

**Report of the Service Director of Customer Services
Corporate Resources and Governance Overview and Scrutiny Committee
March 2017**

Council Tax

1. Purpose

To update the Committee on the City Councils decision to terminate the Revenues Contract with Service Birmingham and bring the service for the billing, collection, recovery and enforcement of council tax and business rates in-house.

To advise the Committee on early plans for the future operation of the Revenues Service.

2. Background

The Revenues Service was included within the overall Service Birmingham contract from 1st April 2011. At this point, the Council collected Business Rates on behalf of the Government and the relevant pooling arrangements for the financial distribution of this income were in place. The contract was let on the basis of a fixed price per annum (plus indexation) on a reducing basis over a ten year term.

From April 2013 Council Tax Benefit was replaced with a Local Council Tax Support Scheme. The local retention of Business Rates also came into effect.

An internal review of the Revenues Service was undertaken by the Service Director of Customer Services Division in June 2016.

Following this review it was determined by the Strategic Directors of Change and Support Services and Finance and Legal that further work needed to be undertaken with Service Birmingham to ensure that the Revenues Service was delivering a service that both met the priorities of the City Council and achieved the contractual requirements.

Service Birmingham put forward alternative proposals during July and August 2016. These were considered and it was concluded that they did not meet the current requirements of the Council.

Cabinet on 18 October 2016 authorised the Strategic Director of Change and Support Services to negotiate with Service Birmingham in order to evaluate the Council's contractual options for the termination of the Revenues element of the Service Birmingham Contract.

Following this negotiation it was recommended that the Council terminate the Revenues element of the Service Birmingham Contract.

The existing enforcement agent (bailiff) function has been retained in order to facilitate continuity of service and minimise the risks of transition to the new arrangement. This will also avoid the additional costs that would be incurred if the current enforcement arrangements were changed around the existing I.T. systems. The scope of the bailiff function will also be varied to meet the current requirements of the Council to ensure a more bespoke approach to the recovery and enforcement of council tax and business rates debt and to continue to maximise collection rates.

The Revenues element of the Service Birmingham service, therefore, transferred to the Council with effect from 1st February 2017, with 108 employees of Service Birmingham Limited transferring to the Council under TUPE.

3. Current Position

The Revenues contract was let in 2011 before the introduction of a number of Local Welfare reforms in 2013 and the local retention business rates which have resulted in the council wishing to deal with Revenues matters differently. By delivering the Revenues Service in house the Council will be able to react to both existing reforms and any future reforms and allow for greater flexibility of the operation without the constraints of formal change control processes which operate within contractual arrangements.

As part of new working arrangements the Council has already altered how it enforces collection of council tax for those citizens in receipt of council tax support. The Council will continue to seek collection of the council tax due; however, these particular debts will no longer be referred to the enforcement agents (previously known as bailiffs). In the main these debts will be recovered by either payment arrangements with the citizen or direct deductions from welfare benefits as a preferred option before considering what other recovery methods are utilised. All other debts will continue to be pursued through the usual recovery and enforcement methods.

The termination of the Revenues Service contract element of the Service Birmingham contract and bringing this service in-house will enable the Council to maintain the collection rates agreed as part of the Council's budget setting process for Council Tax and Business Rates going forward and in addition prioritisation will be given to the maximisation of the tax base for both business rates and council tax by the identification of properties currently not on the valuation office listing and identification of changes in use within existing properties which may lead to increases in rateable value.

The Revenues Contract was let over a 10 year term (2011 to 2021) on a fixed price per annum reducing on a yearly basis over the term. The contract was structured so that investment was made in the initial years with payments reducing over time to deliver long-term savings benefit for the Council. In light of the mutually agreed earlier exit from the contract, the Council will not now achieve this benefit. The Council and Service Birmingham have discussed the total costs and benefits for each party as a result of the earlier exit from the contract (including the long-term savings benefit) and have agreed an equitable adjustment to the charges being £1.2m which will be afforded to the Council via the ICT invoice being reduced.

The internal review of the Revenues Service undertaken by the Service Director of Customer Services Division in June 2016 identified the Council, will be able to secure a saving of £0.45m per annum against the costs that the council would have incurred during the remaining term of the contract. This is as a result of reduced overhead costs. These savings have formed part of the council budget setting process for 2017/18.

Through the TUPE process a number of individuals, particularly those working in a pooled resource environment for Capita in Mendip and Bromley did not transfer together with the Revenues Operation Director within Service Birmingham. Only one Section Head Manager transferred as part of the process leaving significant gaps at managerial level within the existing structure.

The Council has moved swiftly to fill these positions with an interim Head of Service now in place together with an additional interim Section Head and 2 additional temporary team managers. The non TUPE transfer of officers from Mendip and Bromley created a large number of vacancies within the service. As a result 27 additional Revenues Officers have also been recruited and are currently in training before commencing work within the Revenues Service.

4. Future Plans for the Service

The Service is still being reviewed as we look to create a new operating model for the Revenues operation. However, we have stated a clear vision which will deliver the following:

- Improved customer service
- Development of people and skills ensuring the “right people, with the right skills, at the right place, doing the right work, at the right time”
- A fair and consistent approach to measurement of all employees across the business, encouraging performance improvement behaviours, and setting daily target performance to achieve monthly plans based on performance levels
- Production of accurate and meaningful management information
- Implementation of service improvement plans
- Maximisation of the tax base for both council tax and business rates

It is intended to do operate the service to provide both an excellent customer experience together with ensuring we meet our key priority of maximising the hugely important resource of both council tax and business rates for the Council.

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