Federal-Provincial Business Registry Services and Payment System: Offering Electronic Inter-jurisdictional Services Based on Business Needs

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Origins and Rationale

In 1997 the Workers' Compensation Board of Nova Scotia was in the process of developing a Long-term Business Plan. The agency had just completed a restructuring of the products it delivers and responded to the first rewrite of WCB legislation in 5o years. These processes had been very demanding on both staff and the system. Contributing to the challenges was the fact that the WCB was in the worst financial shape of any WCB in Canada.

One of the WCB's two major clients is the business community. The business community had been asking for a number of process and service changes, which would add complexity to the service provided. This case study addresses how that service demand was responded to, not only in a cost effective way for the WCB but the complete government – industry interface process in Nova Scotia.

In 1998 the WCB's Board of Directors approved a "Long Term Business Plan" which would utilize a $16 million envelope of funds to undertake development required to prepare the organization for the future. By all comparisons this amount was significantly below the amount needed if the systems were to be developed through a traditional institutional model.

Themes of the Long-term Business Plan included simplification, economies of scale, leveraging technology, and searching for opportunities to address high complexity low volume activities and partnership. To obtain approval, each project would be brought to the Board of Directors with analysis, a business case, and recommendations.

Specifically, there were two Long-term Business Plan projects that fundamentally changed how employers interact with government in Nova Scotia. These were the Nova Scotia Business Registry (NSBR) and the Assessment Payment Plan (APP).

The need for a Nova Scotia Business Registry arose from the desire to streamline service delivery to new and expanding businesses served by the Canada Customs and Revenue Agency (CCRA), Service Nova Scotia and Municipal Relations (SNSMR) and the Workers' Compensation Board of Nova Scotia (WCB). For example, to register for required programs a business

owner/operator had to visit numerous offices to obtain and complete a wide variety of forms available only during business hours. Businesses were required to repeatedly provide the same basic information (e.g., business name, address, telephone number) to different agencies.

On the other hand, the Assessment Payment Plan addressed a need for an updated method of reporting payroll information and paying premiums to the WCB of Nova Scotia. The system in place at the time required employers to pay in advance based on an estimate. For many, this resulted in poor cash flow and penalties. In addition, payment channels were limited to the mail or in-person visits to WCB offices.

Employers and their representatives suggested that paying their WCB remittances at the same time, using the same rules, and through the same channels as their CCRA payroll remittances, would ease their administrative burden considerably.

Opportunities presented themselves because partners served the same clients and responded to the same stakeholder groups. In addition, client interactions occurred at similar points in the business cycle and involved similar types of transactions, such as new business registration, account creation and updates, and payments.

Description

The partners wanted to:
?? offer services in a convenient and accessible way
?? eliminate overlap and duplication
?? reduce the effort, and therefore the cost, of businesses meeting government requirements
?? build the infrastructure to allow future development of downstream services

Nova Scotia Business Registry

With the Nova Scotia Business Registry Project (NSBR) for the first time, businesses can register electronically, in real-time, for programs in different jurisdictions in one location employing convenient, easy-to-use technology. The single-window service offers these businesses on-line access to a variety of business services that are linked seamlessly to business registries through a common business identifier. To achieve this innovation, partners joined their programs in terms of service delivery, while maintaining separate data storage and on-going program accountability. A key element which allowed the project to be successful was the fact that all three partners adopted CCRA's Business Number (BN) as a common business identifier. This change created many opportunities for improving service.

The programs offered are those that new and expanding businesses commonly need. They include CCRA's GST/HST, payroll deductions, corporate income tax, and import/export accounts; over 30 Nova Scotia business licenses and permits, a Nova Scotia Business Name reservation, and a WCB of Nova Scotia account.

Assessment Payment Plan

Secondly, the new CCRA/WCB payment processing system, the Assessment Payment Plan (APP) is a major change effected by the partnerships. Nova Scotia employers can now pay WCB premiums at their financial institution, through telephone or Internet banking services, through their payroll service provider, by mail to the CCRA, or by visiting CCRA offices across Canada.

The payments are processed through the CCRA's remitting process, and information and funds forwarded to the WCB. To achieve this, the WCB adopted CCRA's Business Number as the single identifier for businesses operating in Nova Scotia.

Premiums are paid periodically and based on actual rather than estimated payroll, thus improving business cash flow and eliminating resources for estimation and adjustments. By partnering with CCRA, the WCB did not have to develop its own linkages to payment and access channels, thus keeping costs and administration down. Where possible, the WCB harmonized its processes with the CCRA's statutory remittance processes.

The partnerships noted above also presented opportunities for improving compliance. Improved information sharing between partners allows compliance crosschecking, ensuring that all businesses meet regulatory obligations equally. Private-sector firms, particularly payroll service providers, also benefit because they already know the rules, deadlines and definitions for CCRA payroll deductions, on which the WCB plan is based, and can re-use their current procedures and systems for WCB accounts.

Risks, Problems, Barriers

Financial Arrangements

Information was not available early on to develop detailed costing estimates. Therefore the approval to proceed was largely based on the macro economic aspects of the project. Each party had a strategic objective that was linked to the project's outcomes. In turn each party was willing to take a risk in terms of absorbing costs. This was particularly true for CCRA, which saw this arrangement as a pilot for building a larger system for Canada.

From the perspective of the WCB of Nova Scotia, the costs (both development and operating) were significant and had to be tied down more tightly. Given the WCB's Long-term Business Plan framework, a business plan with cost limitation clauses was required in the areas of development and operating agreements. The WCB had a specific business service objective to achieve with specifically limited funding. On the other hand the Province of Nova Scotia, which wanted to develop the system, also wanted to invest and therefore was willing to take a long term investment perspective on the project.

All parties worked out an agreement to recognize the relative position of the other parties and their ability to pay. Appropriate escape clauses were built in as well as a process for finalizing the operating charges based on a relative cost model. This approach required good faith on the part of all players.

Because all major participants were government agencies, the issue of profits versus exploitation was not on the table. All parties operated with the philosophy that there is only one taxpayer and that all agencies were attempting to serve that taxpayer.

Governance issues present complexities

Due to the difference between the three agencies' scope, mandate and resource processes, the long term development process as well as operational co-ordination presented real challenges. These complexities were, and continue to be worked on through a series of front line and senior level committees. Memorandums of Understanding, and Service Level agreements are in place to ensure the governance structure, costs, and service standards are well understood.

Legal Challenges

Legal challenges to the project presented themselves from many directions. There were challenges in the mandates and authorities of the prospective partners and there were challenges in contracting for the development and ongoing operations. Three legal frameworks with distinct yet strict regulatory models drove strict business process models. Legislative change to enable information sharing was enacted at both the federal and provincial levels.

Organizational and Cultural Challenges

Each of the three organizations faced their individual cultural and organization challenges. This new service delivery model was clearly outside the scope of a typical government service delivery model.

In addition, early on Service Nova Scotia experienced a changeover in senior executives responsible for the project, causing delays in moving forward. About

the same time, the original contractors (Andersen Consulting) withdrew from the project because of a major change in their corporate direction. A new Request for Proposals had to be issued and the whole business of establishing the relationships between clients and contractor started all over again.

Operational Process Challenges - NSBR

SNSMR moved five program areas onto the new system in an eight-week period. The same group of people who were also occupied with development work and last minute trouble shooting supported those five program areas. The program areas also needed policies and procedures developed for the new environment and the policy and procedures group was spread thin over the five program areas. Finally, the implementation had been planned to use a group of people doing preliminary processing and passing the work that required expert adjudication on to the appropriate experts. Instead, the program staff was responsible for all processing from start to finish, which meant that staff in all five program areas were overloaded for some time.

Part way through the project it was determined that WCB and SNSMR would not have access to look up BN numbers. This creates an issue where a new client does not have his BN number and wants to open an account. Until an automated process could be developed that met CCRA's security criteria, workarounds were required which proved time consuming and awkward. CCRA were very flexible in terms of providing support to work around this problem.

Operational Process Challenges – Assessment Payment Plan

WCB and CCRA experienced challenges to their internal operations when they switched over to the new system. The WCB assessments system moved from a once a year process to a system where employers were required to remit, weekly, bi-weekly, monthly or quarterly. This meant transaction volumes skyrocketed - from 39,000 per year to 228,000 per year. CCRA was taking on a new service outside of their "regular mandate."

From a development perspective, the WCB understood that CCRA had only four payroll reporting frequencies. Systems were built to accommodate this rule. It turned out that there were scenarios that were not covered off by the four payment frequencies. As a result, alignment of payroll frequencies for some employers in the first few months of operating the system resulted in manual adjudication and adjustments.

Notice of the changes had been given well in advance and employers had indicated in surveys that they were ready for the transition. Although there was tremendous awareness of the new payment process, not all the employers

immediately understood the new system well enough to operate effectively within it.

The WCB's systems are accrual based with revenue being matched to the period where the payroll is accrued. CCRA's system is cash based, the payment is simply recorded in the period it is received. This difference in accounting process resulted in a number of challenges.

CCRA was not using for operational purposes all the information being sent by employers into their data centre. The payroll field on the remittance form is not used by CCRA but rather is passed to Statistics Canada. As a result, there had not been an emphasis at CCRA on the accuracy of this field. Consequently it was later determined that on occasion some of this data was not routinely being entered into their system. Unfortunately this was information which the WCB required to accrue revenue. As a result, some employers received charges for not reporting information that they had sent in but was not being recorded in the CCRA system.

Not all payroll service providers were able to change their systems in time and offer their clients this new remitting service. As a result, many employers who did not have internal payroll systems were suddenly faced with a payroll reporting and remitting process that they could not accommodate with their internal systems.

The combination of increased transaction volumes combined with WCB/CCRA system and process challenges, and employers unfamiliar with the new system meant that overall program adjudication activities jumped dramatically. To accommodate the anticipated workload increase, the WCB had added five additional staff. It was determined after a few months that this was not sufficient. Existing staff was initially re-deployed to address the workload. Finally a total of 9 permanent and 7 temporary staff were added to the team. As the program and operation evolves, the requirement for these additional staff is continually evaluated.

The Process

Partners used existing resources creatively. The WCB re-used and built on existing CCRA processes and infrastructure to reduce development and operational costs. These known processes also made it easier for clients, private-sector agents and government staff who were already familiar with CCRA requirements. The program built on processes the CCRA used in dealing with the Canadian banking and payroll service community, thus saving the WCB, and financial and service provider communities, the cost of developing these systems.

The partners re-thought their business processes from a client perspective and redesigned them so that they could be offered jointly. They developed innovative frameworks allowing cross-jurisdictional development of the project and administration of on-going services, including:

a) a joint communications approach featuring a joint communications strategy (signed by organization heads), outlining joint concerns, integrated communications activities, and new processes for review and approvals;
b) best of breed Canadian software packages were integrated with existing Nova Scotia technical infrastructure components and the CCRA national business registry to form the Nova Scotia Business Registry. On top of this robust, flexible base an electronic, technical framework was built for the Internet, using common standards, and non-customized, inter-operable technology, which can be expanded without significant changes. While partner legacy systems are linked and updated automatically, each organization is accountable for data integrity and maintenance of its programs;
c) a governance structure featuring project charters, memoranda of understanding between individual organizations, a joint management committee providing partnership-wide strategy, a joint steering committee providing oversight and an operational manager's committee offering advice, and an administrator from each province handling day-to-day operations, relationships and service agreement management; and
d) new policies and legislation enabling both integrated service, electronic delivery, and information exchange.

The success of the partnerships also depended on changes within each partner organization. Each partner made changes to accommodate joint goals and objectives and a multi-faceted approach to development. Partners developed an ethic of joint responsibility and willingness to re-examine existing policies, assumptions and business approaches.

Benefits

1.   The Nova Scotia Business Registry allows businesses to do business with government, 24 hours a day, seven days a week, from anywhere in Nova Scotia or the world. Via the Internet, businesses can now:
?? Register with the Registry of Joint Stock Companies.
?? Apply, pay for and renew various licenses and permits.
?? View and update general business and contact information.
?? Register with the Workers' Compensation Board of Nova Scotia and obtain clearance letters.
?? Link to Canada Customs and Revenue Agency Services.

2.   The NSBR provides over 60,000 Nova Scotian businesses with flexible options – large and small, from companies renewing registrations and licenses to

new enterprises applying for the first time – they can do business faster. Business clients can access the NSBR through their computer at www.nsbr.ca or in person at Access Nova Scotia centers across the province.

3.   The CCRA has launched a business registration Internet site (www.businessregistration.gc.ca) that offers--in addition to registration for its own programs-- yet another channel for Nova Scotia licences, permits and WCB accounts.

4.   The joint service has received favourable media coverage and clients have repeatedly expressed their approval of these changes.

5.   All Nova Scotia employers are aware of the improved joint payment service and are successfully using the same payment channels for making CCRA and WCB payments. In 2000, a total of 14,500 Nova Scotia WCB-registered employers made 152,000 remittances during 2000, with a value of $146,000,000.

6.   Government efficiency and savings on infrastructure. Savings have accrued from the re-use of infrastructure. By partnering in the Nova Scotia Business Registry (NSBR) and re-using existing systems, processes and agreements, the WCB kept development costs for the payment plan to $2.5 million (includes some CCRA system adaptation costs). The CCRA also paid $473,000 for payment system adaptation. The Nova Scotia provincial registry and internet access to this registry cost SNSMR $6 million to develop, plus $642,000 from the CCRA to link infrastructures. These strategic investments have resulted in a family of systems that, if built separately, would likely have cost twice as much.

Lessons Learned

Leadership Commitment

Consistent commitment from the leadership of all organizations was critical to the process. This consistency of focus covered a period of two years for system development and 3.5 years from concept. While some senior staff did change, WCB staff remained consistent as did the senior people at CCRA.

Change Management – staff capacity

WCB's staffing needs were underestimated. Since these projects were the first of their kind, there was no way to fully estimate the potential problems that would impact transition. The WCB would have to respond more as a call centre in helping guide transition and the original expectation that the system would be running smoothly after six months was an underestimate. The WCB should have trained and put in place additional resources in advance of implementation.

Communications

Communications, formal and informal, were a key success factor, and communications activities were a major consumer of time and resources. It was necessary for all the stakeholders to be kept informed through all phases and activities of the project even when they were not explicitly involved in that phase or activity. The effort to keep expectations and communications aligned had to be continuous and unrelenting.

Had formal communications about capacity, processes etc. been even more clear and precise, some unplanned events or unforeseen challenges would have been avoided.

Liaison with Payroll Service Providers

The amount of lead-time required by payroll service providers was underestimated. Had all service providers been ready to go, thousands of employers would have seen a smoother and simpler transition. This in turn would have lessened the impact on staff, trying to assist employers to navigate the complexities of the new system.

Undertaking Changes During a Resource Crunch

This project was undertaken during the lead up to the year 2000 conversion issue, which strained programming capacity. However the window for joint development was narrow, and failure to act would have resulted in a missed opportunity, as the investment and delivery window would have closed.

The Future

SNSMR plans to make more business licenses and permits available electronically over the coming months. The Nova Scotia departments of Environment and Labour, Agriculture and the Alcohol & Gaming Authority are targeted to join the BN-based NSBR and plans for a pilot initiative with Nova Scotian municipalities are underway.

New organizations are joining the partnership, which will significantly increase the number of integrated services to new and expanding businesses across Canada. This will form a basis for further service integration from other Canadian jurisdictions and serve as a model for cross-jurisdictional electronic service delivery. The service offers new and expanding businesses a simple means of obtaining government services at many levels, and shows how governments can develop cost-effective partnerships that build on linked business registries and the re-use of resources.

The infrastructure that has been constructed provides the basis for future secure electronic interactive business between the partners and their clients. Once the full system is tested over a period of time the WCB intends to explore developing and offering more service using this facility such as electronic claim submission and access to individual policy information.