

Report of: Revenues and Benefits Business Manager

To Executive Board

Date: 16 April 2007

Item No:

Title of Report: Review of Capita Debt Collection Contract

Summary and Recommendations

Purpose of report: To review the Capita debt collection contract and make recommendations for the future collection of 'old' debt

Key decision: No

Portfolio Holder: Stephen Tall

Scrutiny Responsibility: Finance

Ward(s) affected: None

Report Approved by

Portfolio Holder: Stephen Tall

Legal: Lindsay Cane

Finance: Sarah Fogden

Strategic Director: Mark Luntley

Policy Framework: None

Recommendations

1. The Executive Board is requested to:
2. Extend the debt collection contract for a temporary period (of up to 3 months) whilst further quotes for a 12 month contract are sought
3. Delegate responsibility for agreeing the future contract to the Revenues and Benefits Business Manager and Strategic Director.

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 and a separate debt collection service
2. The telephone service 8 month trial period was considered by Executive Board in July 2006 and the decision was taken to end it.
3. Executive Board in July agreed to a 6month extension of the debt collection element of the contract. This came to an end in March 2007
4. Capita were passed just under £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).
5. As reported last July whilst the contract has not been as successful as we originally hoped there has been progress against our most hard to collect debts. By March 2007 £125,345 of the original £916,000 has been recovered. Attachments to earnings/arrangements amount to £95,974. A further £401,000 has been recommended for write off. Capita continue to work on the remaining balance.
6. As a result of the July decision we passed a further £1.2m of debt to Capita. The collection of this money is mirroring the slow start on the first tranche of debt – understandably, as Capita are still engaged in finding the debtors.
7. Of the Second tranche of work for £47,300 of the original £1.2m has been recovered. Attachments to earnings/arrangements amount to £29,428. A further £23,318 has been recommended for write off. Capita continue to work on the remaining balance.
8. This means the collection fund shows income of £172,000 as a result of this exercise. The bulk of what we collect is due to the County Council; the City Council's share is £31,076 Capita have charged us £43,800 (£1500x12 and 15% of £172,000 collected) for this service. The net surplus is therefore £128,200.
9. Because the City Council pays for the cost of collection the net cost to the Council has been £12,700. Other Charging Authorities have benefited by the balance, £130,000.
10. The cost of £43,800 equates to 1.5 FTE in the Council Tax team (including oncosts). I am not confident we would have collected this money with 1.5 people dedicated to 'old debt' collection.

11. Proposal for the future - debt collection

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 we take this forward.

How to pay for this work.

12. The in-house staff already have a challenging improvement programme, that has resulted in current year collection rates being at the highest ever at over 96% (which remains lower quartile performance but represents a significant improvement). Current year collection is always a priority. There may be some scope for staff structures to be re-organised to allow concentration on this older debt but this is likely to impact on current year collection rates
13. We need to meet our own procurement rules. Given the modest amounts paid, if we want to use a contractor for this debt collection work in the longer-term we need to start a tender process. I am informed that at the level of contract we could select a supplier from 3 Quotes rather than an OJEU tender exercise
14. Again given the size of the contract we could extend it temporarily whilst we seek quotes
15. There is no individual budget to extend this contract. However, it may be possible to fund it from the extra Revenue collected.
16. It is difficult to place a value on a contract of this nature but using past experience we expect the value of the new 12 month contract to be in the region of £45,000. As the value is under £50,000 responsibility for contract award will rest with the Business Manager. If the value is over £50,000 the second recommendation will be need to be implemented

17. Recommendations

Executive Board is requested to:

Extend the debt collection contract by a further three months, whilst further quotes for a 12 month contract are sought

Delegate responsibility for agreeing the future contract to the Revenues and Benefits Business Manager and Strategic Director.

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Background papers:
Previous Committee reports in 2006