

Official - Sensitive
Digital Economy Act 2017 - Formal Submission for
Local Authority Council Tax - Debt Recovery and Vulnerable Support pilot

Digital Economy Act 2017
Debt and Fraud Information Sharing Business Case

Explanatory notes

Part 5 of the Digital Economy Act 2017 provides for powers to share information to help reduce debt owed the public sector and combat fraud against the public sector. If you wish to establish an information sharing arrangement under the debt or fraud powers, you must have regard to the [Information Sharing Code of Practice](#). Initially, all information sharing for debt and fraud purposes will be run as pilots and you must develop and agree a single business case with the other bodies participating in the data share.

The initial purpose of the business case is to justify the pilot by clarifying its objectives, how the pilot will be measured and the processes to ensure that data is being protected and used appropriately. Where necessary, supplement the business case with relevant documents related to the pilot, for example, a project initiation document (or equivalent), data specification and privacy notice.

Before completing the business case below, please:

- read the Information Sharing Code of Practice in conjunction with the Information Commissioner's Data Sharing Code of Practice¹.
- check that the public authority and/or service provider you represent is specified in the Act; and
- check that your information sharing arrangement relates to England-only and non-devolved data shares.

If you have existing corporate documentation that meets the criteria then you can use that in place of this template.

Version control

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¹ *The code is being updated following a consultation in 2019, so please check the ICO website www.ico.org.uk for the new version. Until then, you may wish to refer to the 2011 version of the code, but please bear in mind that this is now out of date in many respects.*

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Version	Name	Date	Comment
0.1	Cabinet Office (on behalf of Preston City Council)	14.01.2021	
1.0	Cabinet Office (on behalf of Preston City Council)	26.01.2021	Revised following clarifications and discussions with Pilot Working Group
1.1	Cabinet Office (on behalf of Preston City Council)	02.02.2021	Revised following updated pilot plans.
2.0	Cabinet Office (on behalf of Preston City Council)	04.02.2021	Revised following updated pilot plans - removal of HMRC's proposal to retain pilot data.
2.1	Cabinet Office (on behalf of Preston City Council)	08.02.2021	Revised following questions/queries from involved Local Authorities - expected to be the final draft version.

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Name of Pilot	Data Share Between Local Authorities and Government Departments to Manage and Reduce 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, Paragraph 48
Lead organisation - 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.	Preston City Council, as listed in Schedule 7, Paragraph 10 - 14
Please confirm which other public authorities are party to the proposed data sharing arrangement, and which Schedule they are listed in.	DWP, as listed in Schedule 7 Paragraph 6 HMRC, as listed in Schedule 7 Paragraph 8 Cabinet Office, as listed in Schedule 7 Paragraph 9
If applicable, please confirm which organisation(s) is considered to meet the definitions in para 41 of Schedules 7 (debt) or 8 (fraud)	N/A
Legal basis	Digital Economy Act (2017), Part 5, Chapter 4, Paragraph 48
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	Formal Review
Please provide an outline of the information share. Note: you need not detail the counter fraud operations of partners	
This should include: <ul style="list-style-type: none"> ● the legal basis for the pilot and that no other legal gateways are available or can be used 	

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- the objective of the information sharing agreement, including:-
 - a description of how the reaud or debt has occurred
 - the financial implications
 - a user case example
- an overview of the activity under the arrangement and how the data will be used;
- an outline of what types of data will be shared and the data security arrangements to be put in place
- the period of duration for the arrangement, when the data share will be live
- how retention periods will be managed
- the potential benefits the pilot
- the success measures of the pilot

Legal basis:

The legal basis for this pilot is the Digital Economy Act (2017).

This has been determined with discussion with our legal team.

The objective of the information sharing agreement:

This is a follow-up pilot to the Council Tax Pilot (DEA/D/1-29) that was in operation from March 19 to March 20. This new pilot involves 30 local authorities, DWP and HMRC.

Both this new pilot and the first are and were aimed at:

- Increasing the management and recovery of debt by utilising HMRC PAYE and Self Assessment (SA) data,
- Identifying and supporting vulnerable debtors.

As the country begins to recover from Covid-19, debt recovery action will recommence. Thus, the aims of this pilot are to support public authorities in enacting fair debt recovery programmes, supporting those who can't pay whilst managing and recovering debt from those who can pay.

The first pilot involved 29 local authorities supplying a sample of their Council Tax debtors to HMRC, whereupon HMRC returned the associated PAYE and Self Assessment data to the local authorities for them to use in managing and recovering debt (via communication with the debtors and by using Attachments of Earnings (AoE) where appropriate).

The first pilot has now ended and the results are being analysed. Early indications suggest it has successfully achieved a Council Tax debt recovery rate of approximately 20%. This new pilot is again limited to Council Tax debtors.

In building upon the first pilot, there are two areas that can be improved upon in launching this second pilot:

- the identification of vulnerability, and,
- the matching rate.

Identification of Vulnerability - In the first pilot, we anticipated that the PAYE and SA information of debtors could indicate their vulnerability. This proved to be erroneous and no determination could be made from either data set.

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Matching Rate - The first pilot's matching success rate was 54%. Although this was better than expected, the introduction of additional identification information can increase the match rate significantly, thus increasing the debt recovery rate.

Public Authorities - This second pilot aims to include the following:

Local Authorities, comprising

- a core from the first pilot, and,
- a small selection of those who have expressed a new interest.

DWP - Included as the source for:

- increasing the vulnerability identification, by returning matched debtors in receipt of income-based benefits,
- increasing the matching rate with HMRC, by adding additional identification data (including NINO to debtors it matches).

The data requested from HMRC is:

- Address data
 - to aid communication
- PAYE data
 - to aid segmentation of recovery action
- Self Assessment data
 - to aid segmentation of recovery action
- Furlough data
 - to aid in the identification of vulnerable debtors

Neither HMRC or DWP is to retain the data beyond its matching operations. Cabinet Office is not to retain the data beyond its collation of the Local Authorities' spreadsheets, its passing of this to DWP and its return of disaggregated information to respective Local Authorities. An MOU will be drawn up between all parties (including Preston City Council, Cabinet Office, DWP and HMRC) prior to the data share under Article 28 of the UK GDPR. Here, the process of transferring the data shall be detailed.

Background of the Authority.

Preston is a City in the North West of England, granted City status in 2002 and renowned for its Preston Guild celebrations every twenty years. It has a population of approximately 115,000 people, with residential dwellings of just over 65,000, forever increasing due to the number of new housing developments currently being built. Historically collection rates were usually around the 96% mark but in more recent years, since 2013 when the national scheme of Council Tax benefit was abolished and replaced with a localised Council Tax Support Scheme, the collection rate has slowly reduced, as Preston introduced a scheme whereby Council Tax Support is calculated on the full amount of Council Tax and a 20% reduction is applied for all working age customers. This has resulted in collection rates falling to around the 93/94% rate since then. Arrears for the past 5 years amount to £11,537,678.20

Preston City Councils recovery Policy can be found at:

<https://www.preston.gov.uk/article/900/Difficulties-paying-your-Council-Tax->

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An annual Council Tax bill is issued to every chargeable dwelling, requesting instalments over 10 or 12 months, payable by direct debit over 5 monthly payment dates (1st, 7th, 15th, 21st or 28th) or by cash/cheque on the 1st of the month. A reminder 1 notice will be issued 7 days after an instalment has become overdue requesting payment to bring the account up to date. If payment is not made, a summons will then be issued and our court costs are currently £27.00 for the issue of a summons and £26.50 if a liability order is granted. If, upon receipt of a reminder 1 notice, the account is brought up to date, no further action is taken. However if the account falls into arrears again, a second reminder notice is issued and this advises that payments should be brought up to date and paid on time in future as if they fall behind again, a final notice will be issued and this cancels the right to pay in instalments, meaning the full outstanding balance will be payable. If a final notice is issued, and the customer is unable to pay the amount in full, a payment arrangement can be made.

Payment arrangements are encouraged at every stage if a customer is struggling to pay. If a liability order is obtained, notification of this is sent to the customer and they are asked to provide details of their income and expenditure in order that we may assess the most appropriate form of recovery action moving forward. (We rarely receive these completed forms back. If we are aware of the customer's employment details, we will set up an attachment on their earnings or request deductions from their benefit. If we have no employment details and no other information advising us of their current circumstances, their account will be passed to one of 3 enforcement agent companies that we use. If the enforcement agent is unable to contact the customer or obtain payment then they will return the case to the Council for further action. We then assess the account and circumstances and in some cases we will visit the customer to discuss their circumstances and try and help them moving forward. Our next course of action would be to apply for a charging order with a view to obtaining an order for sale (OFS on empty properties) or we will apply for bankruptcy. However this is a last resort when we have no other recovery options available.

Preston City Council has identified that customer income-based benefit information from DWP and PAYE and Self-Assessment customer information from HMRC is useful and able to support:

The managing of overall arrears and further developing of recovery procedures, by:

- identifying customers whose circumstances make them vulnerable and providing appropriate support and appropriate recovery action whereupon they engage with the Local Authority;
- identifying those in employment and allowing the recovering of individual debts by Attachment to Earnings Orders, where appropriate;
- identifying forwarding addresses for customers who have moved leaving arrears outstanding;
- identifying those receiving benefits and allowing the recovering of individual debts by Attachment to Benefits Orders, where appropriate.

This is a significant change from the current process and allows us to take positive action to identify and support vulnerable customers and recover debt from those customers who are not engaging in the process and who have already been informed of the action the Local Authority may take.

An overview of the activity under the arrangement and how the data will be used:

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Preston City Council, will undertake a one-off data share as to a reasonable sample of debtors. This sample is to be of an appropriate size in relation to Preston City Council (as may include all debtors contained within our Liability Order dataset). There is no limit to this sample size. This sample is to be shared with Cabinet Office, who will then collate all of the submitted samples from the pilot's Local Authorities into a single document. This collated document will then be passed by Cabinet Office to DWP who will match against their benefits records. For those records matched, DWP will add income-based benefits data and add corroborative customer information (e.g., NINO and/or DoB) and then forward these records to HMRC. HMRC will then match these customer records against their systems and return the records to Cabinet Office with the associated address, PAYE and/or Self-Assessment information. Cabinet Office will then disaggregate this information and provide the respective samples to each local authority, whereupon Preston City Council shall receive its sample back.

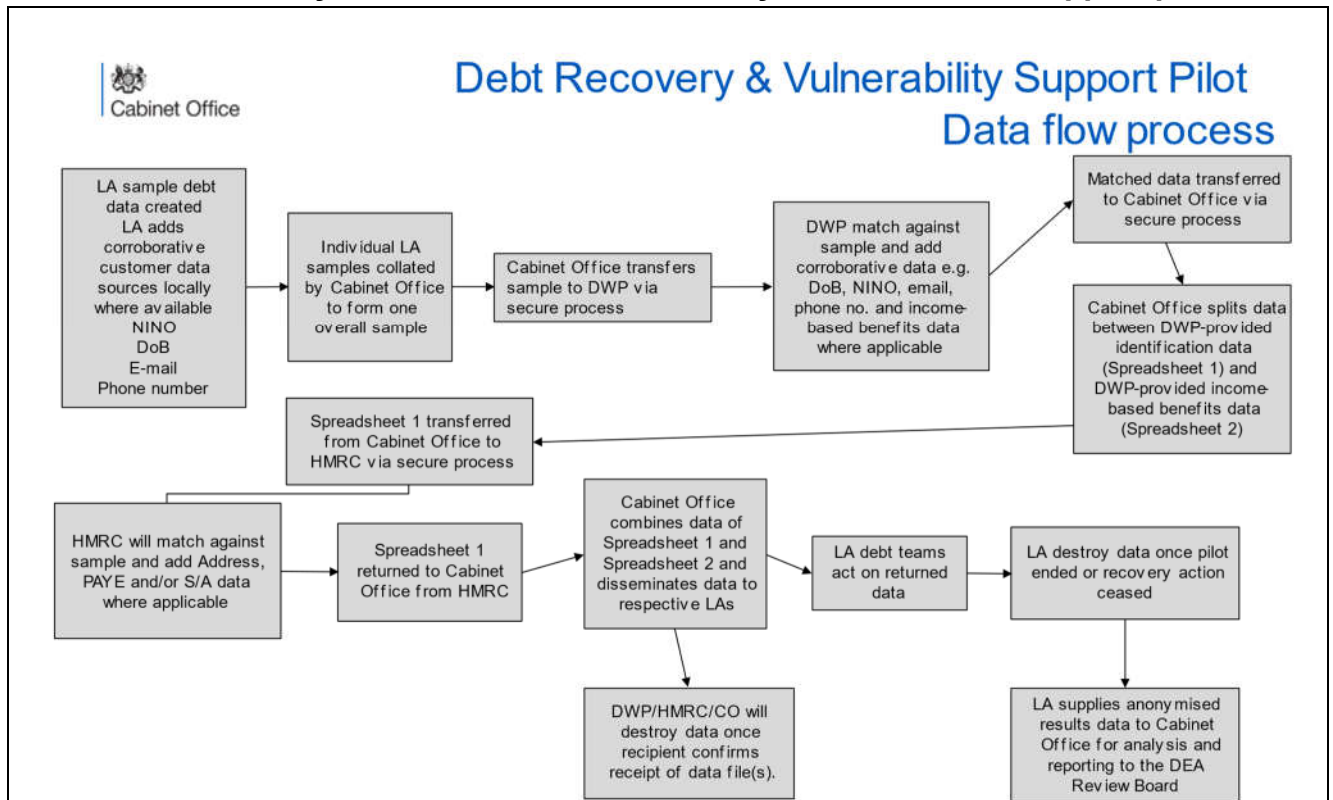
The sample will exclude debtors who are;

- in receipt of debt support - full or partial;
- deceased;
- subject to committal and bankruptcy cases;
- companies;
- subject to a current Attachment of Earnings.

A snapshot of data will be taken before being issued to DWP/HMRC for evaluation during and post-action.

A proposed process map is shown below:

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1 Debt recovery & Vulnerability Support Pilot - The Next Generation

Once the data has been returned, Preston City Council will analyse the results from DWP and HMRC and;

For those in receipt of DWP Income-based benefits:
 Pass to debt support team for action,
 Communicate with the debtor,
 If debtor contacted and vulnerability discussed, support offered (where appropriate) and/or payment plan agreed
 if no contact, Preston City Council shall continue recovery action

For those in receipt of PAYE:
 14-day letter (as per the first pilot) to be issued to the debtor.
 If debtor contacted, payment plan or vulnerability discussed
 If no contact, Preston City Council shall progress Attachment of Earnings action.

For those in receipt of S/A:
 Communicate with the customer noting they are in receipt of S/A
 If debtor contacted, payment plan or vulnerability discussed.
 If no contact, Preston City Council shall continue recovery action.

An outline of what types of data will be shared and the data security arrangements to be put in place:

Preston City Council will supply Cabinet Office with our sample which contains the following;

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- Full name:-
 - Title;
 - First name;
 - Middle name or initials;
 - Surname.
- Current address and postcode
- Forwarding address and dates
- Date of commencement of Liability Order (if applicable)
- Unique identifier (Future proof)
- Telephone numbers (where available)
- Email addresses (where available)

In addition, either DoB or NINO will be provided as a minimum (where available) to assist DWP data matching.

Cabinet Office will collate our sample with the other samples from the Local Authorities involved in this pilot for onward transmission to DWP.

Redacted as related to data security and DWP and HMRC processes.

Persons at Preston City 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.

Redacted as related to data security and DWP and HMRC processes.

For any third-party entity or body which provides services to Preston City Council and which has access to its software suppliers and is able to extract data to be used in a search tool available for other councils – Preston City Council shall ensure no data supplied to them under this pilot is available for any other council to obtain.

The period of duration for the arrangement, when the data share will be live:

The duration period for the pilot shall be **12 months** from when the data is shared by Preston City Council to Cabinet Office, with this period enabling the analysis of the success or otherwise of the data share. An initial report will be compiled and submitted to the DEA Review Board via the DEA Secretariat after the end of the operational activity, as shall outline the progress made against the success criteria and any issues found.

A provisional timetable is outlined below:

- Feb 21 – Formal Business Case submitted to the DEA Review Board
- Feb 21 – Ministerial Approval
- March 21 - Data shared from Preston City Council to Cabinet Office and this collated data (comprising all pilot Local Authorities data) is shared with DWP,
- April 21 - HMRC to conduct matching and return data to Cabinet Office, who will then disaggregate and share related data back to Preston City Council.

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- April/May 21 - Pilot authorities begin analysis and operational activity on returned data
- April/May 21 - Initial review of the pilot against the success criteria
- Sept 21 - Mid pilot review and report and BAU considered
- March 22 - Pilot ends and pilot evaluation report produced

How retention periods will be managed:

The retention period for the pilot shall be 12 months from when the data is shared with Preston City Council to Cabinet Office.

Personal data that has been part of the DEA legal gateway process will be retained in accordance with the authorities' data retention policy. Shared data will be kept separate and recognisable to enable deletion at the end of the pilot.

Cabinet Office will destroy the collated data once:

- Preston City Council has received the match results
- Anomalies in the data are resolved

Neither HMRC or DWP is to retain the data beyond its matching operations. Cabinet Office is not to retain the data beyond its collation of the Local Authorities' spreadsheets, its passing of this to DWP and its return of disaggregated information to respective Local Authorities.

The aggregated report produced will not be subject to a retention period as it will not contain personal data, only aggregated results.

For Local Authorities and HMRC, the pilot data will be deleted one year after the data has been shared with Cabinet Office, except where the data is being used operationally and will be deleted once recovery action has been completed.

From the information supplied by HMRC, if Preston City Council subsequently has this information confirmed by either the employer or the individual, then that information can be classed as having been supplied via another source (i.e., other than HMRC), then Preston City Council shall be able to retain this data on its systems. However, the data received from HMRC in its raw format shall be deleted at the end of the pilot.

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

The potential benefits the information share could bring:

Potential benefits;

- Increased debt recovered
- Increased in-year collection rate

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- Increased identification of vulnerable debtors, as can be signposted for assistance within or externally of the Preston City Council, where they engage;
- Increase in debt recovery due to knowledge of PAYE and Self-Assessment information
- Increase in take-up of reliable Attachment of Earnings
- Reduced failure rate of Attachment of Earnings
- Reduced need for using enforcement agents as a first port-of-call and the increasing of debt with fees.
- A fair approach to reducing debt with an ability to pay over a regular period.
- Improved effectiveness in debt recovery and thus reduced 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 Preston City Council 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
- Identification of individuals with a propensity to pay and take appropriate recovery action
- Reduced or mitigated problem debt

The success criteria for the data share and the methodology you will use to measure success:

Success criteria and associated metrics:

- Number of successful matches from DWP and HMRC
- Amount of debt recovered (£)
- Change in in-year collection rate
- Number of cases that were identified as potentially vulnerable due to data from DWP
- Number of cases that were referred to internal and external debt support, where they engage
- Number of AoE Issued, where applicable
- Number of no-payment Attachment of Earning, that the employer did not act upon (to be investigated), where applicable
- Decrease in the number of cases that go to enforcement agents
- Number of cases where previously unknown income now allows for effective customer engagement and payment commences
- Number of cases where previously unknown income now allows for effective customer engagement and enforcement action is taken upon non-payment
- At the end of the pilot, consideration can be given to the impact of the action on individuals and problem debt.

FOR DEBT INFORMATION SHARES

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

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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 DEA Code of Practice.

Access to this data will allow a more segmented approach to the recovery of debt. 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

Preston City Council has and will 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).

Where relevant 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 Preston City Council's 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.

<https://www.gov.uk/government/publications/digital-economy-act-2017-part-5-codes-of-practice/code-of-practice-for-public-authorities-disclosing-information-under-chapters-1-3-and-4-public-service-delivery-debt-and-fraud-of-part-5-of-the-di> Prior to sharing information we will consider the principles of the code and ensure it is necessary and proportionate to achieve the desired objective. We will consider the data protection principals and other relevant data protection legislation. We have consulted our DPO and staff have received training in data protection and GDPR.

Please confirm that the following are in place:-

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Senior Leader approval (Senior Responsible Officer)	Redacted
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 any relevant documents.	

Persons Involved in Data Share (Lead organisation)	
[name]	[role]
Redacted	Redacted

Persons Involved in Data Share (Other organisations)	
[name]	[role]

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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
Date of submission	8 th February 2021