

Annex B. Evaluation hypotheses

B.1. This annex sets out the hypotheses, and the evaluation techniques needed to test them, that were identified as part of the pilot planning process to enable a detailed assessment to be made of the use of DCAs against the high level objective and aims.

Proof of concept

B.2. Aim: “to establish whether DCAs and HMRC have the operational capability to work together to ensure a viable use of DCAs in the collection of HMRC debts within its legal and administrative framework that does not compromise departmental standards”. Three broad questions to address in the pilot were identified.

- Do DCAs have the necessary skills and tools to collect HMRC debts?
- Does the use of DCAs create any additional business risks (e.g. to data security or customer service)?
- Does HMRC have the operational capability to use DCAs to collect its debts? For example, does HMRC have sufficient capabilities to cleanse and transfer cases, receive payments, and enter payment and other data from DCAs onto the necessary HMRC systems?

Benefits and costs

B.3. Aim: “to evaluate the benefits that using DCAs to collect HMRC debts can yield, and the costs attached to this - assessing both the financial and customer impacts. As part of this identify where possible any types of debt where DCAs have particular collection expertise that HMRC could not cost effectively or practically build up in-house.”

B.4. There were two areas identified for consideration – financial impact and customer experience.

B.5. The key tests identified with regard to financial impact were to assess whether using DCAs leads to:

- the recovery of money (either by payment in full, or in appropriate cases through robust instalment arrangements) that would otherwise not be recovered;

- the recovery of money more quickly than would otherwise be possible; or
- a reduction in the HMRC debt balance as a result of remissions or identification of 'spurious' debts; and
- in all cases, the cost effectiveness of this.

B.6. The second benefit and cost issue was to assess the impact on customers from having their debts handled by a DCA. Given the context that the customers here are taxpayers who have not taken steps to resolve tax debts, it was recognised that this could be difficult to assess, and it was decided that surveying those dealt with by DCAs would not be appropriate. This analysis would therefore be focused on:

- complaints against DCAs' conduct; and
- data on the levels of remissions and robustness of time to pay cases set up following DCA actions.

Adopting best practice

B.7. Aim: "to develop an understanding of the skills and tools DCAs employ, how these contribute to the DCAs' performance in collecting tax debt, and to what extent these could be employed by HMRC to aid wider HMRC debt recovery." There were a number of elements to this.

- What are the techniques, systems, and processes employed by DCAs in managing debt items?
- Which of these could be employed by HMRC?
- Of those that could be used by HMRC, what are the costs attached to this (e.g. IT investment)?
- If these techniques were used by HMRC, what would be the expected performance effect?
- Does using DCAs to collect some of its debts allow HMRC to identify techniques which allow it to develop its in-house capabilities more quickly than would otherwise be possible?

B.8. The following hypotheses were identified for each of these.

Proof of concept. Do DCAs have the necessary skills and tools to collect HMRC debts?	
Hypothesis	Evaluation techniques
The DCAs correctly upload cases within agreed time frames.	<p>MIS – DCA receipt of new cases (Qualitative - DCA/interface team discussion in event of failure).</p> <p>MIS – DCA new case rejections.</p> <p>MIS – DCA receipt of corrected cases (Qualitative - DCA/interface team discussion in event of failure).</p> <p>MIS – DCA receipt of action updates (Qualitative - DCA/interface team discussion in event of failure).</p> <p>Assurance – check DCAs have uploaded cases correctly.</p>
The DCAs work the entire caseload.	<p>MIS – status of DCA cases</p> <p>MIS – DCA cases action history</p> <p>MIS – DCA cases fully recovered</p> <p>MIS – DCA cases in active recovery</p> <p>MIS – DCA cases not in active recovery</p> <p>Assurance – random review of cases to check number and type of attempted contacts.</p>
The DCAs only query cases in circumstances agreed with HMRC.	<p>MIS – Cases queried with HMRC by DCA</p> <p>Review – Guidance provided to DCAs</p>
The DCAs give customers correct information relating to the customers' debts to HMRC.	<p>MIS – Complaints received by HMRC</p> <p>MIS – Complaints received by DCAs</p> <p>Assurance – check DCAs have uploaded cases correctly.</p> <p>Assurance – Monitoring of oral contacts with customers</p> <p>Assurance – Monitoring of written contacts with customers</p>

Proof of concept. Do DCAs have the necessary skills and tools to collect HMRC debts?	
Hypothesis	Evaluation techniques
The DCAs correctly allocate payments to the agreed timetable.	<p>MIS – Payment details against timetable</p> <p>Assurance – review completion of intelligent spreadsheet</p> <p>MIS – Complaints received by HMRC</p> <p>MIS – Complaints received by DCAs</p> <p>Review – Manual reallocations of payments</p>
The DCAs interpretation, understanding, and operation of HMRC requirements is correct.	<p>Qualitative – DCA/interface team discussions of specific incidents.</p> <p>Assurance - random review of return codes used.</p>

Proof of concept. Does HMRC have the operational capability to use DCAs to collect its debts?	
Hypothesis	Evaluation techniques
HMRC prepare the debts to the necessary standard for DCAs to work them.	<p>MIS – DCA new case rejections</p> <p>MIS – DCA cases not in active recovery</p> <p>MIS – Cases queried with HMRC by DCA</p> <p>Assurance – debt preparation process</p> <p>Qualitative – feedback from HMRC debt preparation staff</p>
HMRC can manage data transmission both internally and with DCAs.	<p>Review – internal hand offs</p> <p>MIS – new cases</p> <p>MIS – DCA receipt of new cases</p> <p>MIS – DCA new case rejections</p>

Proof of concept. Does HMRC have the operational capability to use DCAs to collect its debts?

Hypothesis	Evaluation techniques
HMRC can manage data transmission both internally and with DCAs.	MIS – corrected cases MIS – DCA receipt of corrected cases MIS – action updates MIS – recall orders MIS – DCA receipt of recall orders MIS – DCA receipt of action updates MIS – HMRC receipt of payment details
HMRC has appropriate resource and skills to deal with customer contact resulting from final HMRC letter.	MIS – Final HMRC letter response resource (telephone) MIS – Final HMRC letter response resource (post) Qualitative – feedback from HMRC customer contact staff Qualitative – feedback from rest of HMRC Modelling – projecting resource requirements for any post-pilot use of DCAs.
HMRC has sufficient resource and skills to manage relationship with DCAs.	MIS – DCA/HMRC disputes Qualitative – feedback from interface team
HMRC correctly processes payments and updates systems following receipt of monies from DCAs.	Operational – intelligent spreadsheet uploaded MIS – payments reflected in local MIS
HMRC can develop a model to accurate forecast costs of using DCAs.	Qualitative – assessment of outcomes against model forecasts.
HMRC has analytical capabilities to monitor DCA performance and assess suitability of debts for DCA referrals.	Qualitative – feedback on MIS reports and evaluation.

Proof of concept. Does the use of DCAs create any additional business risks?	
Hypothesis	Evaluation techniques
Taxpayer data is transmitted and held securely by both HMRC and the DCAs.	Accreditation – data security MIS – DCA receipt of new cases MIS – DCA receipt of corrected cases MIS – DCA receipt of action updates MIS – HMRC receipt of payment details Operational – confirmed data losses Qualitative – debt stock reconciliation
The DCAs do not work cases defined as inappropriate by HMRC.	MIS – DCA case returns MIS – DCA receipt of recall orders MIS – Complaints received by HMRC MIS – Complaints received by DCAs Assurance – random review of DCA cases
HMRC doesn't work cases with DCAs	MIS – Complaints received by HMRC MIS – Complaints received by DCAs Assurance – random review of cases in CAF
DCA activity is consistent with HMRC standards and relevant code of conducts	MIS – Complaints received by HMRC MIS – Complaints received by DCAs Assurance – Monitoring of oral contacts with customers Assurance – Monitoring of written contacts with customers Contract – DCAs have necessary CSA & OFT accreditations

Proof of concept. Does the use of DCAs create any additional business risks?	
Hypothesis	Evaluation techniques
DCA use of time to pay arrangements is consistent with parameters set out in HMRC guidance.	<p>MIS – Complaints received by HMRC</p> <p>MIS – Complaints received by DCAs</p> <p>Assurance – Monitoring of oral contacts with customers</p> <p>Assurance – Monitoring of written contacts with customers</p>
DCAs take necessary action to authenticate customer before entering into discussions.	<p>MIS – Complaints received by HMRC</p> <p>MIS – Complaints received by DCAs</p> <p>Assurance – Monitoring of oral contacts with customers</p> <p>Assurance – Monitoring of written contacts with customers</p>
Image of HMRC is not undermined by the use of DCAs	<p>MIS – Complaints received by HMRC</p> <p>MIS – Complaints received by DCAs</p> <p>Qualitative – feedback from DMB PQ Manager</p> <p>Qualitative – feedback from Comms Team</p> <p>Qualitative – feedback from stakeholder steering group</p> <p>Qualitative – feedback from external stakeholders</p>

Benefits & costs. Does the use of DCAs lead to the cost effective recovery of money that would otherwise not be recovered and/or the recovery of money more quickly than would otherwise be possible?

Hypothesis	Evaluation techniques
The final HMRC letter prompts a higher number and value of payments than if the debts are left unworked.	MIS – Final HMRC letter response outcomes MIS – Control group outcomes
DCA action prompts a higher number and value of payments than if the debts are left unworked.	MIS – DCA case returns MIS – DCA cases in active recovery MIS – Payment details MIS – Control group outcomes
The final HMRC letter prompts a higher number and value of time to pay arrangements than if the debts are left unworked.	MIS – Final HMRC letter response outcomes MIS – Control group outcomes
DCA action prompts a higher number and value of time to pay arrangements than if the debts are left unworked.	MIS – DCA cases in active recovery MIS – Payment details MIS – DCA cases with broken agreements MIS – Control group outcomes
The cost of using DCAs is lower than the additional revenues collected.	MIS – DCA commission payments MIS – supplier management resource MIS – HMRC case preparation costs MIS – Final HMRC letter response resource (telephone) MIS – Final HMRC letter response resource (post) MIS – DCA/HMRC disputes MIS – payment handling costs

Benefits & costs. Does the use of DCAs lead to the cost effective recovery of money that would otherwise not be recovered and/or the recovery of money more quickly than would otherwise be possible?	
Hypothesis	Evaluation techniques
The cost of using DCAs is lower than the additional revenues collected.	Qualitative – feedback from stakeholder steering group Qualitative – feedback from rest of HMRC

Benefits & costs. Does the use of DCAs lead to a reduction in the debt balance as a result of remissions?	
Hypothesis	Evaluation techniques
Debts are remitted as a result of information provided in response to the final HMRC letter	MIS – Final HMRC letter response outcomes MIS – Control group outcomes

Benefits & costs. Does customer experience worsen as a result of HMRC's use of DCAs?	
Hypothesis	Evaluation techniques
Upheld complaints about DCA treatment of customers are no higher than complaints about DMB treatment of customers.	MIS – Complaints received by HMRC MIS – Complaints received by DCAs MIS - data on HMRC complaints
DCA activity is consistent with HMRC standards and relevant code of conducts	MIS – Complaints received by HMRC MIS – Complaints received by DCAs Assurance – Monitoring of oral contacts with customers Assurance – Monitoring of written contacts with customers
Time to pay arrangements set up following the final HMRC letter and by DCAs are robust	MIS – Final HMRC letter response outcomes MIS – DCA cases with broken agreements

Benefits & costs. Does customer experience worsen as a result of HMRC's use of DCAs?	
Hypothesis	Evaluation techniques
Time to pay arrangements set up following the final HMRC letter and by DCAs are robust	Assurance – review of income and expenditure information used by DCAs to determine TTP arrangements Qualitative – DCA/interface team discussions of any trends in break rates
Customers can easily and confidently verify the authenticity of the DCA collection process	MIS – Complaints received by HMRC MIS – Complaints received by DCAs Qualitative – review of information published by HMRC regarding DCA pilot

Adopting best practice. Are there techniques, systems, and processes employed by DCAs that could be used by HMRC to improve its debt collection performance?	
Hypothesis	Evaluation techniques
Some techniques, systems and/or processes used by DCAs have been adopted/plan to be adopted by HMRC, leading to an improvement or anticipated improvement in performance	MIS – DCA case action history MIS – HMRC case preparation costs Qualitative – discussions with DCAs Qualitative – discussions with stakeholder steering group and DMB Management
Some techniques, systems and/or processes used by DCAs have been identified as suitable for adoption by HMRC, leading to an anticipated improvement in performance, but requiring additional investment or business changes	Qualitative – discussions with DCAs Qualitative – discussions with stakeholder steering group and DMB Management
Some techniques, systems and/or processes used by DCAs have been identified as significant factor in DCA performance but are not suitable for use by HMRC	Qualitative – discussions with DCAs Qualitative – discussions with stakeholder steering group and DMB Management