

2011 - Options for Revenues and IT delivery

Background

The current contract for revenues and IT is due to expire on 30 April 2011. The contract which began in 2003 includes the collection of Council Tax from 109,000 domestic properties and NNDR from 8,000 businesses in the borough along with the provision and maintenance of IT for the Revenues and Benefits service.

This paper contains details of the current contract including scope alongside a review of performance. Also included is the outcome of benchmarking across London boroughs with a summary of those who have contracted out the service and those who deliver the service in house. Findings from the investigations into shared services and the potential contract market are also incorporated in the document.

Current Contract Scope

The scope of the current contract includes the administration and management of revenues collection for council tax and NNDR, along with the provision and maintenance of IT systems that support revenues collection and the administration of benefits.

The face to face and telephone enquiries for Council tax are dealt with by customer service staff within the One Stop Service and all written correspondence including emails is dealt with by Capita staff. The Capita contact does however incorporate responsibility for phone enquiries relating to Business Rates and a call overflow facility for Council Tax during times of peak demand, such as the period following main billing or when thresholds set for the issue of reminders and summons are met.

Until November 2008 all calls from customers were dealt with by customer service staff. In November 2008 a trial was undertaken where customers who had arrears across multiple years were transferred to Capita staff after speaking to a customer service officer, in order to discuss payment arrangements. This pilot was undertaken in order to evaluate whether or not it would provide an increased opportunity to reach a payment arrangement that was suitable to the council and the customer. Initial results from the trial in April 2009 showed that 85% of those who spoke to recovery staff agreed an arrangement for their arrears with 56% having arrears for more than 1 year.

This increased to 91% agreeing an arrangement at the end of October 2009 of which 66% had debts for more than 1 year. As a result this trial has recently been expanded on 2nd November 2009 to allow customers who have arrears to speak directly to Capita recovery staff without the need to first speak to a customer service officer in order to agree payment arrangements. Initial findings from this trial have indicated that specialist recovery officers have an increased opportunity to make arrangements across a number of years and to monitor adherence to those arrangements. It is felt that this assists in increasing the likelihood of adherence to payment arrangements and as a result over time collection.

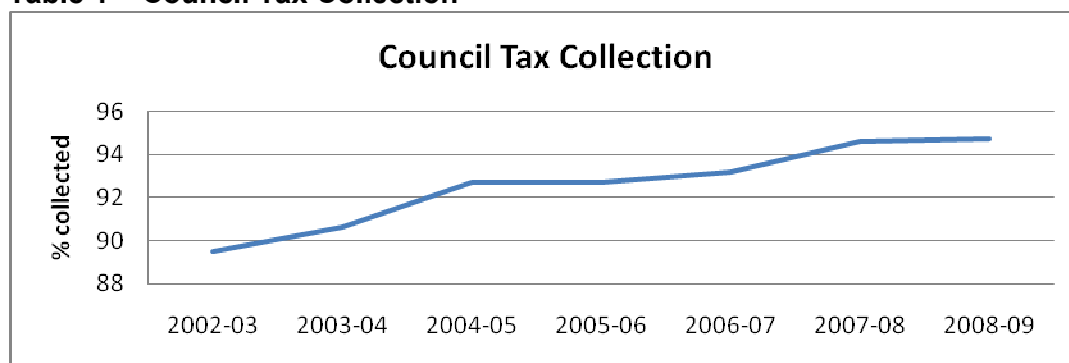
All customer service enquiries for NNDR are dealt with by staff within the Capita NNDR team.

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Performance Current Contract

Between 2003 and 2009 we have generally seen year on year improvement in revenues collection which has resulted in improvements to Brent's position in the league tables when compared to other London boroughs.

Table 1 – Council Tax Collection

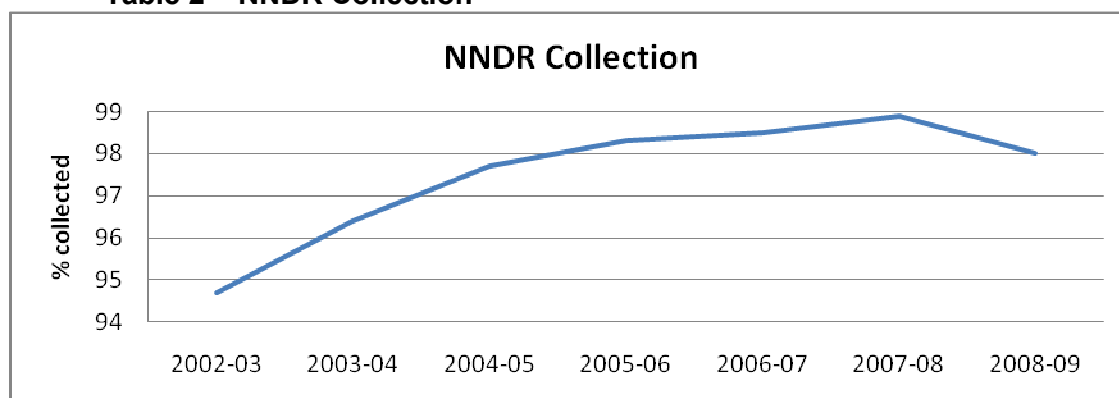


Council Tax collection (Table 1) rose by 5% between 2003 and 2009 and NNDR (National Non Domestic Rates) (Table 2) by 3% for the same period.

In 2003 Brent was 31 out of 33 London boroughs for Council Tax collection this has improved to 23 out of 33 in 2009.

NNDR collection was at 32 out of 33 across London in 2003 this has improved in 2009 to 15 out of 33.

Table 2 – NNDR Collection



The provision of IT has remained stable throughout the contract with the exception of issues experienced at the beginning of the contract which led to systems availability being severely affected for 2 weeks; this had a major impact on the service at the time.

Analysis of current methods of Service Delivery across other authorities

Revenues Delivery in other London Authorities

20 London boroughs provided information to support the benchmarking exercise that was undertaken to establish method and success of service delivery for Revenues collection.

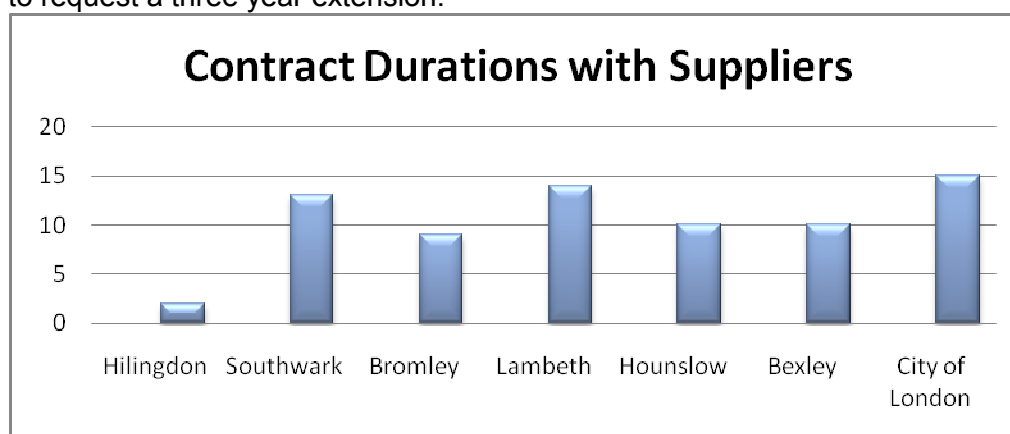
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12 of the 20 London boroughs who responded (60%) have a completely in-house Revenues & Benefit services. Unfortunately none of the respondents were asked why this option was chosen for their local authority or what they see as the benefits of this approach.

The remaining 8 local authorities who choose to contract out their service stated the reasons for contracting out were to try to achieve value for money and greater efficiency. Bexley, for example, considered bringing their service back in-house but a feasibility study conducted in 2005 advised against it. They stated re-tendering was the “only viable way to ensure a cost effective, value for money service”.

Seven of the eight local authorities that have chosen to contract out all or part of the Revenues services have included customer service for Revenues as part of the contracted out package. The remaining authority Hillingdon has not at the time of writing fully contracted out the revenues service; rather they have secured the services of a contractor to undertake some off-site processing of council tax and NNDR.

Of those who have contracted out their service, the contract duration varies. City of London has quite a long contract arrangement (1994 - 2005) and the contract was successfully retendered in 2005, Lambeth (1997 to 2011) and Southwark (1998 to 2011). City of London also has the option to extend this for another five years but have indicated that they are likely to request a three year extension.



The median contract length value across the 7 London authorities is 10 years.

Comparing collection performance for 2008-09 across the London authorities who responded to the benchmarking survey; council tax collection for authorities who have retained services in house at 95.2% is below the average for all London authorities (95.4%), with those who have contracted out the revenues collection is just above average at 95.5%.

Customer Service Delivery

21 London authorities responded to the benchmarking survey for customer service arrangements, of those 11 (52%) have revenues staff dealing with revenues customer service enquiries and 10 have corporate customer service staff dealing with enquires from revenues customers.

When comparing collection rates across the 21 authorities those who have revenues staff dealing with customer enquires notice higher average collection (95.41%) for 2008-09 when compared with the authorities who have customer service staff dealing with revenues enquires (95.24%).

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However it should be noted that the configuration of customer service teams differs between authority, particularly in the use of generic and specialist officers and their roles in face to face and telephone contact.

Shared Services across London

Included in the benchmarking across authorities was a review of shared service across London revenues departments. Responses indicate there is more of an interest than an appetite for shared services amongst respondents. Two Local Authorities are currently sharing services:

Local Authority	Nature of Shared Service
Barking & Dagenham and Havering	Shared NNDR (Business Rates) collection service.

Barking & Dagenham have seen a fall in NNDR collection for 2008/09 which has been attributed to the changes in empty rate legislation. However it should be noted that the changes to empty rate legislation impacted on all authorities with the average drop in collection across London at 1.25% (Brent 1.1%) for 2008/09 compared to 2.2% for Havering and 3.2% for Barking.

Three Authorities detailed below have entered into discussions/negotiations for shared services but subsequently decided not to proceed further for various reasons; details are contained in the table below.

Local Authority	Reason for Breakdown
Authority 1	Looked at tendering for a new shared system with another London authority. Authority 1 say it did not happen as there were too many variables to agree on: *what to include/ exclude in system *what each LA needed. Plus there were tight timescales and both felt it was too risky to tender together.
Authority 2	Authority 2, along with another 2 London authorities looked into sharing NNDR services. Authority 2 pulled out and they felt that there didn't seem to be any savings to be made from sharing services with other Local Authorities, the remaining 2 London authorities have not yet entered into a shared service agreement
Authority 3	Authority 3 approached by another authority to share NNDR collection. This did not progress as Authority 3 did not wish to migrate to the other authority's IT system, which they believed was not as effective as the one used by Authority 3.

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A number of Authorities have discussed the options internally/ researched shared services but have not yet taken it any further. 53% would consider shared services at some point in the future (most cite around two years time).

Key Shared Service issues identified in benchmarking:

1. It is not easy to enter into successful shared service arrangements – particularly ensuring risk is evenly spread, and benefits between authorities are aligned.
2. It is important to be specific about benefits and areas that are to be shared and to have measurable outcomes of success.
3. There appears to be little appetite for shared revenues and benefits service in the immediate future within London.
4. The agreement of governance arrangements

Contract Market Analysis

Between March and October 2009, meetings have taken place with 7 contractors to establish the extent of current competition in the market place and potential interest in a Brent contract, particularly as Lambeth and Bromley are also likely to be retendering their services in 2010. The companies we have met with are Capita, Liberata, Vertex, Mouchel, Avato, Fujitsu and Northgate.

Key points from the meetings so far have been contract scope and duration, with those met indicating if scope and duration were correct they would be interested in bidding for any future contract. In relation to duration of the 7 contractors met, 4 provided details of their preferred duration giving timescales between 7-10 years for their preferred duration followed by an option for extension. 2 of the remaining 3 stated that duration would be dependent on the investment required by the contractor at the outset of the contract. The remaining supplier does not currently have a complete revenues contract.

Of the 6 contractors who currently have revenues contracts, when met they indicated that they would be interested in a larger contract, 5 agreed they were likely to bid for a contract with the current scope with 1 stating that they would not bid in those circumstances. Of the 5 who indicated they would be interested in a contract with the current scope, 1 stated if the same package was to be retendered, suppliers may perceive that many of the efficiencies that could be achieved from the contract would already have been obtained by EDS and Capita.

Areas that suppliers stated they would view favourably in a future contract included:

- Customer Service
- Corporate Debt
- Council wide IT and Desktop Support
- Accounts payable and receivable
- HR transactions and Payroll
- Property
- Procurement

Having met with these suppliers it is evident that there is interest in a contract with Brent, subject to other contracts that may be tendered at the same time. Indications from the

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responses received are that should we decide to tender a contract it is likely that the tender process will be sufficiently competitive to secure value for money for the council.

Summary

The current contract has been successful in meeting the objectives that were in place at the beginning and during the life of the contract. Brent has successfully increased council tax and NNDR collection during the life of the contract. In order to build on those improvements it is necessary to review the objectives and whether the current contract specification meets those.

Comparisons in collection across London Boroughs between 2006-07 and 2008-09 show an average increase of 0.43% for authorities that have council tax collection in house and 0.69% for those that have collection with contractors.

A review of service performance across London boroughs has shown higher average collection rates for authorities who have contracted out the revenues collection service. The benchmarking has also shown higher average collection rates for those who have revenues staff dealing with customer service enquiries as opposed to customer service staff.

An in-house service is unlikely to be the most cost effective solution. The potential for the loss of key management and specialist support resources and the loss of shared risk mean this is not the preferred option for the future of the service.

There is little prospect of success for a shared service partnership within the timescales available. The council does not already have a potential local authority partner in mind and the benchmarking across authorities has shown little interest from authorities to share services in the next 2 years. As a result this is not the recommended option for the service.

Retendering the service is likely to prove to be the most cost effective option with the greatest likelihood for success. This option is more likely to build on the work that has already been done to improve collection and to cost effectively assist in the continuation of that trend. The meetings with current contractors who provide revenues collection services to local authorities has shown that there is likely to be sufficient market interest to ensure that Brent is likely to be successful in securing a competitive procurement environment that provides value for money for Brent.