

# Executive

## Customer Service Value for Money Review and Customer Intelligence Project

7 March 2011

### Report of the Interim Chief Executive

#### PURPOSE OF REPORT

To consider the findings of the Value for Money (VFM) Review report and the Customer Intelligence Improvement report, and the recommendations arising from these.

This report is public

#### Recommendations

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The Executive is recommended:

- (1) To endorse the overall conclusions of the Customer Service VFM and Customer Intelligence reports
- (2) To adopt a new vision for Customer Service to 2013/14 (as set out in Annex 1) that seeks to reduce the cost of the service, retain or improve on existing levels of satisfaction, reduce avoidable contact, manage demand and encourage greater use of online services.
- (3) To commence a customer service transformation programme, involving all service areas, that will drive improvement in Customer Service through adopting smarter working methods to reduce avoidable contact and transactions, and through managing demand to reduce peaks and troughs in levels of transactions.
- (4) To adopt the key performance measures of speed of telephone response and call abandonment rate for the Council's corporate score card
- (5) To establish a two-year cost savings target of £257,462 for Customer Service that addresses the high cost of the service but in a sustainable way, with minimal impact on overall service to the public, as follows;
  - a. Include the elimination of all vacant posts by 2012/13, to allow time for the new payment kiosks to reduce current workload, and seek to reduce the establishment by an additional 1 FTE per annum as the transformation programme reduces overall levels of contact
  - b. Note savings of £125,654 built into the 2011/12 budget as follows;

- i. Install payment kiosks (saving £65,000) as approved
      - ii. Remove a vacant customer service specialist post (saving £17,000)
      - iii. Remove vacant hours provision (saving £20,000)
      - iv. Reduce the establishment by 1FTE (saving £23,654)
    - c. Make further savings of £131,808 in 2012/13 as follows;
      - i. Eliminating all remaining vacant posts (saving £85,154)
      - ii. Reducing the establishment by an additional 1 FTE as levels of contact decline through improved working (saving £23,654)
      - iii. Reducing accommodation costs through plans to move out of Bicester Market Square in 2012/13 (saving £23,000) as part of the town centre project, with the service being required to find this saving by other means should the scheme not progress by this date.
- (6) To include discussions on the nature and number of LinkPoint offices in the Council's forthcoming work on its Medium Term Financial Strategy

## **Executive Summary**

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### **Introduction**

- 1.1 The Customer Service VFM Review and the Customer Intelligence Improvement Project are part of the Council's Corporate Improvement Plan for 2010/11. Although both have explored different aspects of Customer Service their findings have much in common.
- 1.2 The overall conclusion of the VFM Review is that the service is high cost for its overall operation in comparison with other authorities, although it offers good value for money for Revenues and Benefits callers. It has poor performance in terms of long and increasing times to answer calls, with high but reducing call abandonment rates. It is high quality in terms of good and improving levels of customer satisfaction for residents using the service, although its internal satisfaction levels are poor in parts.
- 1.3 The findings of the Customer Intelligence project are that working relationships between Customer Service and service departments need further development. Limited customer intelligence is gathered at present but is not routinely extracted and used to improve services, except for some incidences of good working practice in Revenues and Benefits. At present there is limited capacity and expertise within Customer Service to undertake any regular provision and assessment of customer intelligence.
- 1.4 Although carried out independently, both projects concurred with the view that the service should reduce its cost base, better manage its customer demand, reduce avoidable contact, make routine use of customer intelligence to drive improvements, improve working relationships between

Customer Service and other service areas and migrate customers onto the most effective and lower cost channels.

- 1.5 An initial steer has been provided by the Use of Resources Steering Group that LinkPoint offices should retain their current operating hours to maintain a common standard of service as was envisaged by the original customer service project, but could employ one member of staff in each office on telephone calls only to redress the balance of telephone and face to face performance. However, the current commitment to running four LinkPoint offices has implications for achieving any further efficiency savings beyond those recommended.
- 1.6 Further savings opportunities may arise from joint work with South Northamptonshire District Council to share services and achieve further efficiencies, although these may not be possible in the immediate term.

### **Proposals**

- 1.7 To adopt a new vision for Customer Service to move it towards a desired future state
- 1.8 To introduce a transformation programme to drive improvement in the service through acting on customer intelligence to reduce waste, manage demand and migrate service users towards more cost effective means of contact.
- 1.9 To establish a two-year cost savings target for Customer Service that addresses the high cost of the service but in a sustainable way, with minimal impact on overall service to the public.

### **Conclusions**

- 1.10 Based on experience in other authorities, significant improvements can be made in the effectiveness of Customer Service through the improvements outlined, accompanied by significant reductions in its cost base.

## **Background Information**

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- 2.1 The Executive in July 2006 endorsed a delivery model for establishing a single customer service function for all of Cherwell's services, handling enquiries and service requests made in person, on the telephone or electronic means. The three-year roll-out of the function was adapted to include 'one stop shops' called LinkPoints as a front of house service delivery. The service completed this transition with the opening of the final three LinkPoints in April 2009
- 2.2 The service has a single, coherent approach to customer service with a one stop shop in each main urban area. All requests for information are dealt with at the point of contact through a flexible, skilled customer service team, with 80% of enquiries resolved at the first point of contact. The service is made available through appropriate channels and accommodates differing customer need; there is assisted self service in the one stop shops, and more recently the development of an outreach service into homes and groups/organisations used by our hardest to reach customers. A trial of taking a mobile service to rural areas is currently being reviewed. This coherent approach has been successful with improving levels of customer satisfaction and a top ten rated website.
- 2.3 The service has a budget of £1.6m. It handles a total of 279,500 transactions (2009/10) annually, split between face to face (37%), telephone (62%) and online services (1%). The direction of travel is reducing levels of face to face contact (down 3% on 2009/10), increasing levels of telephone contact (up 4% on 2009/10) and increasing levels of online use (web use up 10% and email up 4% on 2009/10). There were almost 450,000 online requests made in 2009/10 year to the Council's website. Regional analysis shows that 75% of residents in the South East use the internet daily, and Cherwell residents show a high propensity to use online services.
- 2.4 As part of the Medium Term Financial Strategy, the service was set a number of savings 'building blocks' with a combined savings target of £140,000. Along with savings relating to the introduction of payment kiosks (£54,000) was a target of £50,000 for reducing the service specification and £10,000 for reducing opening hours.

## **Findings from the two Projects**

- 2.5 Although undertaken independently, the two projects shared research findings as they emerged, and a single, coherent picture of the successes and shortfalls of current provision was developed.
- 2.6 Key findings from the two projects were as follows;
  - The costs of the service have increased by 13.6% since 2008/09 due to the inheritance of all functions and costs of the cash offices for one stop shops, inheriting Revenues and Benefits staff in 2009/10 on service externalisation and increasing support service costs
  - Customer Service spend, as a proportion of net total Council cost (as derived from RA 2010/11 data) shows that Cherwell is at 7.5% compared to a comparator average of 4.0%. This equates to an above average

spend of £758,592

- By contrast, enquiries made with a Revenues and Benefits contractor showed that in-house provision of Revenues and Benefits call handling was 13% less than an externalised service, and the use of in-house staff provided greater flexibility.
- The majority of the transactions dealt with by the service rest within 3 service areas; Revenues and Benefits (56.5%), Environmental Services (19.5%) and Housing (8.3%). The next largest service area was Urban and Rural (3%). Payments currently account for 34% of all face to face transactions, with Housing Benefit applications and queries accounting for 22%
- The proportion of all contact with the Council (not just that handled by customer service) made in person is higher in Cherwell than in the average authority (15.6% compared to 10%) and significantly higher than a best practice authority (at just 2.9%). The estimated cost of this service channel is the highest of the three channels (£880,000 compared to £693,000 for the other two combined).
- From May 2010, call answering times had deteriorated, with the average call answer time over one minute longer (at 3:37) and only 69% of calls being answered. By contrast, the average waiting time for customers using Linkpoints was 1 min 47 seconds, giving customers no incentive to switch to other less expensive contact channels. The 12 month average (Jan 2010 to Dec 2010) shows improvement with a 2:27 call answer time and 78% of calls being answered. A snapshot for January 2011 showed a 1:33 answer time and 85% of calls being answered.
- There is significant variation of visitor volumes and performance between the four LinkPoint offices with Bicester performing at a much higher level than the other offices. Banbury Town Centre deals with almost four times the volume of visitors than Kidlington. Kidlington has half the traffic of Bicester but consumes the same staffing provision.
- The level of staffing required to operate the four LinkPoints is set by their opening hours and the need to avoid lone working, and accounts for 12.5FTE or £296,000 of staff resource alone. This overhead is difficult to make savings from, given the number and distribution of LinkPoint offices and the staffing requirement to run them, and so creates a high unit cost in dealing with customer enquiries and also reflects the higher than average proportion of contact in person.
- Although the cost of front of house provision is high, it is difficult to make savings in premises costs easily. For example, if the Council were to choose to close Bicester or Kidlington it would only realise savings of around £41,500 and the closure of Banbury Town Centre or Bodicote House would not produce any savings.
- Limited customer intelligence is gathered at present but is not routinely extracted and used to improve services, except for some incidences of good practice in Revenues and Benefits. Urgent customer service issues are responded to well and have been used as opportunities to improve services, but internal working relationships between Customer Service

and departments are in need of development; managers are not familiar with the customer service journey and see customer data as problems and complaints rather than a source of intelligence.

- There is limited capacity and expertise in Customer Service to undertake any regular provision and assessment of customer intelligence.
- The current Vision for Customer Service, and its Access Strategy, require revision to guide the service effectively

2.7 The two projects used research into best practice in other authorities to inform the future direction required by Customer Service. A common approach adopted by high performing authorities has been to use a transformation programme incorporating several key strands;

- A strategy to shift customer contact away from more expensive channels (e.g. face to face) and to less expensive channels (e.g. online) through initiatives such as targeted communications campaigns and improvements in services offered online.
- A systematic approach to reducing avoidable contact, where customers have to contact the Council because the information they have been provided is unclear, because they are not able to find it elsewhere or because they have to contact a number of departments to pass on the same information. Initiatives include improving the clarity of letters, improving the timing of dispatched material and enabling 'tell it once' facilities where a change in circumstances is reported to one service and used by many.
- Better management of demand to smooth out peaks and troughs, such as appointments systems for dealing with Benefits applications on a face to face basis.
- Better use of customer intelligence to identify service improvements. Examples include incentivising online transactions through cheaper prices, responding to identified demand for services in key locations and providing better information in response to a regular query.

2.8 The outcomes of such transformation programmes in other authorities have been shown both to improve the level of customer service and reduce costs through reduced levels of overall customer contact. For Cherwell, reducing contact by 10,000 calls per year, or 7,000 face to face visits, would equate to removing one customer service adviser at a saving of £23,654.

2.9 A number of initiatives are already in hand to reduce costs by over £125,000 in 2011/12. The introduction of payment kiosks is expected to realise savings of £65,000 by removing three vacant customer service adviser posts. A further vacant specialist post can be removed with a saving of £17,000, along with vacant hours provision of £20,000.

2.10 However, these will not be sufficient to bring Cherwell's costs down to a more comparable level. Efficiencies deriving from a transformation programme cannot be realised in the short term, and so a medium-term approach would be required to ensure the savings made are sustainable and do not impact on customer service or customer satisfaction.

2.11 At its 10 November 2010 meeting, the Use of Resources Steering Group considered the initial findings of the two projects. Its view was that in moving forward the service should;

- Set itself a short to medium term cost reduction target to address the high cost of the service
- Instigate a transformation programme to drive out unnecessary contact, focusing on the higher volume services in the first instance, in order to produce savings
- Focus on channel migration to move customer traffic away from face to face and onto online services
- Move to implement appointment bookings for revenues and benefits customers to better manage peaks and troughs in Linkpoint Offices
- Retain LinkPoint offices with their current operating hours to maintain a common standard of service, but employ one member of staff in each office on telephone calls only to redress the balance of telephone and face to face performance
- Retain mobile services but review these after a suitable period of operation to evaluate their effectiveness

2.12 The target level of savings adopted must be considered against a number of factors;

- The Council's base budget is likely to reduce by £4m between 2010/11 and 2014/15. If the service continues at its current budget, the ratio of its spend against total Council spend will increase to 11%.
- If this ratio is pegged to staying below 7% of total council spend the cumulative reduction over 4 years would need to be £600,000
- If the future service budget is instead matched to the anticipated reduction in Council grant (26%), the cumulative reduction over 4 years would need to be £420,000
- There may be opportunities to work with South Northamptonshire District Council to share services and achieve further efficiencies in future.

2.13 A recommended two-year cost savings programme is proposed which comprises;

- The elimination of all vacant posts by 2012/13, to allow time for the new payment kiosks to reduce current workload, and a reduction in the establishment by an additional 1 FTE per annum as the transformation programme reduces overall levels of contact.
- Savings of £125,654 in 2011/12 as follows;
  - i Install payment kiosks (saving £65,000)
  - ii Remove vacant customer service specialist post (saving £17,000)
  - iii Remove vacant hours provision (saving £20,000)

- iv Reduce the establishment by 1FTE (saving £23,654)
  - There will be other reductions in the cost of the service due to planned reductions in support costs– whilst these savings are not as a result of actions within this service they will reduce the overall cost of the service when comparing with other authorities and calculating the % of the Council's net expenditure.
  - Savings of £131,808 in 2012/13 as follows;
    - i Eliminating all remaining vacant posts (saving £85,154)
    - ii Reducing the establishment by an additional 1 FTE as levels of contact decline through improved working (saving £23,654)
    - iii Reducing accommodation costs by moving out of Bicester Market Square in 2012/12 (saving £23,000)
- 2.14 Together, these measures would achieve savings of £257,462 over two years. A higher level of savings may well be possible, dependent on the outcomes of the Transformation Programme, but also as a result of opportunities arising from joint working with South Northamptonshire.
- 2.15 Any additional savings beyond this would require a fundamental change in approach in how the service is delivered. One such option would be to re-visit the current policy of equitable face-to-face service provision through the four LinkPoint offices. The implications of such a change of approach are outlined below under option 3.
- 2.16 Further actions required to implement the proposals are required as follows;
- To adopt a new vision for Customer Service to 2013/14 (as set out in Annex 1) that seeks to reduce the cost of the service, retain or improve on existing levels of satisfaction, reduce wasteful contact, manage demand and encourage greater use of online services.
  - To introduce a corporate transformation programme, involving all service areas, that will drive improvement in Customer Service through adopting smarter working methods to reduce avoidable contact and transactions, and through managing demand to reduce peaks and troughs in levels of transactions
  - To introduce regular reporting of customer intelligence between Customer Service and Heads of Service to improve service awareness of activity and improvement progress
  - To adopt the key performance measures of speed of telephone response and call abandonment rate for the Council's corporate score card

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 The Council's current Customer Service function has high levels of customer satisfaction and multiple access routes, but is expensive to provide and does not utilise customer intelligence effectively.
- 3.2 Best practice shows that transformation projects can significantly reduce costs and improve customer service through reducing avoidable contact, migrating contact to less expensive channels and greater use of customer intelligence



- 3.3 The pace and scale of savings is critical to the ability of the service to implement them in a sustainable manner that does not impact on overall levels of customer satisfaction.
- 3.4 The scope of savings possible may be limited while maintaining current approaches to service provision. For example, maintaining four LinkPoint Offices is known to consume a set level of staff resource (£296,000). The decision to continue to take cash also has cost implications.
- 3.5 Further savings may be possible through the proposed Transformation Programme and/or through joint working with South Northants.

The following options have been identified. The approach in option 2 is reflected in the recommendations of this report

**Option One** To limit savings in the service to a single year reduction of £135,654 and not implement a transformation programme. While this will be less disruptive it will not drive out the potential savings within the service or improve the customer experience

**Option Two** To implement a transformation programme with a two-year savings target of £257,462.

**Option Three** To revisit the current policy of LinkPoint office provision as part of a wider consideration of service delivery. The following table illustrates the maximum possible financial savings of a change in policy ;

	Average Transactions (monthly)	Customer Service Staff (FTE)	Salaries (Annual)	“Savable” Premises Costs
Kidlington	890	2.5	£59,135	£5,538
Bicester	2,346	3	£70,962	£35,960
Bodicote	1,959	3	£70,962	No saving
Banbury	3,521	4	£94,616	No saving

Benefits of the current LinkPoint provision are;

- The council provides of preferred means of contact for some people and provides a local council presence in towns
- it ensures the ability to pay at the point of service;
- it allows the council to share its premises with other agencies (CAB, Job Centre Plus) to provide joined-up service delivery
- it provides a distributed contact centre resilience (i.e. calls answered at LinkPoint offices instead of Bodicote House);
- it offers the possibility of delivering new or enhanced services, such as visitor information
- some form of face to face presence will always be needed for document presentation/verification, reception services etc.
- meeting some contractual obligations, such as delivering concessionary fare services for Oxfordshire County Council

Other than financial savings, the advantages of a change in

policy are;

- It provides an incentive for customers to move to telephone or online services rather than stay with face-to-face services;
- greater volumes of contact can be processed than at present due to the more efficient nature of alternative channels, and most (current) face to face services can be provided in this way;
- more efficient staff deployment will be possible as there will be no need to provide lone working/lunchtime cover, or the need to factor in as much staff travel time;
- closure of the Castle Quay LinkPoint would enable more flexibility of service provision/shop income for the Museum/TIC Trust;
- as a predominantly rural district it could be argued that town centre provision does not provide the most equitable of service. More equitable face to face provision can be provided on an outreach or surgery basis, and using other organisations' buildings. A programme of visits could cover a wider area than at present

## **Consultations**

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Customer Service Staff have contributed to both projects and have been instrumental in identifying potential improvements

The Use of Resources Steering Group considered the initial findings of both reports at its 10 November 2010 meeting and provided feedback on acceptable options

## **Implications**

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### **Financial:**

The cost reductions identified for 2011/12 have been included in the recently approved Council budget. The further savings proposed for 2012/13 will be included if approved as part of next year's service and budget planning process. The nature and number of LinkPoints will be considered as part of the review of the Council's MTFS.

Comments checked by Karen Curtin, Head of Finance  
01295 221551

### **Legal:**

There are no legal implications arising from the report

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

### **Risk Management:**

The proposed level of savings present no risk to service delivery

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566

### **Data Quality**

Data for comparison has been obtained through rigorous benchmarking. Financial data has been prepared by the

relevant service accountant

Comments checked by Neil Lawrence, Improvement  
Project Manager 01295 221801

**Wards Affected**

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All

**Corporate Plan Themes**

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An Accessible, Value for Money Council

**Executive Portfolio**

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Councillor Nicholas Turner  
Portfolio Holder for Customer Service and ICT

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Annex 1	Proposed vision for Customer Services
Annex 2	Executive Summary – Customer Service VFM Review
Annex 3	Report and Executive Summary – Corporate Improvement Plan; Using Intelligence to Drive Improvement
<b>Background Papers</b>	
None	
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