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Digital Economy Act 2017 - Formal Submission for
Local Authority and HMRC Business Case v 1.0

Name of Pilot	Data share between Birmingham City Council and HMRC to manage and reduce Council Tax debt
Is this information sharing arrangement for the purposes of managing/reducing debt, combating fraud or both?	Debt
List the specific clause in the DEA Act (2017)	For the purposes of the taking of action in connection with debt owed to a public authority or to the Crown, the Digital Economy Act (2017), part 5, chapter 4, s48
Please confirm which public authority or service provider you represent and which Schedule your organisation is listed in for the purposes of the proposed data share.	Birmingham City Council, listed on Schedule 7
Please confirm which other public authorities are party to the proposed information arrangement, and which Schedule(s) they are listed in.	HMRC, listed in Schedule 7, paragraph 8
Review Board Region	England and Non-Devolved
If your information sharing arrangement includes a service provider, please refer to paragraphs 42 and 43 of the Code of Practice	
Please confirm if this is a submission for an informal review or the fully completed submission for Ministerial consideration	Full Submission
Please provide an outline of the information share. Note: you need not detail the counter fraud operations of partners	

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This should include:

- the objective of the information sharing agreement;
- an overview of the activity under the arrangement and how the data will be used;
- The period of duration for the arrangement, when the data share will be live and
- how retention periods will be managed; and
- an outline of what types of data will be shared and the data security arrangements to be put in place.

At 31 March 2018, the total amount of council tax outstanding in England amounted to £3 billion (cumulative from the introduction of council tax in 1993).

For 2017/18, Local authorities in England collected £27.5 billion, with arrears of £818 million, approximately 3% uncollected.

This business case is specifically for Birmingham City Council and is part of a submission for a total of 28 other Local Authorities.

Birmingham City Council is the largest billing authority in the country, and has 440,000 domestic properties.

Birmingham has a strategic objective to improve the council tax collection rate by 0.5%, as noted in the Revenues Service Delivery Plan for 2018/19.

For 2017/18, Birmingham issued approx. 440,000 bills to resident households demanding £368m council tax, with an average collection rate of 94.6% (national average is 97.1%). Arrears totalling over £57m were unpaid and had to be pursued via the issue of a summons.

Birmingham obtained over 70,000 Liability Orders at the Magistrates' Court, of which over 40% were eventually passed to Enforcement Agents. Currently, less than 2% of arrears across all years are being collected by Attachment of Earnings (AoE) – a process where direct deductions are made from salary at a percentage set by regulations made under the Local Government Finance Act 1992 (LGFA 1992).

The Liability Order and eventual enforcement action adds significant costs to customers' debts.

- The issue of a summons to a Liability order hearing adds costs of £69 per debt;
- Enforcement Agent action adds a minimum of £75 per liability order (the compliance fee), and if an arrangement is not agreed further fees of at least £235 per case (the enforcement fee) can be added.

Arrears that remain outstanding following recovery action from previous financial years 2010 to 2016 are shown in the table below:-

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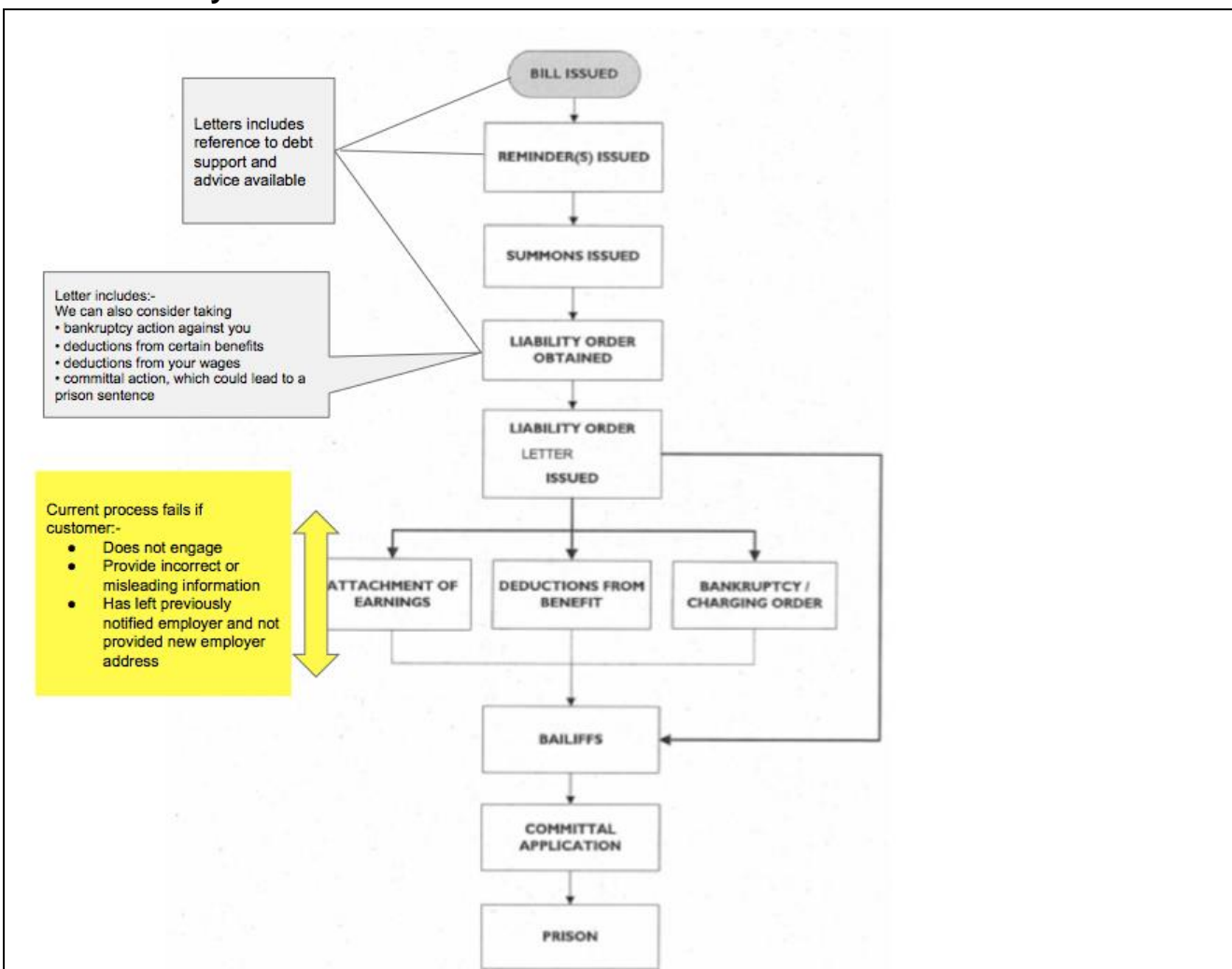
Year	Count	Value
2010	6,815	2,842,559
2011	5,061	2,340,238
2012	11,086	3,617,351
2013	30,447	9,584,955
2014	36,990	12,776,632
2015	41,580	15,105,091
2016	45,996	17,643,353
Arrears total	177,975	63,910,179

Birmingham is under severe financial pressure at present, and needs to maximise its income from all sources. It has a particularly high level of historic arrears, and while it is making strenuous efforts to collect all that it is owed it is a challenge to do this while also pursuing recent and ongoing liabilities.

As a large city with a significant transient population, it finds it hard to trace and thus enforce against a large number of those who do not pay. Where a customer's whereabouts are known, they often have no known assets. The council is committed to reducing the unnecessary use of enforcement agents, as it adds to the amount already due and draws resources away from pursuing cases where it is the best option - but in the absence of clear and viable alternatives, it is often the only practical means of pursuing a debt.

The current process for payment of Council Tax is shown below.

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This process is dependent on customer engagement – by making prompt payments, responding to reminder letters, providing employer information, court summons etc.

When a customer is unresponsive to communications, the Local Authority will eventually seek a liability order. They will be informed at the summons stage and after granting of a liability order that the following recovery actions may be taken:-

- Use of enforcement agents (bailiffs)
- Bankruptcy action
- Deductions from certain benefits
- Deductions from wages
- Committal action, which could lead to a prison sentence

If customers continue to not respond and without any further information, the Local Authorities have little alternative but to refer the case to Enforcement Agents (Bailiffs), a significantly intrusive and

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costly process.

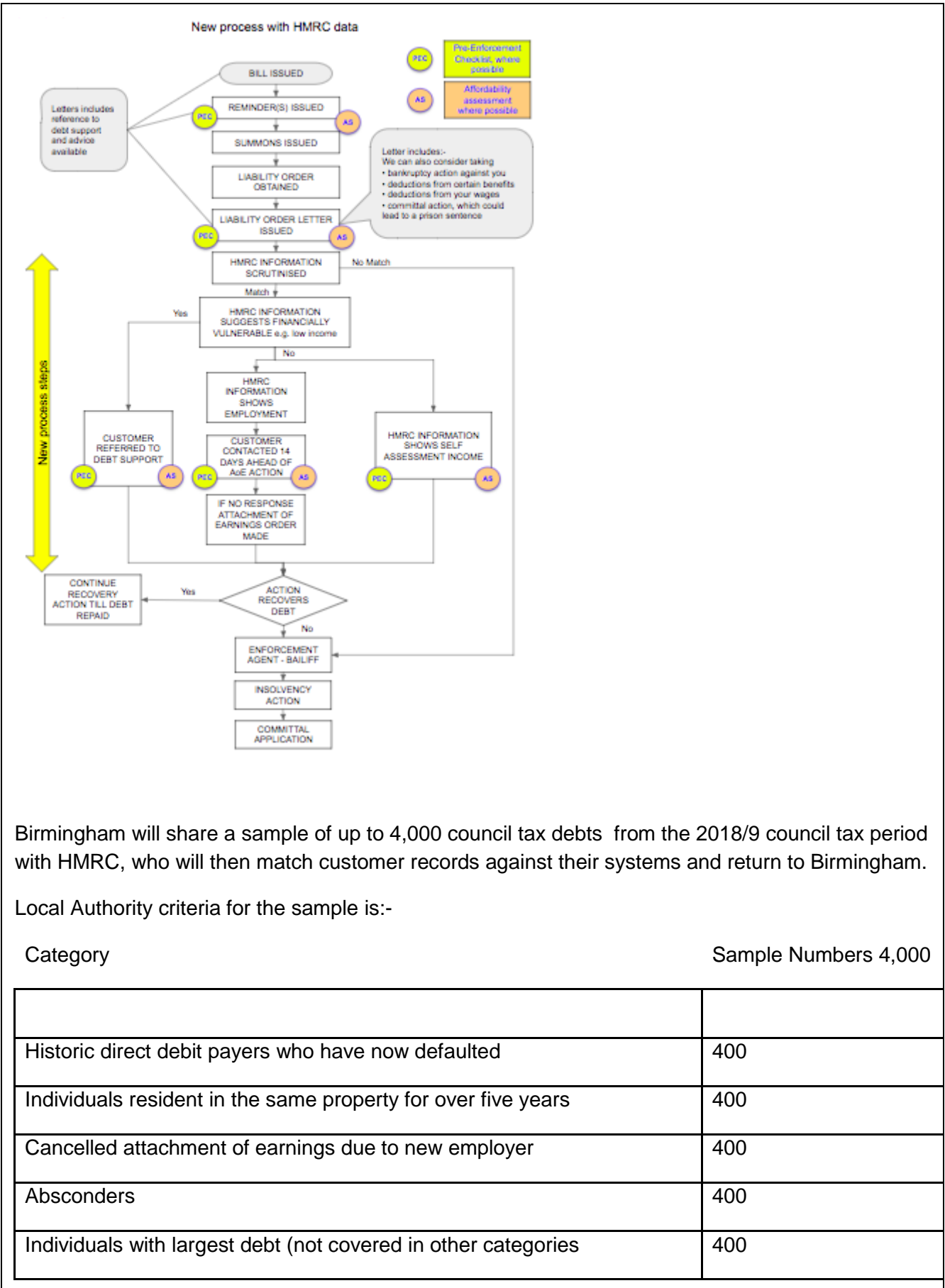
Birmingham has identified Her Majesty's Revenues and Customs (HMRC) PAYE, Self-Assessment and tax credit data as potentially useful and could support:-

- managing overall council tax arrears and further developing its recovery procedures, by analysing the data provided by HMRC to:-
 - identify customers whose circumstances make them vulnerable and providing appropriate support and appropriate recovery action, where they engage with the Local Authority;
 - for those in employment, recovering individual council tax debts by Attachment of Earnings Orders, where appropriate;
 - for those receiving benefits, recovering individual council tax debts by Attachment to benefits Orders, where appropriate;
 - for those are not identified as vulnerable, undertaking other recovery action, including the use of enforcement agents and other legal avenues;
 - overall reducing use of enforcement agents and associated costs to customers.

This is a significant change from the current process and allows LAs to take positive action to recover the debt from those customers who are not engaging in the process and have already been informed of the action the LA may take.

A proposed process map is shown below:-

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Birmingham will share a sample of up to 4,000 council tax debts from the 2018/9 council tax period with HMRC, who will then match customer records against their systems and return to Birmingham.

Local Authority criteria for the sample is:-

Category Sample Numbers 4,000

Historic direct debit payers who have now defaulted	400
Individuals resident in the same property for over five years	400
Cancelled attachment of earnings due to new employer	400
Absconders	400
Individuals with largest debt (not covered in other categories)	400

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Pre committal cases with open liabilities	400
Broken Payment arrangements	400
Band E and above	400
Individuals with BCC charging orders secured against their property for previous arrears	400
Local Authority tenants with Council tax arrears	400

The sample will exclude debtors who are;

- in receipt of council tax support - full or partial;
- deceased;
- subject to committal and bankruptcy action;
- companies;
- current Attachment of Earnings.

A snapshot of the sample data will be taken before issue to HMRC for use for evaluation during and post action.

The data fields to be supplied to HMRC are selected according to the provisions of the Local Government Finance Act 1992. They are the minimum required to identify the customer, property and debt. They are:-

- Full name:-
 - Title;
 - First name;
 - Middle name or initials;
 - Surname.
- Current address and Post Code
- Forwarding address and dates
- Date of commencement of Liability Order.
- Unique identifier (Future Proof)

The returning HMRC data will consist of customer and financial income details including;

Match successful - yes or no

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If no, reason for non-match

If yes:-

- Date of Birth
- PAYE data, including:-
 - Employer Name
 - Employer Address
 - Employment End Date
 - Employment Pay Frequency
 - Taxable Pay in Period
 - Payroll ID in this employment
 - Individual Address
- Self-Assessment data, including:-
 - Tax Year
 - SA Total Income
 - SA Correspondence Address
- Reason for non-match

HMRC have provided the customers Date of Birth in the returning data to support LA's in identification of the correct citizen.

HMRC will conduct their own quality matching policy to the data to ensure match quality and data returned meet HMRC standards.

Data will be securely transferred by encrypted e-mail from a secure email address, will be stored in a secure folder and deleted after the completion of the pilot and analysis.

HMRC will delete the file immediately after receipt of data has been confirmed by Birmingham.

Persons at Birmingham receiving and disclosing data are limited to debt analysts and debt recovery officers. All such users sign data disclosure agreements before system access is granted. All staff have had DPA and lately GDPR training.

Persons at HMRC receiving, analysing and disclosing data are limited to data analysts and processors, within the Centre for Data Exploitation, data management team. These staff have been

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security trained.

Persons at Birmingham who will manage and recover debt are limited to the enforcement team. All enforcement staff have been trained on enforcement law, in addition to DPA and GDPR training. All staff working on the pilot have had DBS checks. All enforcement agents employed to act for Birmingham are certificated, which means passing an exam on enforcement legislation, have two references and court appearance in front of a District Judge. All of them have had DBS checks carried out.

The period of the duration will be for one year from receiving Ministerial approval to enable analysis of the success or otherwise of the data share. An initial report will be compiled and submitted to the Review Board via the DEA secretariat after the end of four months of operational activity, outlining progress against success criteria and any issues found.

Data will be retained in accordance with the council's data retention policy or as specified in the Code of Practice. Shared data will be kept separate and recognizable to enable deletion at end of pilot and will be password protected.

The pilot data will be deleted one year after the pilot starts, except where the data is being used operationally and will be deleted once recovery action has been completed.

A provisional timetable is outlined below.

- March 19 - Ministerial approval
- March 19 - Data shared from LA to HMRC, HMRC conduct matching and return data to LA's
- April 19 - LA's begin analysis and operational activity on returned data
- August/September 19 - 1st evaluation report produced and submitted to the DEA Review Board
- April 20 - Pilot evaluation report produced

The data for AoE's processing will be held on the councils' existing document management and data processing systems, supplied by Northgate and Civica, which have the following security standards accreditations:

- Cyber Essentials (secure against cyber hacking)
- ISO 27001 (Info Security Management)
- ISO 20000-1 (IT Service Management)
- ISO 22301 (Business Continuity Management)

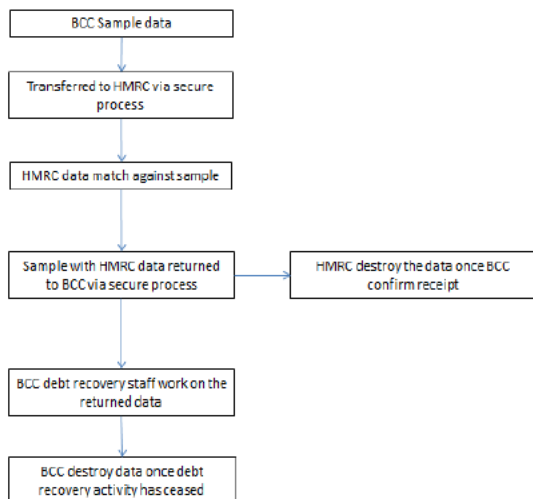
(see <https://www.northgateps.com/certificates-and-registration/>)

This software is supplied by Northgate accredited to ISO and accessible by only specified persons

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It has been confirmed that data is retained in the UK.

A simple process map is shown below.



Please provide details of how the benefits of the information share will be measured.

This should include:

- the potential benefits the information share could bring; and
- the success criteria for the data share and the methodology you will use to measure success

Potential benefits:

- Increase in Council Tax debt recovered
- Increase of in-year collection rate
- Increase in identification of vulnerable debtors can be signposted for assistance within or without the council, where they engage with the Local Authority;
- Increase in debt recovery due to knowledge of PAYE and self-assessment information
- Increase take up of reliable Attachment of Earnings
- Reduce failure rate of Attachment of Earnings
- Reduce need for using enforcement agents as a first port of call and increasing debt

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with fees.

- A fair approach to reducing debt with ability to pay over a regular period.
- Improve our effectiveness in debt recovery reduces pressure on budgets
- Those in regular employment will avoid expensive and stressful enforcement agent visits.
- Customers knowing that we have access to HMRC data will encourage earlier take up in contacting us and making arrangements to pay.
- Efficiency savings by reducing time/court hearings on committal or insolvency cases.
- Efficiency savings on not transferring cases to enforcement agents.
- Swifter repayment of debt to the council
- Identify individuals with a propensity to pay and take appropriate recovery action
- Reduce or mitigate problem debt

Success criteria and associated metrics:-

- Number of successful matches from HMRC
- Amount of debt recovered (£)
- Change in in-year collection rate
- Number of cases that were identified as vulnerable due to data from HMRC and referred to internal and external debt support, where they engage with the Local Authority
- Number of AoE Issued
- Number of Attachment of Earnings in payment (over £300 per month income)
- Number of no payment Attachment of Earnings, that the employer did not act upon (to be investigated)
- Decrease in the number of cases that go to enforcement agents
- Comparison of above with control group
- Number of cases where previously unknown income now allowed for effective customer engagement and payment commences
- Number of cases where previously unknown income now allowed for effective customer engagement and enforcement action is taken upon non-payment

- At the end of the pilot consider the impact of the action on individuals and problem debt.

FOR DEBT INFORMATION SHARES

Please include detail of how you have considered the Debt Fairness Principles.

The fairness statement summarises the steps we will take to ensure that the way we use the data sharing power is aligned with the fairness principles in section 3.4 of the Code.

Access to this data will allow a more segmented approach to the recovery of Council Tax. The data received will, where possible, form part of an assessment to differentiate between

- those who cannot pay their debts because of vulnerable circumstances or financial hardship;
- those who may be able to pay their debt with additional support
- those with the means to pay but have not paid

All participating Local Authorities will have and apply a policy which takes into account resident vulnerability and financial hardship. The policy includes taking reasonable steps to obtain a resident affordability assessment based on the Standard Financial Statement (SFS)- the industry recognised standard.

Those identified as being in vulnerable circumstances or facing hardship will be treated fairly and where appropriate will be referred to internal and/or external sources of support.

This pilot also aims to reduce the use of more intrusive methods of recovery, which should only be considered as a last resort, e.g use of enforcement agents, bankruptcy and committal to prison.

We will contact individuals informing them of our intention to serve the AoE's, but allow them a 14 day period to engage with the authority before the AoE is served on the employer. This contact will include information that aims to encourage people to alert us to any affordability issues. We will always attempt to conduct an affordability assessment before commencing an AOE.

Where taking such action exposes the debtor to vulnerability, hardship or the possible build up of further debt, we will look again at the Attachment of Earnings and decide if this is the best option at that time by considering varying, withdrawing the order or putting it on hold, as appropriate.

We will consider longer-term payment or other appropriate arrangements for those suffering hardship.

We will abide by our Council Tax debt recovery policies.

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We have appended our Debt recovery and vulnerability / hardship policies to this business case.

FOR ALL INFORMATION SHARES

Please include a statement showing how you will comply with the Code of Practice.

I/we confirm that this business case and associated documents adheres/complies with the Digital Economy Act (2017) and Information Sharing Code of Practice.

This has been demonstrated by the process to complete the business case and associated documents, which include ethical considerations, data security and for debt pilots a statement of how the Fairness Principles have been applied.



Please confirm that the following are in place:-

Senior Leader approval (Senior Responsible Officer)	Yes
Funds are available	Yes
Resources (including staffing) are available	yes
Supplier contract amendments are in place (if applicable)	N/A

Please add links or embed the following documents

Debt recovery policy/ strategy / Fairness/vulnerability policy/strategy	https://www.birmingham.gov.uk/downloads/file/916/unpaid_council_tax_recovery_policy
Privacy Notice	https://www.birmingham.gov.uk/info/20154/foi_and_data_protection/384/privacy_statement

Persons Involved in Data Share (Lead organisation)

	Birmingham City Council
	Birmingham City Council

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[REDACTED]	Birmingham City Council

Persons Involved in Data Share (Organisations disclosing data)	
[REDACTED]	[REDACTED] , Customer Strategy & Tax Design

Primary Point of Contact (person submitting the business case)	
Name	[REDACTED]
Contact number	[REDACTED]
E-mail address	[REDACTED]
Job title incl. department and organisation	[REDACTED] , Birmingham City Council
Date of submission	4 January 2019