

**Report of:** Paul Warters (Business Manager – Revenues and Benefits) and Ian Barrett (Business Manager – Customer Services)

**Title:** Provision of Council Tax Debt Recovery and Out of Hours Telephony Services

**Ward:** ALL

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**Key Decision:** No

**Lead Member:** Cllr Paskins

**Scrutiny  
Responsibility:** Finance

**RECOMMENDATIONS**

That the Executive Board agrees to approve the award of the contract for the provision of Council Tax Debt Recovery and Out of Hours services to Capita Business Services.

The proposed contract has been tendered in accordance with the Council's Constitution.

## 1. Summary

- 1.1 The Council Tax service is looking to new ways of working to improve upon its current performance. Concepts such as out of hours working and specialised services for debt collection will help to relieve the burden on existing services.
- 1.2 For reasons set out in the Options Appraisal it was decided that a third party partner be found to undertake a pilot exercise of eight months. After a tender evaluation process it was decided to select Capita Business Services. Of the tender responses Capita provided the best value for money option. The evaluation team were unanimous that Capita alone could provide the service required.

## 2. Background and Context

- 2.1 The Council Tax Debt Recovery service is currently undertaken in house by the Revenues and Benefits Business Unit in conjunction with external bailiffs and solicitors. All customer contact via telephone and face to face is handled by the Customer Services Business Unit.
- 2.2 The service is targeted on a collection rate of 97% for the current financial year. This is currently at 95% placing the authority in the bottom quartile of authorities. This focus on the current year's debt collection has meant that the previous year's debt has increased. We have , however, collected £1.4m arrears in this financial year. The Courts are issuing about eight thousand Liability Orders a year and mechanisms have been put in place to actively pursue all of these.
- 2.3 Whilst the Council tax team is pursuing these debts there are a number of 'closed' debts. These are, for example, people who have moved out of the area and have outstanding debts. It is these 'closed' debts that the contractor would be pursuing.
- 2.4 The table in figure 1 illustrates the debt profile over the past seven years. The table in figure 2 illustrates the debt profile by open and closed accounts split by the value of debt.

*Figure 1 – Council Tax debt from 1998*

1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
191,174	291,113	423,768	573,494	717,448	1,093,434	2,581,754

*Figure 2 – Council Tax debt by Open/Closed Accounts by value of debt*

Amount Owed		Open accounts		Closed accounts	
		No.	Amount	No.	Amount
0	100	2154	64,618.08	1970	77,249.00
100	250	896	150,338.21	1539	262,533.42
250	500	881	326,230.11	1383	501,213.58
500	750	641	399,864.14	704	428,567.18
750		1405	2,167,297.82	1150	1,553,657.28

- 2.5 The Council has recently appointed a new bailiff firm and is undertaking strict actions against debtors through mechanisms such as bankruptcy. These actions will improve the Council's collection rate for the current year into the future. The Council still has to address the issues that a large amount of arrears from previous years.
- 2.6 The Council Tax service would also like to offer the public the opportunity to contact them beyond the currently restricted working hours. Customer Services currently handle this service during the Council's traditional working hours. The service is looking to expand the Council Tax telephone service to 8.30am – 9pm Monday, Tuesday, Wednesday and Friday, 10am – 9pm Thursdays and 9am – 1pm on Saturdays. This is an increase of twenty four and a half hours per week on the present service. This expansion of opening hours will help to spread the current demand on the telephone service enabling the public easier access to the service. This exercise will also be used to understand the extent of demand for expanding the Council's opening hours within Oxford. The findings from this will be passed to the Council's customer contact strategy.
- 2.7 This new service will be heavily advertised through the press, the Council's website, venues around Oxford City and using existing Council Tax correspondence. Emphasis will also be placed on encouraging increased use of different ways to contact the Council such as via email and the Council's website.
- 2.8 Alongside this project the Council Tax team will be looking at benchmarking their services using the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice standards.

### **3. Options Appraisal**

#### **3.1 Do Nothing**

3.1.1 As there is over £2,800,000 of outstanding debt for closed accounts alone this is not a viable option. The Council also needs to seriously investigate new ways of working to see if demand exists for a change to working hours.

#### **3.2 Employ Additional Staff**

3.2.1 The Council could employ additional staff to undertake this service. This option would have wider implications cost implications as offices and support staff would need to be available beyond the existing working hours. Furthermore there is no guarantee that additional staff will be able to recover more debt. It is anticipated that as the service increases its collection within the current year the older debt will decline eliminating the long term need for these staff.

3.2.2 This pilot exercise is being used to understand the extent of demand for out of hours services. At the end of the eight months pilot the Council will be able to review whether the demand merits a more permanent facility.

#### **3.3 Third Party Partnership**

3.3.1 The Council could engage a third party to actively recover the older debt. The third party would be paid a percentage of the debt recovered. The third party could operate from a separate location eliminating the need for the Council to provide support staff. The third party could also provide the out of hours telephone support service.

### **4. Financial implications**

4.1 There is no specific budget allocated to procuring this service. For the eight month contract the Council would need to spend £41,520 and 15% of any debt recovered. It has been proposed that the Council provide the Supplier with access to half of the outstanding debt for closed accounts; this amounts to £1,411,610.23. A collection rate of just 5% would be sufficient for this contract to generate revenue for the Council. There would be additional charges for inbound telephone calls transferred to the supplier, access to the Council's IT infrastructure and a publicity campaign. These charges are estimated to be £2,154<sup>1</sup> for the eight month period.

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<sup>1</sup> This figure is based upon assignment of eight RSA tokens for £320. The call charges are hard to estimate at this stage as the take up is not known. An average three minute call transfer to a national rate number will cost £0.15. In the six months to June 2005 the Council received fifteen hundred calls out of hours. Five thousand calls will cost the Council around £834. The cost of printing ten thousand leaflets and the design work would be about £1,000.

## **5. Legal implications**

5.1 A contract will need to be agreed with the selected supplier but there are no further legal implications.

5.2 A contractual clause will be agreed with the Supplier to undertake a review after three months when the debt recovery terms can be renegotiated in the Council's favour.

## **6. Staffing Implications**

6.1 As the selected supplier will need to access the Council's IT infrastructure out of hours Business Systems will ensure these systems are available for the extended hours. There are no further staffing implications as a result of this contract award.

## **7. Other possible means of achieving the objectives**

7.1 There are no other means of achieving the objective for the reasons set out in the options appraisal.

## **8. The timetable for action following the decision**

8.1 The successful supplier will be notified following the Executive Board decision. It is planned to start the contract in January 2006 for an eight month pilot period.

8.2 A report will be submitted after four months informing Councillors of the demand for out of hours services and recording the debt collected. At this stage the contract will allow for a renegotiation of the debt collection rates if required.

## **9. List of appendices**

9.1 Appendix A – Procurement Process

THIS REPORT HAS BEEN APPROVED BY:

Mark Luntley, Strategic Director  
Jeremy Thomas, Head of Legal and Democratic Services  
Councillor Paskins, Portfolio holder

## **Background Papers**

There are no Background Papers.