

**Official - Sensitive**  
**Digital Economy Act 2017 - Formal Submission for**  
**Local Authority and HMRC Business Case v 1.1**

Name of Pilot	Data share between North Hertfordshire District 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.	North Hertfordshire District Council, listed on Schedule 7, For District councils – Paragraph 11*
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
<b>Please provide an outline of the information share. Note: you need not detail the counter fraud operations of partners</b>	
<p>This should include:</p> <ul style="list-style-type: none"> <li>● the objective of the information sharing agreement;</li> <li>● an overview of the activity under the arrangement and how the data will be used;</li> <li>● The period of duration for the arrangement, when the data share will be live and</li> <li>● how retention periods will be managed; and</li> <li>● an outline of what types of data will be shared and the data security arrangements to be put in place.</li> </ul>	
At 31 March 2018, the total amount of council tax outstanding in England amounted to £3 billion	

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(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 North Hertfordshire District Council and is part of a submission for a total of 28 other Local Authorities.

North Hertfordshire District Council has Corporate Plan for the period 2019-2024. The three objectives are:

- Attractive and Thriving
- Prosper and Protect
- Responsive and Efficient

The Council's Medium Term Financial Strategy document supports the Corporate Plan, this document ensures that we have clear policy frameworks in place. An assumed 99% Collection Rate is used for the purpose of calculating the Council Tax base.

Documents can be found at:

<https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-plan>

North Hertfordshire is based in Letchworth Garden City. The district has 4 major towns and a number of smaller outlying parishes. There are currently 57,727 properties within the district.

For 2017/18, North Hertfordshire District Council issued approx. 111,000 bills to resident households demanding £80.6M council tax, with an average collection rate of 98.2% (national average is 97.1%), leaving a shortfall of Liability Order debt of £1.3M, before any recovery action.

North Hertfordshire District Council obtained 3,168 Liability Orders at the Magistrates Court, of which over 70% of these liability orders were eventually passed to Enforcement Agents and only 3.5% resulting in Attachment of Earnings (AoE) – a process where direct deductions are made from salary at a percentage set by Local Government Finance Act 1992 (LGFA 1992). A large proportion of current outstanding Liability Orders are also subject to Attachment of Welfare Benefits and in-house payment arrangements.

The Liability Order and eventual enforcement action adds significant costs to the customers debts. The issuance of a Summons to appear at the Magistrates Court adds £65.00 costs to the debt.

- We do not add any additional fees when we obtain a Liability Order
- Enforcement Action adds approximately £310.00 to each case. This being £75.00 for the Compliance Notice stage and a further £235.00 should the case need to progress to Enforcement action.

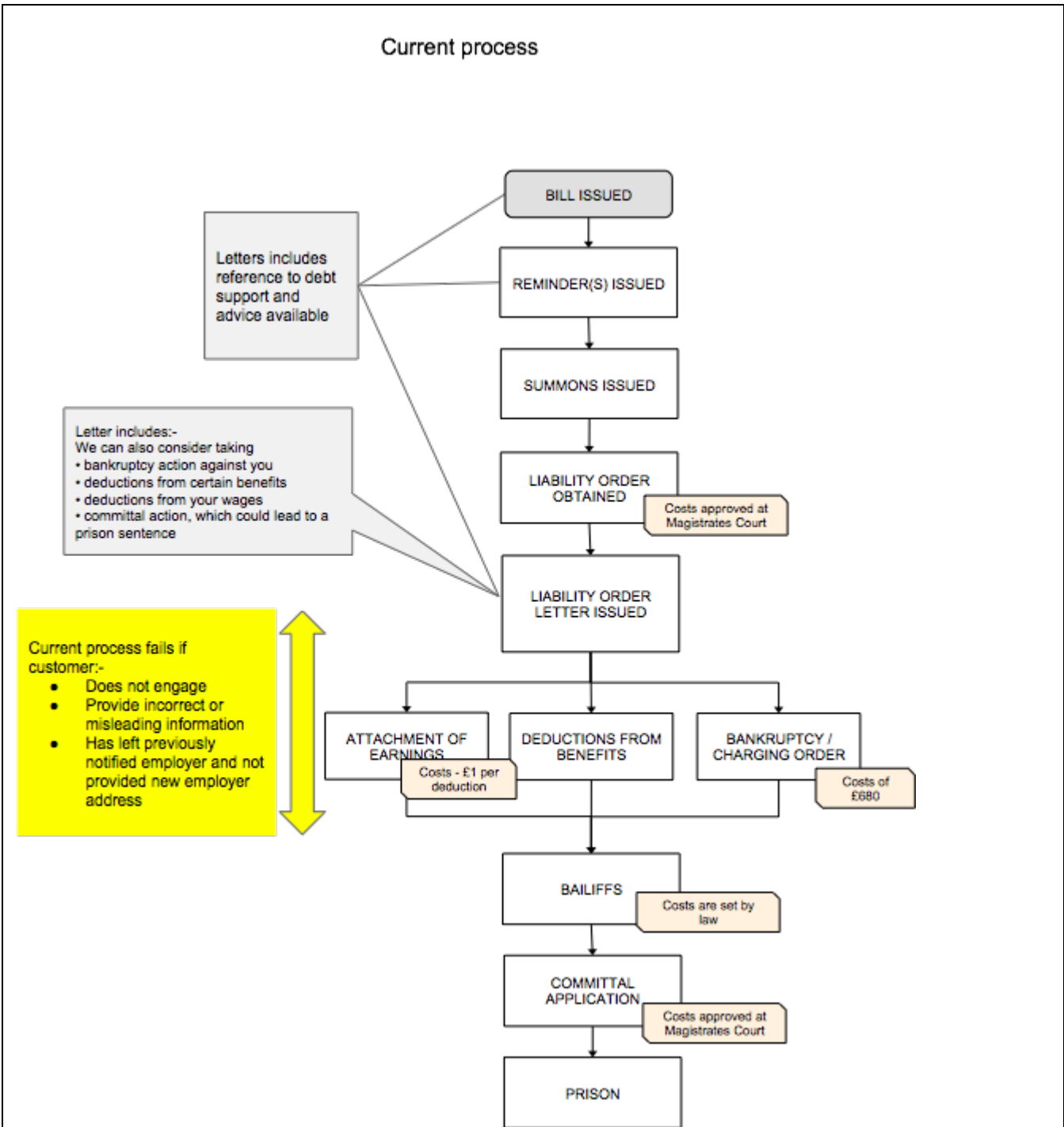
Arrears that remain outstanding, following recovery action from previous financial years 2010 to 2016 are shown in the table below:-

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<b>Year</b>	<b>Total number of Liability Orders issued</b>	<b>Value £</b>
2010	2,776	114,601.31
2011	3,251	141,586.85
2012	3,012	178,153.92
2013	4,230	250,941.43
2014	3,974	344,139.52
2015	3,555	417,643.83
2016	3,516	577,453.83
<b>Arrears total</b>		<b>2,601,974.52</b>

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 issue a liability order. They will be informed at the summons stage and after granting of a liability order that the following recovery actions that may be taken:-

- Use of enforcement agents (bailiffs)
- Bankruptcy action
- Deductions from certain benefits

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- 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 costly process.

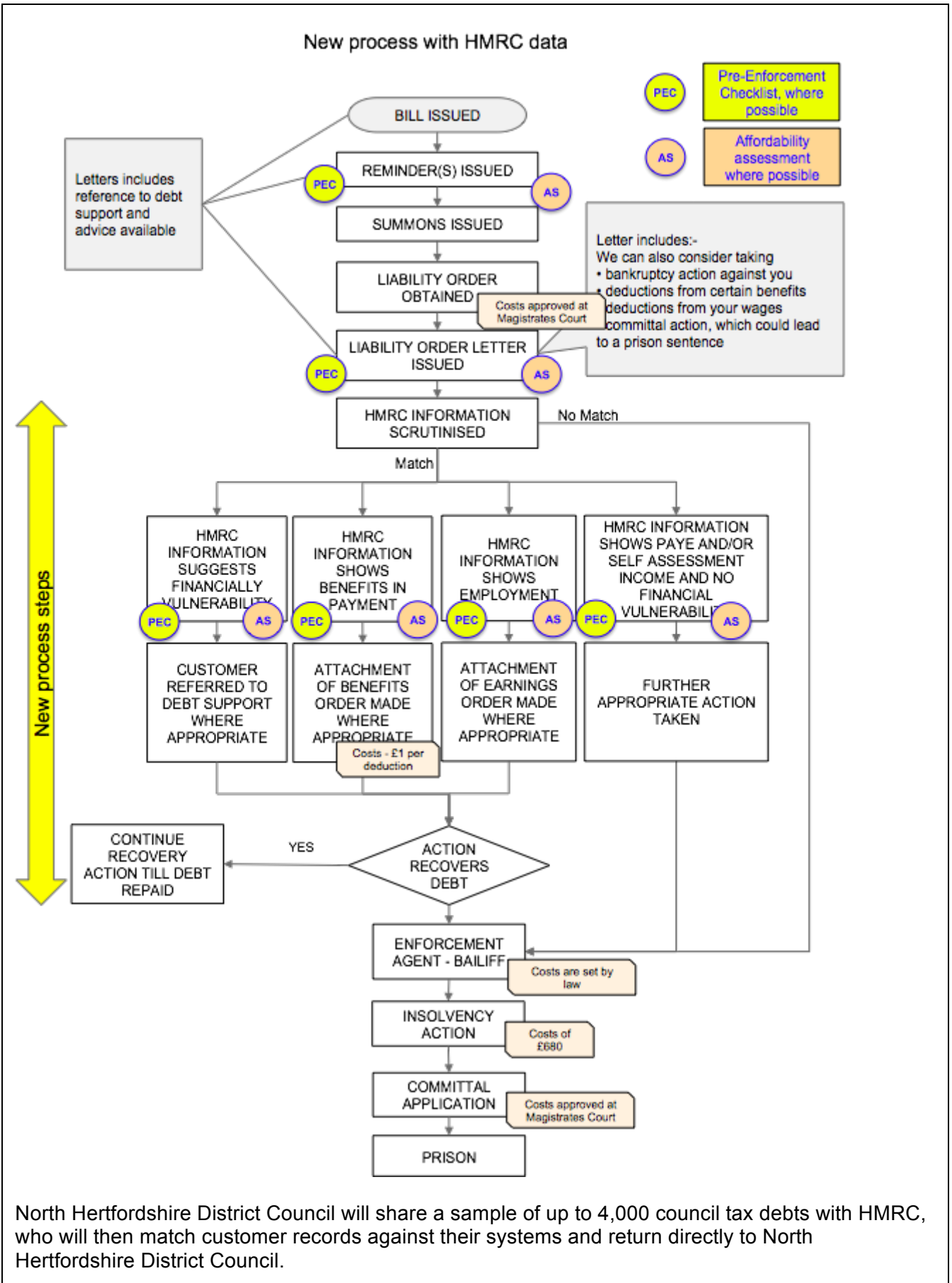
North Hertfordshire District Council has identified that Her Majesty's Revenues and Customs (HMRC) PAYE and Self-Assessment as potentially useful and could support:-

- 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 to 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 customer

This is a significant change from the current process and allows the LA's 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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North Hertfordshire District Council will share a sample of up to 4,000 council tax debts with HMRC, who will then match customer records against their systems and return directly to North Hertfordshire District Council.

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The sample type will be from all Liability Orders where there is currently no action being taken or no payment received within the last 6 months. This will be a selection of open and closed accounts and will be a combination of tenure type (we cannot split these out). The debt sample will cover all Council Tax Bands and all levels of debt, although the Band and Debt value will be separated out for analysis purposes.

The sample will exclude debtors who are;

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

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

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

- Match successful - yes or no
  - 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

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- 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 North Hertfordshire District Council.

Persons at North Hertfordshire District Council 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 security trained.

Persons at North Hertfordshire District Council who will manage and recover debt are limited to the enforcement team. All enforcement staff have been trained and qualified by exam on enforcement law, in addition to DPA and GDPR training. The Council uses external enforcement agents and all enforcement agents 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



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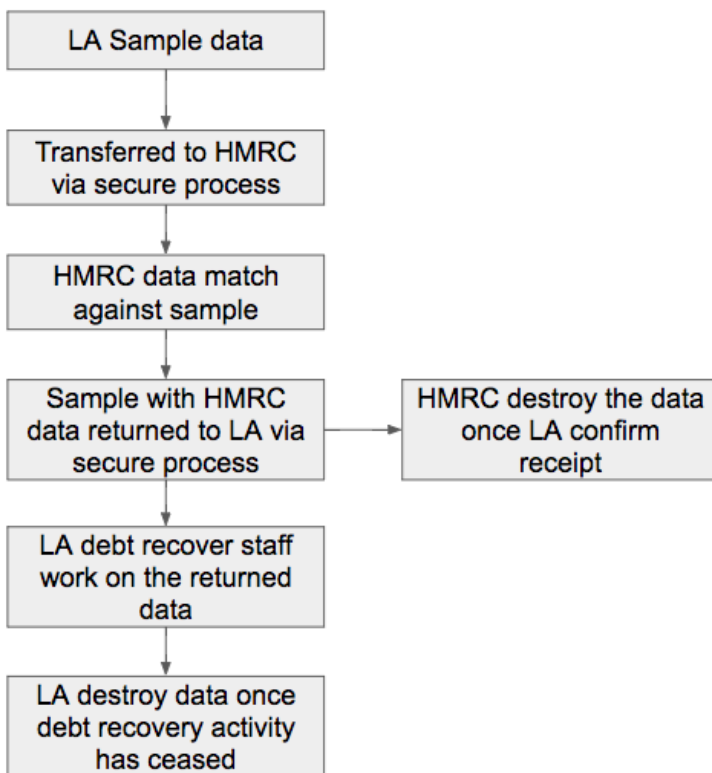
The data for AoE's processing will be held on the councils' existing document management and data processing systems, supplied by Northgate Public Services, which has the following security standards accreditations:

- 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.XXX.com/certificates-and-registration/>)

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

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 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;

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- 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.

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:-

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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	<a href="https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-plan">https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-plan</a>
Fairness/vulnerability policy/strategy	See Annex 1
Privacy Notice	<a href="https://www.north-herts.gov.uk/home/council-data-and-performance/website-information/privacy">https://www.north-herts.gov.uk/home/council-data-and-performance/website-information/privacy</a>

Persons Involved in Data Share (Lead organisation)	
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Persons Involved in Data Share (Organisations disclosing data)	
[REDACTED]	[REDACTED]

<b>Primary Point of Contact (person submitting the business case)</b>
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Name	[REDACTED]
Contact number	[REDACTED]
E-mail address	[REDACTED]
Job title incl. department and organisation	[REDACTED]
Date of submission	25 January 2019

**Annex 1 - Fairness/vulnerability policy/strategy**

**Response to Motion to Council**

**17 January 2019**

This Council has always taken the welfare of its vulnerable customers very seriously and equally it has to strike the balance between looking after those in need and protecting the interests of those who do pay their financial commitments on time and in full.

I do believe that the Council strikes that balance and furthermore has adopted a number of innovative practices, which help to achieve this.

By far the largest amount of money that the Council collects is for Council Tax, followed by Business Rates and Car Parking Penalty Charge Notices and Housing Benefit Overpayments. An increasingly diminishing number of Sundry Invoices are now issued as payment is generally required “up front” for chargeable services.

Council Tax and Business Rates collection is highly regulated. A Bill, Reminder Notice, Final Notice (in certain circumstances) and a Summons have to be issued and a Liability Order obtained from the Magistrates Court before any enforcement can be carried out. At each stage before a Liability Order is obtained, the Council will enter into payment arrangements and in cases of multiple debt, will refer the customer to Citizens Advice for Debt Management Advice. At all times, the Council will accept any payment arrangement suggested by Citizens Advice. One innovative approach taken by the Council is that with the issue of a Summons, a payment arrangement is automatically offered and if the payments are made, no further enforcement action is taken.

When a Liability Order for Council Tax has been obtained each case is reviewed to see if it is suitable for an Attachment of Earnings or Benefit rather than referral to an Enforcement Agent. No cases are referred to the Enforcement Agent where a welfare benefit is in payment and instead, the Council will apply for an Attachment of Benefit. Should any case “slip through the net”, the Enforcement Agent will return the case to the Council and any costs incurred will be removed. Cases are also returned to the Council where the Enforcement Agent is made aware that a customer has subsequently claimed a welfare benefit after the Liability Order has been awarded.

Inevitably, there will be some cases that are referred to the Enforcement Agents and some of these will be those who can pay and choose not to. There will be others that have found themselves in debt and/or are vulnerable.

Both Enforcement Agents that the Council uses have Welfare Teams that deal with potentially vulnerable customers and they work very closely with Citizens Advice and the Council. When the Enforcement Agents identify cases of multiple debt or

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vulnerability they will refer the customer to Citizens Advice for specialist advice and the Council will agree to any payment arrangement suggested by Citizens Advice.

These arrangements are detailed in the Service Level Agreements with each Enforcement Agent.

One of the Council's Enforcement Agents, Penham Excel has worked with Citizens Advice to deliver training to its staff and works with the Debt Management Charity, Stepchange.

A visit from an Enforcement Agent can in fact be beneficial to those vulnerable customers that need specialist help, as they can be identified and referred for that help in a way that would not be possible by sending letters.

At present, there is £1.712M of debt being collected by the Council's Enforcement Agents compared to £1.885M being collected or waiting to be collected in-house by means of Attachment of Earning and Attachment of Benefits. This gives a clear indication that the Council does not routinely send cases to the Enforcement Agents for collection.

Moving forward, the Council is about to be part of a pilot scheme sponsored by the Cabinet Office, which will allow HMRC to share employment details of those in arrears with their Council Tax with the Council, so that Attachment of Earnings can more easily set up, thus further avoiding the need to refer cases to the Enforcement Agents.

We believe that the Council is very mindful of its vulnerable customers and does all it can to offer help and assistance and specialist advice. In particular we would not support the removal of the use of Enforcement Agents for the following reasons:

- Enforcement Agents are instrumental in helping to identify vulnerable customers
- Enforcement Agents are an effective means of collection for those that can pay but won't pay
- There would be considerable additional costs and more staff required to manage arrears cases if they all had to be managed in-house

The same principles are used for the collection of other debts owed to the Council and these are on a much smaller scale.

Finally, I can advise that goods can only be removed with the agreement of the Council and this has not been necessary for some years. Also, complaints against the Enforcement Agents are very rare and there have been none recorded for several years.