmental Health	Inspections of Food premises	541
	Food Safety service requests/enquires and advice	686
	Food Samplings	163
	Inspections of Workplaces	281
	Accidents investigated (including 1 fatality)	113
	Occupational Health & Safety service requests/enquires and advice	285
	Formal notifications of infectious diseases and food poisoning	213
	Communicable Disease control service requests/enquiries and advice	28
	Inspections of Animal Welfare establishments	30
	Animal Welfare service requests/enquiries and advice	11
	General Environmental Health service requests	330
	Enforcement Notices served	84
	Pollution Control regulatory activities	129
	Pollution related complaints/service requests	1,018
	Noise Complaints	702
	Planning Applications reviewed for various environmental issues	458
	Pest Control treatments	1,844
Dog Warden service requests/enquiries	397	
Stray Dogs seized	75	
Private sector house condition service requests	943	

	Housing Grants provided	65
	Licence Applications	1,055
	Grant requests agreed	24
	Young Person events	12
	Number of Young people attending events (estimate)	7,500
	Number of CDRP projects funded	25
	Residents Groups supported	8
	Number of advice requests (estimate)	10,000
		27,020
Economic Development	TIC Visitors and Callers	107,293
		107,293
Leisure	Leisure Centre Visitors	834,000
	Public Hall Events	779
	West Stow Country Park Visitors	128,000
	Festival - Tickets sold	12,000
	Country Park Visitors (excl. West Stow)	400,000
	Museum Visits	49,059
	Open Space Visitors (estimate)	3,100,000
		4,523,838
Planning, BC and Engineering	Planning Applications	1,417
	Building Control Applications	1,105
		2,522
E&E Support Services	Number of Shopmobility scooters hired	1,259
	Number of incidents reported to police (using CCTV)	1,000
	Land Charges Searches	10,500
	Bus Tickets sold	6,700
		19,459
Finance	Number of supported employees	900
		900
HR & OD	Number of supported employees	900
		900
Property Services	Number of supported employees - FTE	600
		600
ICT & e-Services	Number of supported employees - FTE	600
		600
Legal Services	Number of supported employees - FTE	600

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CSD Strategic Risk Summary								Risk Register					St Edmundsbury Borough Council			
ID	Date	Type	Owner	Title	P	I	Inherent Risk	Description	Summary of Actions	Status	P	I	Residual Risk			
1	26/04/2006	Customer	D Farrow	External customer satisfaction with major services	4	4	16	Joining CSDL must improve service quality for external customers. If service quality levels fall, this will have a high impact on our overall customer satisfaction; will affect members; will affect our CPA rating.	Robust evidence-based analysis of the CSD proposal for customer access in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents.	Open	1	2	2			
2	26/04/2006	Staff	D Cadman	Staff response to joining CSD	4	4	16	Staff morale, retention, turnover and performance, particularly in Finance, HR and ICT could be affected negatively by pursuing a partnership with CSD.	Robust evidence-based analysis of the CSD proposal for customer access in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents. The above to be augmented with staff reviews of performance where available.	Open	1	2	2			
3	26/04/2006	Cost	Dr C Brand	Revenue cost savings associated with joining CSD	3	3	9	Potential revenue cost savings could be missed if SEBC chooses not to enter a partnership with CSD.	DR-IVE 3-5 cost savings of £2.8m are not predicated upon being part of CSD. Robust evidence-based analysis of the CSD proposal for customer access in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents.	Open	1	2	2			
4	27/04/2006	Cost	Dr C Brand	Capital investment associated with joining CSD	4	2	8	Missing out on the additional capital investment that would be available by joining CSD	The capital programme already makes provision for enhanced customer access as part of the PSV project. The programme will need to be updated with a provision for ICT investment over the next 10 years (as an estimate, a provision of £2m should be made). This could be financed in a similar fashion to the annual revenue provision made for the replacement of refuse freighters.	Open	2	3	6			
5	26/04/2006	LGR	D Cadman	SEBC opportunities under LGR	3	2	6	Local Government Reorganisation (LGR) poses opportunities for SEBC. The Council may miss out on some of those opportunities if not part of CSD.	This aspiration is based largely on geography and is therefore not affected by the CSD debate (evidence from Ipswich Borough Council, who will not be joining CSD, yet see themselves as a future city regional unitary authority would support this view). Maintenance of our high levels of customer satisfaction and our CPA rating are more important to ensure we are the natural centre of local government in the west. Risks associated with these elements are addressed below.	Open	1	3	3			
6	26/04/2006	PSV	D Cadman	Delivery of the PSV project	3	3	9	Not being part of CSD may impact on the deliverability, or smooth delivery of the PSV project.	If we were not to join CSD, the position would be similar to that in Ipswich where IBC and SCC will operate face to face services from a new single building together without IBC being part of CSD. The PSV could use this model as its starting point. Not being part of CSD would not preclude other partnerships across some service areas such as; ICT, including potentially sharing the finance system, facilities management, audit, etc.	Open	1	2	2			

CSD Strategic Risk Summary										Risk Register					St Edmundsbury Borough Council				
ID	Date	Type	Owner	Title	P	I	Inherent Risk	Description	Summary of Actions	Status	P	I	Residual Risk						
7	26/04/2006	CPA	D Cadman	CPA Use of Resources Assessment	2	4	8	SEBC not being part of CSD may affect either our overall corporate assessment (currently good, with 47 points) and / or our Use of Resources result (currently good, with 3 out of 4 score)	Robust evidence-based analysis of the CSD proposal for customer access (in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents) and shared corporate services. If the business disbenefits outweigh the benefits in an open and fair evidence-driven assessment, then our CPA score should be protected.	Open	1	3	3						
8	26/04/2006	e-Gov.	Dr C Brand	Roll-out of e-government projects	2	3	6	Not being part of CSD may have a negative impact on our ability to continue to roll-out our e-government projects through lack of investment.	SEBC are already 100% compliant to BVPI157 which measures compliance to the governments e-gov agenda. We have more than 520 customer service interactions e-enabled. Work in the future centres around making these more useful and user friendly for our customers and as such requires only minimal investment. Our Vanguard service improvement work will also determine the required enhancements that the existing e-channels require in order to develop them in line with customers requirements.	Open	1	2	2						
9	26/04/2006	ODPM	D Cadman	Central government partnership agenda	4	3	12	Failure to fully comply with the DCLG and HM Treasury agenda (incl. Gershon) that joining up back office services is the correct approach to take to shared public services.	Robust evidence-based analysis of the CSD proposal for customer access (in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents) and shared corporate services. If the business disbenefits outweigh the benefits in an open and fair evidence-driven assessment, then our CPA score should be protected. This rationale, when independently audited by the Audit Commission, should preclude future funding issues.	Open	2	3	6						
10	26/04/2006	Customer	Dr C Brand	Internal customer satisfaction with major services (Finance, HR, ICT)	4	4	16	Response times and quality of support from Finance, ICT and HR may drop if handled by CSD remotely.	Robust evidence-based analysis of the CSD proposal for customer access (in conjunction with measured customer data from the operational Stowmarket contact centre to reinforce the claims made by CSD in their proposal documents) and shared corporate services.	Open	2	2	4						

