

Report of the Business Manager, Customer Services and Business Manager, Revenues and Benefits:

To: Finance Scrutiny
Executive Board

Date: 27th July 2006
11th August 2006

Item No: 8

Title of Report: Out of hours telephone and debt collection contracts with Capita

Summary and Recommendations

Purpose of report: To report performance under the contracts and to make recommendations for the future provision of the services.

Key decision: no

Portfolio Holder: Councillors Tall and Rundle

Scrutiny Responsibility: Finance

Ward(s) affected: none

Report Approved by:

Portfolio holders: Cllr. David Rundle and Cllr. Stephen Tall

Strategic Directors: Mark Luntley and Michael Lawrence

Legal: Jeremy Thomas

Finance: Mike Baish

Policy Framework: none

Recommendation(s):

1. To replace the Capita pilot out of hours telephone contract due to expire on 31st August with the extension of the Customer Services Telephone Contact Centre until 6 pm on weekdays.
2. Extend the debt collection contract by a further six months, provided funding is identified and put in place.
3. Ask the Council Tax Working Group to identify a recommended way forward for recovery of older debts.

Background.

1. Following a formal procurement process the Executive Board agreed in November 2005 that we should engage Capita Services to provide us with an extended hours phone service for a trial pilot period of 8 months and a separate debt collection service for the same period
2. The telephone service hours were 5pm to 7pm weekdays and 9am to 1pm Saturdays. The service started on 3rd January and has been well publicised. All communications from the Council Tax service, including their main annual billing letters have contained details of the revised opening hours.
3. Council Tax passed £1 million of old Council Tax debt to Capita to try to collect. The intention was the in-house staff would take on a similar amount, allowing us to compare the effectiveness of in-house and external collection.

Telephone Service (Report by Customer Services Business Manager)

4. Despite the publicity, take up of the service has been disappointing.
5. On weekdays, in 6 months, Capita have received 1,494 calls in total (av. 6 per hour) compared with 31,437 calls by the customer services contact centre (av. 32 per hour) over the same period during the day.
6. On Saturdays they have handled 699 calls in total, 202 of those calls being received on one Saturday when the main batch of Council Tax bills were delivered. With the exception of that the average is about 5 calls per hour.
7. The current fees are £5,190 per month for this service. This equates to £14.19 per call. This compares with an average cost of £2.61 per call received by the Customer Services contact centre during the day. Hourly costs are £92.67 per hour for Capita against £83.59 for Customer Services although the in-house team are handling five to six times the volume of calls per hour.
8. However, as a result of the pilot we have gained valuable reliable information on demand over a reasonable period and a key piece of information is that on average 70% of the 'out of hours' calls are received before 6pm.

Proposals – Telephone Service

9. Having regard to the costs and the profile of demand it is proposed that the telephone service should be available until 6 pm on weekdays, but that it would not represent good value for money to continue with Capita's services.

10. With this in mind it is proposed that we withdraw the Capita service on weekdays when the contract ends on 31st August and replace it with the in-house service until 6pm. This will further stretch the existing service, but we feel we can operate this without additional staffing by reorganising working rota patterns and there will be no additional cost. There is added value in this proposal because it will mean that we will also be able to provide a service to housing benefit and concessionary bus pass enquiries during that additional hour (the Capita service related to Council tax only).
11. With regard to Saturdays, the Customer Services unit could not provide a reliable and regular service with its current staffing levels. We would need to negotiate a change in employment contracts for existing staff, but more importantly it would overstretch the service during standard office hours when call volumes are six times greater. However, to mitigate this, we do have the option to operate on a Saturday when we can predict high take up, for example at main billing, and employ staff on an overtime basis on those occasions. The costs of this would have to be met from within existing budgets, but are likely to be small enough to be manageable. This will also be supplemented as a result of some separate workstreams in progress as part of the Corporate Customer Contact Strategy that are designed to enable telephone and E mail contact on a 24 hour basis.
12. An alternative would be to contract Capita to continue with the Saturday service. Their charges would be £1,367 per four week period, £17,771 per year and at present activity levels would equate to an average cost of about £15 per call. On a unit costing basis this does not appear to offer good value for money and there is no budget provision to cover the cost.

Council Tax Debt Collection (Report by Revenues and Benefits Business Manager)

13. Capita were passed £1m of old council tax debt that we had not been able to recover (and for which a 100% bad debt provision had been made). Capita charged us a flat fee of £1,500 per month plus 15% of any funds recovered (reducing to 10% for amounts above £200,000).
14. The contract has not been as successful as we originally hoped, though these are our most hard to collect debts. So far £64,660 of the original £1 million has been recovered. A further £153,000 has been recommended for write off. Capita continue to work on the remaining balance.
15. Capita have charged us £18,700 for this service. This means the collection fund generated net surplus of £45,960. The bulk of what we collect is due to the County Council; the City Council's share is £10,990.
16. We meet all the costs of council tax collection, so after paying these costs we faced net costs of £8,780. We approached the County Council asking for a voluntary contribution. They did not believe they could spend money in that way.

17. We have held discussions with Capita who are willing to continue the contract at current rates for a further six months. They have asked for the other £1 million of old debt to work on.

Proposal for the future - debt collection

18. This trial has recovered debts that we have previously thought to be irrecoverable, benefiting the public purse. There are three issues;

- Whether we should continue with a contractor or try to do this ourselves.
- If we use a contractor - how should take this forward.
- How to pay for this work.

19. The in-house staff already have a challenging improvement programme. Using a contractor for this work gives them a breathing space to improve.

20. We need to meet our own procurement rules. Given the modest amounts paid, we could extend this contract for a final six months. If we want to use a contractor for this debt collection work in the longer-term we need to start a tender process now.

21. There is no individual budget for the £10,000 to extend this contract to the end of this year. The Business Unit's total controllable budget is £2.5 million - though it is under considerable pressure.

22. We propose the Executive Board extends the existing contract, and asks the Council Tax Working Group (Members, Managers and Staff) to identify the appropriate longer-term approach to this area.

23. The job of identifying funding for the six-month contract extension should be delegated to the Revenues and Benefits Business Manager and Strategic Director Finance & Corporate Services, who should agree their approach with the Portfolio Holder (Cllr Stephen Tall).

Recommendations

24. The Executive Board is requested to:

25. Replace the Capita pilot out of hours telephone contract due to expire on 31st August with the extension of the Customer Services Telephone Contact Centre until 6 pm on weekdays.

26. Extend the debt collection contract by a further six months, provided funding is identified and put in place.

27. Ask the Council Tax Working Group to identify a recommended way forward for recovery of older debts.

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Background papers:

Contract working files.