

Protect – Commercial

EFAC Contract – Variation 52

Appendix 3

Schedule A Amendments

Schedule A (Specification of Requirements) to the Contract shall be amended as set out below in this Appendix 3.

The Parties acknowledge that a number of previous variations have been made to Schedule A (Specification of Requirements) to the Contract which are not reproduced below. Such variations shall remain effective, as amended by this Variation, other than any variations to any provisions which are deleted in their entirety by this Variation.

Schedule A Specification of Requirements

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OVERVIEW OF REQUIREMENTS

A1. General Overview

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- A1.1 The Tax Credits Error and Fraud Compliance intervention Service that can be provided from this Contract has resulted from a formal tender using, and in compliance with, the 'Open Procedure' as defined in the Public Contracts Regulations 2006 (The Regulations).
- A1.2 The procurement was the subject of a Prior Information Notice (PIN) published in the Official Journal of the European Union (OJEU) under:
- Title, UK-Salford: collection agency services;
 - Despatch date, 15/10/2013 and
 - Reference: BAK-2013-Error and Fraud Adding Capacity – 444
- A1.3 In accordance with the Regulations, the tender was published in OJEU under:
- Title: UK-Salford:Call centre;
 - Despatch date: 30.01.2014: and
 - Reference: 2013/S 202-349827
- A1.4 As outlined in the Contract Notice, this Contract is for a Tax Credits Error and Fraud Compliance intervention Service which will be used by the Authority for carrying out tax credits error and fraud compliance interventions.
- A1.5 Whilst HMRC are deemed to be the Contracting Authority for this Contract, Benefits and Credits Line of Business is the internal customer.
- A1.6 The Contractor must be able to conduct the Authority's business consistent with the HMRC Charter in the handling of cases referred to them and the way they may carry out tax credits error and fraud compliance interventions. The following link provides access to the HMRC Charter:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/91888/charter.pdf
<http://www.hmrc.gov.uk/charter/charter.pdf>
- A1.7 HMRC is not minded to agree to subcontracting in this Pproject to any significant extent. Accordingly it is looking to receive bids submitted either by consortia or single suppliers able to provide the full range of services required under the ITT. In either event it will be necessary for functions of the Commissioners to be delegated to the successful consortium or single bidder.
- A1.8 All process maps or detailed descriptions provided in this schedule and relevant annexes are drawn directly from existing tax credits documentation. Because of this there are references throughout to the use and update of the core administrative system (NTC) used by the Authority's staff to manage tax credits processes. ~~For the purposes of responding to this ITT, you should consider such references as referring to the use of Data View and Update methods described at Annex 4 to this Schedule.~~

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A2 Background

- A2.1 Tax Credits, introduced in April 2003, are designed to provide financial incentives to work, to help children in low income families, and to increase financial support for households that need it most. Tax Credits support 4.8

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million families and 7.9 million children through the administration of tax credits, offering financial support based on individual circumstances. The amount of support an eligible household can receive (known as their entitlement) varies depending on their income and their individual circumstances. The flexibility of the system means they change as household circumstances change, meaning their entitlement to tax credits changes with it. The tax credits system is operated by HM Revenue and Customs (the Authority) Benefits and Credits Line of Business (B&C).

A2.2 The tax credits system is complex and based on individual customer or household circumstances relating to household composition (single or joint persons), income, employment and children. Tax credits is dynamic and relies on customers telling HMRC about changes to their circumstances that affect the value of their tax credits awards during the award year. An annual reconciliation to establish final entitlement is carried out each year between April and July.

~~A2.3 In 2008/09 HMRC had a target to reduce error and fraud in the tax credits system to no more than 5% of finalised entitlement by 2010-11. Results of the Error and Fraud Analytical Programme (EFAP) published in June 2012, the recognised methodology used to assess overall levels of error and fraud in the tax credits system, and published annually as national statistics, showed losses of £2.27 billion (8.1 per cent of finalised entitlement) in 2010/11. Despite a reduction, the 2011/12 estimates show losses of £2.09 billion (7.3% of finalised entitlement); this remains a significant revenue loss to HM Government. Tax Credits error and fraud is measured across six risk (loss) groups—Income, Child, Childcare, Work & Hours, Undeclared Partner and Disability (see section A8).~~

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Rates of Error & Fraud within the Tax Credits System 2003/04 to 2011/12

Rates of Error & Fraud within the Tax Credits System 2003/04 to 2011/12									

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A2.4 — As part of the 2010 Government Spending Review (SR10) HMRC has allocated a maximum of 1,500 average daily full time equivalent (FTE) frontline operational personnel across compliance and related processing tasks per annum to address tax credits error and fraud. Operational performance has improved year-on-year from the identification of £250m losses prevented from compliance interventions in 2008-09 to £700m in 2012/13. Benefits & Credits forecast improvements in operational delivery leading to losses prevented of around £700m in 2013/14 and forecasts the same for 2014/15.

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A2.5 While this is a significant achievement, Benefits and Credits forecast only a modest impact on the overall levels of customer error, fraud and overpayments, estimating a reduction in error and fraud levels of 0.5 percentage points in 2012/13, 2013/14 and 2014/15. Whilst HMRC continues to improve risking capability and process re-engineering to improve operational efficiency and drive out more error and fraud within existing budgets, the progress is unlikely to reduce significantly those forecast levels, using existing resource and the current operating model alone, and to drive down levels of E&F further requires private sector collaboration.

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A3 Error and Fraud Adding Capacity Trial (EFACT)

A3.1 On 21 March 2013 the Authority contracted with a private sector company on a narrowly defined trial to determine whether the private sector could, with appropriate levels of support and training, engage with tax credits customers, collect and assess evidence and make decisions on the circumstances affecting their tax credits entitlement. The trial was carried out on a fee only basis.

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A3.2 The Contractor deployed resource on its own estate, using HMRC processes to identify customer error and make decisions, based on documentation requested from selected customers on entitlement and award value, and record the outcome of the compliance intervention in line with the Authority's proxy indicator, losses prevented. The Contractor was responsible for customer engagement using a number of techniques including letter, telephone and Standard Messaging Service (SMS) following the Authority's standard compliance processes. Customers were required to engage directly with the Contractor, providing required evidence, which was subsequently actioned and returned to the customer.

A3.3 A key part of the proof of concept was to observe how a private sector partner could, within the overall framework of standard Authority processes (legislation and policy framework), consider that process and organise themselves to deliver efficiencies and best practice. The Authority set key deliverables as part of the proof of concept, specifically:

- To deliver a capability that provides the Authority with an opportunity to establish the viability of adding capacity with commercial third parties and test some innovation;
- To deliver a range of innovative technologies, communication strategies and approaches in line with the Authority's policy and customer charter;
- To use additional data and enhanced matching to provide a stronger risk assessment for the Authority's pre-risked cases to work, as well as using data to further de-select low risk cases;
- To provide a platform that enabled the management of customer contact.

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- A3.4 ~~The risk categories (see section A8) in scope for the Tax Credits Error and Fraud Additional Capacity Trial were Child and Childcare, all other risk types (Income, Undeclared Partner, Work & Hours and Disability) were out of scope, as were cases connected to organised attacks and checks on new claims for tax credits.~~
- A3.5 ~~The Contractor was asked to consider 50,000 cases in total which had been pre-risked based upon HMRC Knowledge, Analysis and Information (KAI) Team's Disproportionate Loss Group (DLG) categorisation leading to a firm indication of error and fraud. Cases for a control group were randomly selected to ensure that the selection fairly represented the population from which it was drawn. Further detail on the risk categories in scope for this contract can be seen in A8.~~
- A3.6 ~~The Contractor was assessed against the capability to at least equal the Authority's business as usual performance within a number of hypotheses to provide evidence that a Contractor could provide the additional capacity to deliver HMRC tax credits error and fraud compliance interventions, consistent with an HMRC approach and at an acceptable level of risk and customer service to HMRC delivery standard. Performance data from the trial can be found at Annex 14.~~

A4 Error and Fraud Compliance Intervention Service description

- A4.1 The Authority is seeking to reduce levels of tax credits error and fraud by contracting to provide additional operational capacity to undertake additional compliance intervention checks.
- A4.2 The Authority is seeking a service with three core elements -

A4.2.1 Operational Delivery

Between September 2014 and ~~September~~ ~~March~~ 2017 the Authority requires the Contractor to consider ~~up to 5.5 million~~ tax credits awards to identify and correct ~~in the region of 2.0 million~~ cases that ~~are forecast to~~ contain ~~tax credits~~ error and fraud, ~~over and above HMRC planned activity.~~ ~~The delivery profile, related to tax credits risks, will align with the Authority's delivery plan.~~ The Contractor will use the standard Authority compliance intervention processes, High Risk Renewals and High Risk Change of Circumstance, to engage with tax credits customers, collect and assess evidence and make decisions on the customers' circumstances affecting their tax credits entitlement in line with the Commissioners' powers contained in the Tax Credits Act 2002 and associated regulations. For the duration of the contract the Authority will continue to deliver similar activity, in parallel to Contractor delivery.

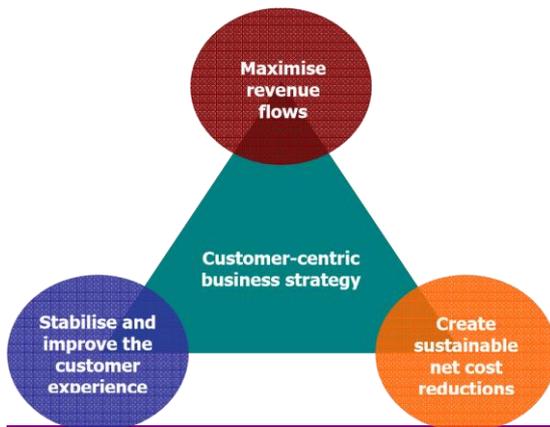
As a key delivery mechanism of the Service, the Contractor is required to provide operational capacity (resource) to commence operational delivery during the contract period, ~~contacting a predefined customer base/population to meet the required delivery profile and volume of compliance interventions, set out in Annex 2.~~ The Authority requires that a Contractor delivery service is flexible and scalable, providing the ability to increase / decrease operational capacity across the duration of the contract

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in response to increased or decreased demand and dependent on overall tax credits error and fraud outcomes and levels as determined by HMRC. The Authority will agree the minimum notice that the Contractor would require to increase / decrease operational capacity as part of supplier mobilisation. ~~This will be covered in the charges quoted in the cost schedule and questionnaire.~~

The tax credits compliance intervention service is consistent with the Authority's customer centric business strategy. In engaging with customers to identify incorrectness in customer awards HMRC's ambition is to seek to shift the behaviour of customers so that we can keep our costs in dealing with them to a minimum, bring in the maximum amount of revenue and at the same time keep them satisfied with the service they get. The Contractor will be judged against customer focused outcomes and key performance indicators relating to business strategy (see section A6 and Schedule E).

The HMRC Customer Centric Business Strategy explains in simple terms the key themes against which all operational activities should be based. It also explains that these activities are framed around a common understanding of customer attitudes and behaviours. The strategy makes us more effective, helps us all make sense of our complex organisation and, crucially, helps us to prioritise and set direction.



There are three objectives that we need to balance when looking at the work that we do and how we do it. These objectives generally go hand in hand but, at times, there will be tensions between them and we need to strike the right balance between the three elements.

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A4.2.2 Analytics

The Contractor is required to, as part of the error and fraud compliance intervention service, provide and apply a data matching and analytics solution to enhance the Authority's own risking capability and focus Contractor (only) operational delivery plans on cases where incidence of risk has been identified. The Contractor will be required to use data analytics and data matching to de-select cases for intervention where the risk of containing error and fraud is mitigated and therefore does not require intervention. This solution will compliment the Authority's own analytical and data matching capability, delivering high numbers of cases from pots containing broad ranges of risk, to enable deeper penetration of risk groups where Authority strike rates have remained stable. The Contractor will be obliged to share the principles and outputs of their analytics activity with the Authority upon request.

A4.2.3 Innovation

~~The Authority requires Contractors to respond to the tender proposing innovative solutions, directly linked to the analytics and operational delivery elements of the tax credits error and fraud intervention service, which may assist HMRC in building its own capability, improving its operational efficiency, performance and outputs, influencing customer behaviour or improving required outcomes.~~

A5 Delegation of Commissioners' Powers

- A5.1 In conducting the error and fraud compliance intervention Service the Contractor will act in accordance with the provisions of the Commissioners for Revenue and Customs Act 2005 (CRCA) and engage in tax credits error and fraud activity using powers enshrined in the Tax Credits Act 2002 and a number of associated regulations. The Commissioners of H M Revenue and Customs remain accountable for the exercise of the functions necessary for the Contractor to comply with those provisions. As such, the Commissioners of HMRC have agreed to delegate the specific functions to allow this.
- A5.2 Section 14(5) of the CRCA requires the Commissioners to monitor the exercise of any function that they delegate. The Commissioners remain responsible in law for actions carried out by those to whom they delegate functions and must satisfy themselves that their functions are being carried out lawfully and properly, whoever is performing them. The Authority will assure the correct application of Commissioners' powers across the end to end process by reference to the Authority Monitoring, Assurance and Quality Framework specified at Annex 1, the provisions relating to audit and assurance specified in section A38 and the provisions relating to monitoring, assurance and quality process and validation specified in section A39.
- A5.3 Whilst the Commissioners' remain responsible in law for actions carried out by those to whom they delegate functions, the Authority requires that the Contractor monitor and assure their own activity by reference to the Authority Monitoring, Assurance and Quality Framework specified at Annex

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1, the provisions relating to audit and assurance specified in section A38 and the provisions relating to monitoring, assurance and quality process and validation specified in section A39. The Contractor is required to make available all management information, including any remedial action taken to ensure ongoing compliance with the provisions of section A38, A39 and Annex 1.

- A5.4 Where, as part of the activity described in sections A38, A39 and Annex 1, the Authority is satisfied that the Contractor is failing to comply with the legal obligations of the Commissioners for Revenue and Customs Act 2005, the Tax Credits Act 2002 and associated regulations, this will be regarded as a material breach of ~~any the eContract signed to deliver the Error and Fraud Compliance Intervention Service.~~

A6 Expected Outcomes and ~~Service~~ Key Performance Indicators

- ~~A6.1~~ ~~The Authority requires that across the duration of the contract the Contractor will deliver circa £2,000 million losses prevented (translated into £1,030 million savings in annual managed expenditure) in line with current monthly projections. Authority targets are set in advance in line with Departmental planning processes. An indicative monthly plan and estimates of value, based on current levels of tax credits error and fraud and latest forecasting, is detailed in Annex 2.~~
- A6.12- The Authority requires that the core operational service is managed to agreed service levels and key performance indicators, as specified in Schedule E. It will be in line with customer centric principles to stabilise and improve the customer service experience.
- ~~A6.3~~ ~~The Contractor will deliver the agreed levels of Authority customer service in relation to timeliness, quality and decision making, as specified in Schedule E.~~
- A6.24 The Authority will initially set Contractor ~~Key~~ Performance Indicators (KPI) for the first 6 months of Contractor activity and then by financial year covering a 12 and 17 month period. The Authority will review those ~~key~~ performance indicators on an annual basis and make changes in line with the Authority's business as usual planning process. ~~K~~PIs may be uplifted in each year of the contract, as agreed between the Authority and the Contractor, which will not be considered as a variance to this contract.
- A6.35 The Contractor must actively manage the resolution of ~~the KPIs in Schedule E~~ that are failing and work towards an uplift to achieve them within a prescribed period of time as agreed between the Authority and the Contractor.

A7 Error and Fraud Adding Capacity Target Operating Model

- A7.1 Contractor delivery will be administered by the Authority through the EFAC service management unit, which is aligned with the Authority's service delivery model.

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- A7.2 The EFAC service management unit will be responsible for all Contractor alignment with HMRC strategy and also planning and integration with the Authority's systems and processes.
- A7.3 Schedule D provides detail on EFAC service management functions and related Contractor requirements.
- A7.4 A high level operating model for EFAC is attached at Annex 5.

A8 Tax Credits Risk Groups (incidence of non-compliance)

- A8.1 This Contract covers all types of tax credits risk, ~~as identified by the Error and Fraud Analytical Programme (see paragraph A2.3 and the following link: <http://www.hmrc.gov.uk/statistics/fin-error-stats/cwterredits-error.pdf>), specifically:~~

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- ~~**Income**~~ – the value of a tax credits award is dependent, in the majority of cases on the level of household income. Tax credits losses to the income risk are due to differences between declared income and actual income. The Authority makes use of existing systems, such as Pay As You Earn (PAYE) and Self Assessment to derive actual customer income figures that are compared against that declared. Any Contractor analytics or data matching is required to identify discrepancies between declared and actual income levels outside of Authority systems seeking, for example, to look at other indicators of wealth or expenditure. ~~Historically, losses to the income risk have declined as the Authority has made changes to policy. In 2011/12, the latest published data, losses to the income risk increased, again as a consequence of policy decisions relating to the amount of income that is disregarded at renewal.~~ The Authority has developed the PAYE, Real Time Information (RTI) system, which will be introduced in April 2014 to ensure that, where a customer's income is derived solely from PAYE, their tax credits award and PAYE income are consistent. However, income related to self-employed remains a key risk. The Contractor acknowledges that, while the Authority may provide income cases as part of the Services, nothing in this Contract shall commit it to do so.
- **Work & Hours** – the employment / self employment information provided by the customer, and used to form the basis of the award to tax credits on, has been flagged as potentially non-compliant either through Authority systems (PAYE or Self Assessment) showing differing information or by the use of profiling Disproportionate Loss Groups (DLGs - see section A10.1) based upon, for example, a comparison of hours and income and the relationship with minimum wage levels. The Contractor is required to identify discrepancies. Historically, losses to the work and hours risk have remained broadly in line with entitlement.
- **Child** - A tax credits award includes a child which the Authority has identified as potentially not being a member of that household or who is no longer in full-time non-advanced education, essentially education and training beyond statutory age limits, and therefore ineligible for additional premiums. Historically, after a peak in 2010/11, losses to the Child risk, in the main relating to young persons aged 17, 18 & 19, in full-time

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nonadvanced education reduced in 2011/12. The Authority's prime enabler in relation to this risk group is Child Benefit data. The Contractor is required to make full use of other available data matching (addresses, schoolsrelated) to identify discrepancies.

- **Child Care** - Child Care charges, as reported by the customer, have been identified as inflated or fictitious. The Authority uses profiling techniques to identify potential non-compliance. The Contractor is required to make full use of other available data matching (addresses, schools-related) to identify discrepancies. The Authority has had significant success in reducing losses to the Child Care risk over the last three years. However, Authority analysis shows that it is complex for customers to administer and remains an issue albeit one where the process successfully addresses it.
- **Undeclared Partner** - A customer has submitted a tax credits claim as a single person and the Authority has used profiling techniques to identify the potential that the claim should be made in a joint capacity. The Contractor is required to make full use of other available data matching (for example, addresses, credit / financial reports and other life style data including income reconciliation) to identify discrepancies. Whilst losses to the Undeclared Partner risk have been broadly maintained in relation to entitlement, the amounts remain significant. The Authority has had some success with the use of credit reference agency life style data but is seeking other datasets that will identify the potential for joint households.
- **Disability** – Any declared disability for the customer, partner or child is either misunderstood, not applicable, claimed in the wrong capacity or falsely claimed.
- **Multi risk** – a combination of 2 or more of the above.

A8.2 The Contract will not be used to tackle tax credits losses arising from organised fraud (as defined by Authority guidance). There is potential that the Contractor will come across singleton fraud which must be referred to the Authority on identification.

~~A8.3 The risk types, indicative annual volumes and average compliance intervention outputs are at Annex 2. The Contractor should take into account that the types of risk indicated to be processed through the contract are for illustrative purposes only and cannot be confirmed until the Contract is awarded.~~

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A9 High Level Process

A9.1 The Tax Credits Error and Fraud Compliance Intervention Service high level process comprises of the following key component parts:

1. **Data Sourcing:** The Authority will identify compliance interventions to be worked using predictive analytics profiling and by reference to other Authority systems such as the PAYE, as well as data sets including, but not limited to, Child Benefit information. ~~The Authority will provide the Contractor an agreed schedule of Caseloads consistent with Authority planning processes.~~

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2. **Case Transfer and Selection:** The Authority will establish workflow arrangements to provide the Contractor with pre-risked cases together with relevant data to allow Contractor manipulation. The Contractor will be expected to apply data matching and analytics to each package, selecting cases with an indication of error and fraud for compliance interventions, deselecting those without and returning those cases to the Authority. The Contractor will establish the reasonable grounds for believing that the tax credits award is incorrect under section 16(2), 16(3) or 18(10) of the Tax Credits Act 2002.
3. **Compliance Intervention Process:** The Contractor shall work the cases provided in line with current Authority Processes, Standard Operating Procedures (SOPs), guidance and legislation under the provisions of the Commissioners' powers contained in the Tax Credits Act 2002 (see Annex 3) and associated regulations. The Contractor will be expected to contact customers and/or their providers, e.g. Childcare providers, employers, request and assess evidence, make informed decisions, update customer records and calculate losses prevented. Where appropriate, the Contractor shall consider and apply civil penalties, under s31,32 and s34 of the Tax Credits Act 2002, as a result of the compliance intervention (see Section A15). The Contractor will be asked to undertake quality and assurance checks against compliance interventions worked as well as be subject to an assurance regime operated by the Authority. The Contractor will be required to make customer contact by letter, telephone and SMS or a combination, and operate an inbound and outbound post room facility. The Contractor will require suitable facilities to support their main channel of customer contact – telephony – as a consequence of the service.
4. **Downstream Customer Activity (Repair):** The Contractor will be required to deliver all types of customer reconsiderations, in line with the provisions of the Commissioners' powers contained in the Tax Credits Act 2002 and associated regulations in confirming and amending decisions, and tone and treatment complaints. The responsibility of the management of tax credits appeals, as defined in tax credits legislation, any overpayments of tax credits disputed by the customer or their representative and customer complaints relating to the award will remain with the Authority. The Contractor will work with the Authority to resolve security incidents that have been caused by the Contractor.
5. **Management Information (MI):** The Contractor will be required to capture and retain any and all management information agreed with and requested by the Authority, as specified in Schedule D, within the frequency specified in that Schedule. The Contractor will be required to provide all data related to the data analytics / matching service ~~in addition to any and all data relevant to any innovation described in A4.2.3.~~

A10 Process - Data Sourcing

- A10.1 HMRC establishes the reasonable grounds for believing that the tax credits award is incorrect under section 16(2) and 18(10) of the Tax Credits Act

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2002, using past compliance intervention data, decision trees (using Chaid analysis) and regression modelling as appropriate and produce DLGs. A DLG is a group of customers sharing the same key data characteristics as groups known in the past to have been non-compliant due to their tendency to make errors or commit fraud. HMRC test these DLGs by undertaking compliance checks on a sample and reviewing results back onto their risk modelling. DLGs are built for each main risk type, child, childcare, income, work and hours, undeclared partner and disability, for each campaign type – in-year High Risk Change of Circumstance (HRCC) and the year end checks, High Risk Renewals (HRR). Each DLG is further split into subgroups of customers where each customer in a sub-group has similar award characteristics. The Authority will share appropriate data sets and an explanation of each caseload. The Authority will not make available the detailed rules that each DLG is based upon.

- A10.2 The Authority will identify compliance interventions using data profiling and risk assessment to establish the likelihood that the award is incorrect. The Authority will provide the Contractor with an agreed schedule of caseloads, which will be ~~worked in order~~, as specified by the Authority, with reference to Authority Processes, Standard Operating Procedures (SOPs), guidance and legislation.
- A10.3 The Authority will review the DLGs and assign sub-groups to the Contractor in line with agreed loss prevention targets. Standard Authority de-selection criteria e.g. customer deceased, will be applied to the caseload and these cases will be removed prior to sending to the Contractor.
- A10.4 The Authority will create a number of DLG sub-groups ranging from high to low risk, where the definition of risk is based on a combination of the average loss per non-compliant award and the expected strike rate for the group. The Authority will take the cases required to satisfy its own operational targets and resource capacity, the remaining DLG sub-groups, typically a combination of high, medium and low risk groups, ~~will be sent to the Contractor for them to meet their loss prevention targets assuming the outcome from the DLG groups is as modelled. Relevant caseloads will be sent as required. For example, High Risk Renewal cases, to be worked between April and August annually will be supplied as a block (segregated by risk) in March each year, whereas High Risk Change of Circumstance cases will be supplied monthly in line with current Authority planning processes.~~ A caseload will be an electronic transfer of data including all the relevant data to the risk type and will be completed in timescales agreed with the Authority.

A11 Process - Case Transfer and Selection

- A11.1 The Authority will securely supply caseloads to the Contractor using the Rules and Interface Management format and method described at Annex 4. The Authority expects the Contractor to acknowledge receipt, confirm data integrity checks and validate the information provided. The Contractor will be expected to apply data matching and analytics to each package to establish whether there are reasonable grounds to believe that the award is incorrect, in line with the provisions of s16(2) of the Tax Credits Act 2002 in respect of HRCC and s18(10) in respect of HRR, and so suitable to adopt for compliance intervention purposes.

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- A11.2 Following the selection process the Authority will transfer an up to date dataset for the relevant caseload in the Rules and Interface Management format and method described at Annex 4.
- A11.3 The Authority expects all de-selected cases to be returned using the Secure Electronic Transfer method described at Annex 4 with a reason code that will be agreed with the Authority. The Contractor is required to return deselected cases to the Authority within 2 working days following confirmation of cases. The Contractor is required to provide the reason for de-selection, in a format to be agreed as part of implementation.
- A11.4 The Contractor is required to implement and utilise all the formats and methods described at Annex 4 in order to manage case data/information interchanges with the Authority.
- A11.5 Where other ad-hoc exchanges of data/information is required between the Contractor and the Authority the Secure Electronic Transfer method described at Annex 4 will be used and must be agreed in writing by the Authority's Data Guardian in writing.
- A11.6 Implementation of the formats and methods described at Annex 4 will form part of the accreditation process.
- A11.7 The Authority will make data updates available using the Rules and Interface Management format and method described at Annex 4, throughout the year.
- A11.8 The Contractor must be able to process data updates using the Rules and Interface Management format and method described at Annex 4.
- A11.9 The Contractor must carry out data integrity checks to validate data updates drawn from the Authority e.g. number of data items received matches the number of data items updated.
- A11.10 The Contractor must report, by email, any discrepancies in data updates drawn from the Authority by the Contractor.
- A11.11 The Contractor must notify the Authority of any data integrity or validation check failures.
- A11.12 The Contractor must be ready to receive data from the Authority at least 1 month prior to commencement of operational delivery to enable Contractor analytics, as referred to in sections A10, A11 and A22. Specific arrangements in respect of go-live are contained in section A33 (Implementation Timeline and Key Milestones).
- A11.13 The Contractor must return the list of cases that they have selected for compliance intervention to the Authority using the Secure Electronic Transfer method described at Annex 4.

A12 Process – Compliance intervention Process - Overview

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^{*} ~~Not currently part of Authority processes but may be included as part of overall Contractor compliance intervention requirement~~

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A12.3 The service outputs will include delivery of error and fraud compliance interventions, ~~with related customer service timeliness targets and error and fraud outcome based targets across the duration of the contract, set out in Annex 2.~~

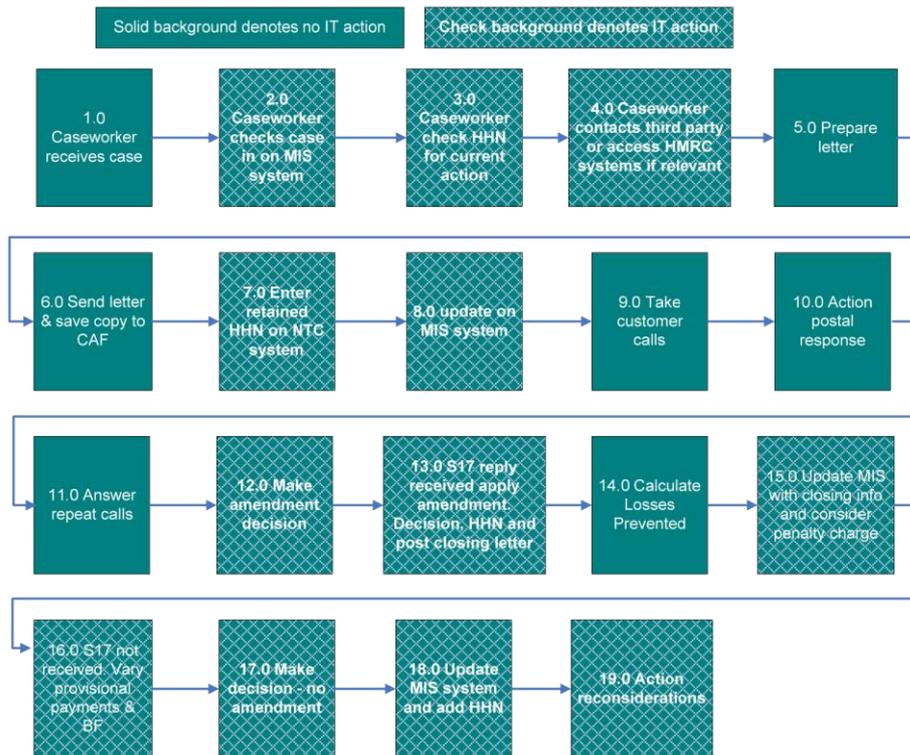
A12.4 —The Authority requires that a Contractor delivery service is flexible and scalable, providing the ability to increase / decrease operational capacity across the duration of the contract in response to increased or decreased demand and dependent on overall tax credits error and fraud outcomes and levels, as determined by HMRC. The Authority will agree the minimum notice that the Contractor would require to increase / decrease operational capacity as part of Contractor mobilisation.

A12.5 Both compliance intervention processes follow the same basic steps with an additional element in respect of High Risk Renewals, which, as part of the process, finalises a customers' previous year award and renews the current one. Both processes rely on the application of data matching or analytics to identify the strong likelihood of the customer's claim being incorrect. The processes rely on tax credits legislation to make enquiries with the customer and amend awards accordingly where evidence does not support the claim or where the customer simply fails to respond.

A12.6 The High Risk Renewal Campaign (HRR) is an annual compliance intervention carried out between April to August during the tax credits renewal period. The aim is to correct the Previous Year award and make a decision on the Current Year award to ensure it begins on the right footing. This ensures the award is finalised and renewed at the correct rate. This activity requires all cases to be opened by mid-June each year after a formal notice has been issued to the customer advising them of the circumstances on which the value of the award is based (s17 renewal

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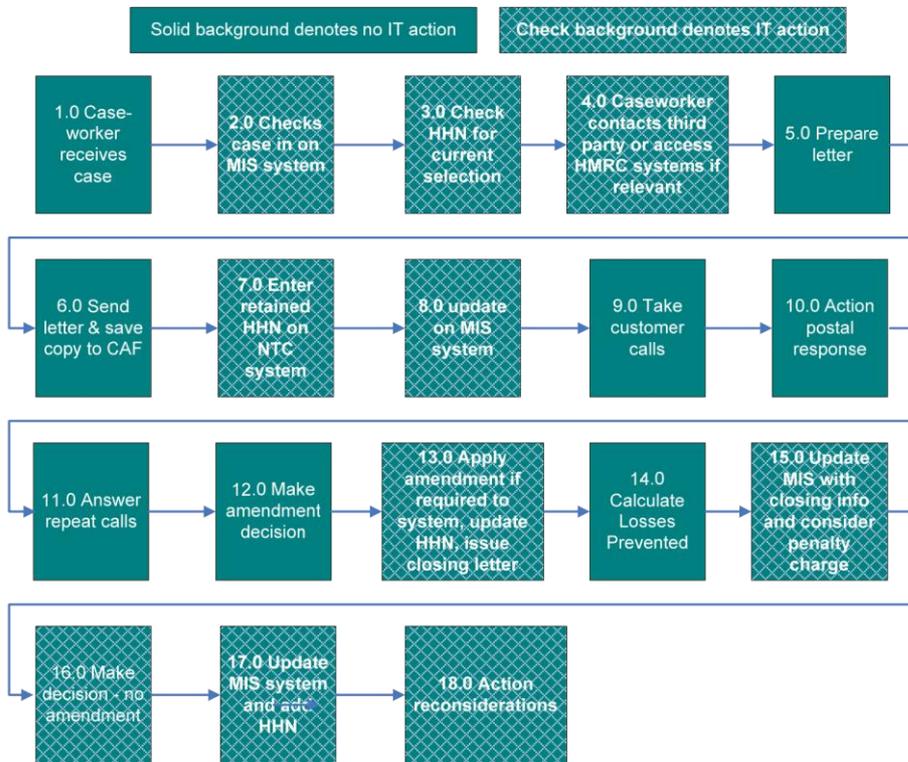
notice). The process relies on further legislative powers (s18) to request information and to finalise the customer's award. Other legislative provisions allow the Authority to make an initial decision on the new claim for the current year (s14) and to vary provisional current year payment (s24(4)). The compliance intervention process map is shown below.



A12.7 The High Risk Change of Circumstance Campaign (HRCC) is a current

year (CY) compliance intervention requiring s16 powers to request information and amend or terminate the customers' award. This activity is carried out annually between September and March and requires all cases to be opened by the end of February each year, on a monthly cycle depending on risk, in order that they may be closed by the end March, i.e. before the start of the Renewals process. The HRCC process was developed to tackle error and fraud in customer awards caused by a failure to report or incorrect reporting of a change of circumstance during the year. The High Level Process Map is shown below.

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- A12.8 The Contractor is required to deliver compliance interventions in line with current Authority Processes, Standard Operating Procedures (SOPs) and Guidance in respect of High Risk Renewals and High Risk Change of Circumstance. The Authority will provide the Contractor with a Business Readiness Pack (BRP) once the contract has been signed between the Contractor and the Authority which will provide supporting Training Packages, Tools and Products. The Contractor shall adhere to the BRP and make no changes to the content without agreement and sign off by the Authority.
- A12.9 Where the process changes, as a result of the Authority's "in house" Change Control Process (CCP) or as a result of sharing of best practice between the Contractor and the Authority, the BRP will be updated by the Authority and shared on production of the new SOP the Contractor is required to implement immediately.
- A12.10 The Contractor shall utilise one of two standard operating procedures (Discrepancy, Discrepancy and/or Information Request) to make decisions on tax credits error and fraud cases under s16 of the Tax Credits act 2002 in respect of High Risk Change of Circumstance, s18 in respect of High Risk Renewals with due consideration to s14, s21, s23 and s24 as well as associated regulations.
- A12.11 Where the discrepancy process is utilised, the Contractor is required to make a decision on entitlement to tax credits, under the provisions of A12.10.

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When a customer contacts the Contractor to agree with the discrepancy, the Contractor needs to agree a date when the entitlement ended for the tax credits element or entitlement, make a full record of the decision and thought processes against the customers' record. Where the customer contacts the Contractor to disagree the discrepancy and can provide evidence to prove this, the Contractor, will initially be required to start an information request and issue the customer a new letter documenting the information requested, under s16(3) or 18(10) of the Tax Credits Act, and a 30 day action date (BF) set from this date to reply.

A12.12 Where the information request process is utilised, the Contractor is required to make a decision on entitlement to tax credits when a customer either provides a full reply, partial reply or no reply has been received by the action date (BF). Where a customer has provided all of the evidence requested as part of the intervention, the Contractor will review the evidence to establish whether the information proves that the entitlement to tax credits or an element of tax credits is incorrect and therefore needs amending, or that the risk is eliminated and no amendment to the tax credits entitlement is required. There may be a requirement to contact the customer by telephone, as part of the decision making process to clarify information which cannot be deciphered. Once the Contractor makes a decision they are required to make a full record of the decision and thought processes against the customers' record. Where the customer provides a partial reply to the intervention, the Contractor must wait until the action date has expired and contact the customer to check if there is further information on route. There may be a requirement to extend the action date (BF) waiting for any additional information requested, under s16(3) or 18(10) of the Tax Credits Act, if the customer has provided more information and it has not yet been received. If the new action date has expired and further evidence has been provided, or if no further evidence has been received, the Contractor will review the totality of evidence held to establish whether the information proves that the entitlement to tax credits or an element of tax credits is incorrect and therefore needs amending, or that the risk is eliminated and no amendment to the tax credits entitlement is required. There may be a requirement to contact the customer by telephone, as part of the decision making process to clarify information which cannot be deciphered. Once the Contractor makes a decision they are required to make a full record of the decision and thought processes against the customers' record.

A13 Process – Compliance intervention Process – High Risk Renewals – Detail

A13.1 The Contractor is required to deliver the end to end High Risk Renewal tax credits compliance intervention process, in line with the provisions of the Commissioners' powers contained in the Tax Credits Act 2002 and associated regulations. The Contractor's operational personnel are required to engage with the customer by outbound letter and telephone in order to gain the evidence, under s18(10) of the Tax Credits Act 2002, required to make an entitlement decision based on a response/no response from the customer.

A13.2 As a key delivery mechanism of the Service, the Contractor is required to provide operational capacity (resource) to commence operational delivery

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during the contract period, contacting a predefined customer base/population to meet the delivery profile and volume of compliance interventions agreed under section A10. ~~High level indicative volumes, which are subject to change, are provided below and at Annex 2. Where Authority outputs are provided these are for illustrative purposes only.~~

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~~A13.3 The information provided at Annex 2 is illustrative and monthly volumes should be used by the Contractor as indicative only for planning purposes.~~

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- A13.4 Where the caseload for intervention has been established in line with the provisions of A11, the Contractor is required to examine individual cases for correctness, reporting errors to Contractor Management. The Contractor will check relevant household notes within the data provided on the tax credits core system to determine the status of the case. If no ongoing action, the Contractor is required to proceed. Where there is other ongoing action, the Contractor is required to contact the case owner via the agreed channel and check that the risk is still valid. The Contractor and the Authority will define the criteria that should be used to agree ownership of cases. Where the Authority is responsible for ongoing action the Contractor is required to arrange transfer. In all cases the Contractor is required to update the required management information having regard to the Authority's implementation of the provisions of the Data Protection Act 1998 (DPA).
- A13.5 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to determining the status of the case and any agreement as to ongoing responsibility. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A13.6 Depending on the specific risk activity (Childcare or Work & Hours), the Contractor is required to either contact the customer's childcare provider to confirm actual fees paid or review the latest Authority data to confirm actual income amount, under s18(10) of the Tax Credits Act 2002. Where income data is not available the Contractor is required to contact the customer's employer to confirm actual income. For all other risks the Contractor is required to check the Authority guidance on the specific data to check information before proceeding.
- A13.7 Where the risk is confirmed the Contractor is required to send a letter to the customer(s) using pre-agreed letter templates to seek evidence, under s18(10) of the Tax Credits Act 2002, to support the correctness of the claim. The Contractor is required to direct within the opening letter issued to Authority customers to send the evidence, requested under s18(10) of the Tax Credits Act 2002, direct to the Contractor. Where the Contractor does not confirm the risk and chooses not to open the case, the Contractor is required to fully document the reasons for doing so on the appropriate customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A13.8 ~~The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the issue of the opening letter. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.~~

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- A13.9 The Contractor is required to dispatch with the opening letter agreed Authority fact sheets. The Authority will specify which Authority fact sheets will accompany the opening letter. The Authority will supply a copy of the fact sheets required in the BRP which must be reproduced by the Contractor. If a leaflet is updated by the Authority an updated version will be supplied. The Contractor will be required to destroy any old versions of the fact sheet and commence use of the new version immediately on receipt.
- A13.10 ~~The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the issue of relevant factsheets. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.~~
- A13.11 The Contractor is required to generate a data update using the format and method described at Annex 4 with the appropriate household note. Household note wording will be prescribed by the work type and provided in guidance within the BRP.
- A13.12 The Contractor is required to update the appropriate Management Information system having regard to the Authority's implementation of the provisions of the Data Protection Act with date of case opening and bring forward (B/F) date, then move to next case.
- A13.13 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to updating the tax credits core system and management information systems. In respect of A13.13 there is no requirement to provide a data update to the Authority. Such updates will be confined to the Contractor customer management system and associated records. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A13.14 At any point after opening cases the customer may telephone the Contractor in regard to the compliance intervention. The Contractor is required to take customer telephone calls. The Contractor shall ensure that their personnel answer inbound calls on a first come first served basis, as per the Key Performance Indicators in Schedule E.
- A13.15 The Contractor is required to carry out identification and verification checks with the customer prior to discussing personal tax credits information with them on an inbound and an outbound call. This process will be provided by the Authority. The Contractor is required to carry out the identification and verification checks with the customer upon each contact (which will be provided as part of mobilisation).
- A13.16 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to customer identification and verification checks. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A13.17 The Contractor is required to answer and deal with the customer query, noting the conversation in the agreed format and save it on the appropriate customer

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record, having regard to the Authority's implementation of the provisions of the Data Protection Act.

A13.18 Where the decision on the tax credits award can be made, the Contractor is required to do so (see A12.10 to A12.12). The Contractor will make the decision under s18 of the Tax Credits Act 2002 in respect of the previous year claim and subsequently s14(1) for the new claim for the current year. Potentially, a decision to vary current year payments will be made under s24. Where a revised B/F date is required or an extension to an existing B/F date is needed the Contractor is required to generate a data update using the format and method described at Annex 4 immediately.

A13.19 At any point after opening cases the customer may write to the Contractor in regard to the compliance intervention. The Contractor is required to:

- Ensure that their personnel deal with inbound mail on a first come first served basis, as per the Key Performance Indicators in Schedule E.
- Note the post as received generating a data update using the format and method described at Annex 4.
- If working the case with the reply the Contractor is required to review any documents to determine if a decision can be made.
- Where the decision on the tax credits award can be made, the Contractor is required to do so (see A12.10 to A12.12). The Contractor will make the decision under s18 of the Tax Credits Act 2002 in respect of previous year claim and subsequently s14(1) for the new claim for the current year. Potentially, a decision to vary current year payments will be made under s24.
- If a decision cannot be made telephone the customer to ask for any missing or additional information required under s18(10) of the Tax Credits Act 2002.
- Note the substance and content of the telephone conversation in the agreed format and save on the appropriate customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- If unable to contact the customer place back in B/F for the remaining time. If the B/F has expired, move to the making a decision part of the process.
- If a new B/F or extension to the B/F is required, update the MI system used for this work with the new B/F date.

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- A13.20 At any point after opening cases the customer may repeat call and send additional letters containing information requested and the Contractor is required to answer and action the customer's contact.
- A13.21 Where a decision is made to amend the value of the tax credits award as a result of the compliance intervention, the Contractor is required to note reasons/conclusion for the decision in the agreed format including any relevant calculations. If making a decision on an expired B/F check, the Contractor is required to check the latest Authority data view to determine if the customer has responded to the issue of the opening letter. If no, the Contractor is required to continue. If yes, the Contractor is required to review the evidence.
- A13.22 Where the customer has responded to the renewal notice, the Contractor is required to generate a data update using the format and method described at Annex 4 to make the relevant change to customer award (in line with Authority guidance). This will automate a new notice to be sent to the customer. The Contractor is required to update the relevant notes and prepare a closing letter to advise the customer of the changes. The Contractor is required to print a letter and send it to the customer. Where the customer has not responded to the renewal notice, see A13.25.
- A13.23 The Contractor is required to calculate losses prevented by reference to the Authority adjustment calculator. The Contractor is required to update relevant case management and information systems with required data.
- A13.24 Where applicable, the Contractor is required to make a referral for the issue of a civil penalty under s31, s32 & s34 of the Tax Credits Act 2002 (see A.15).
- A13.25 If the customer has not responded to the renewal notice, the Contractor is required to vary current tax credits award payments under s24 of the Tax Credits Act with consideration given to associated regulations. The Contractor is required to generate a data update using the format and method described at Annex 4 causing a revised provisional award notice to be sent to the customer. The Contractor is required to B/F the case for 14 days and check for the renewal notice reply. Once the customer returns the renewal notice, the Contractor is required to generate a data update using the format and method described at Annex 4 to cause the relevant change to the customer's award. If no reply B/F for a further 14 days until the response is received, or 1st Specified Date (31st July). Apply the provisions of paragraphs A13.22 to A13.24.
- A13.26 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to decisions to amend a tax credits award where a customer has provided evidence in response to the opening letter or subsequent telephone contact or contact in writing and has returned the renewal declaration. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A13.27 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the referral of the case for the application of a civil penalty. The Authority

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will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A13.28 If the customer does not respond to the renewal notice by 31 July, the Contractor is required to check all outstanding B/F cases and amend the previous year claim, under s18 of the Tax Credits Act 2002, using the format and methods described at Annex 4 to apply any applicable changes to the Authority's NTC system to terminate the provisional award using the no reply function. The Contractor will update the customer record with the pre-defined notes provided. After the issue of the provisional award termination, usually within 1 working day, the Contractor will use the format and methods described at Annex 4 to invoke completion of the finalisation action for the previous year claim and calculate the losses prevented. The Contractor is required to update relevant case management and information systems with agreed data, having regard to the Authority's implementation of the provisions of the Data Protection Act.

A13.29 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to decisions to amend a tax credits award where a customer has provided evidence in response to the opening letter or subsequent telephone contact or contact in writing and has returned the renewal declaration. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A13.30 Where a decision is made, under s18 of the Tax Credits Act 2002, that no amendment to the award is required, the Contractor is required to generate a data update using the format and method described at Annex 4 to note the closure of the case. The Contractor is required to update relevant notes and prepare a closing letter. The Contractor is required to print the letter and send it to the customer.

A13.31 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to decisions not to amend a tax credits award where a customer has provided evidence in response to the opening letter or subsequent telephone contact or contact in writing and has returned the renewal declaration. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A13.32 Following a decision to amend an award, the customer may contact the Contractor to challenge the decision. The Contractor will be required to accept and deal with these contacts by reference to the provisions of paragraphs A18 to A21.

A13.33 The Contractor will conduct closure procedures to all cases whether an amendment is necessary in the Authority's favour or not, including calculation of losses prevented, referral for penalty action (see A15) and issue decision communications to the customer.

A13.34 The Contractor is required to record and store data in date/chronological order about all customer contact as per Annex 4, Records Management and in line with the data security provisions contained in section 28, clearly showing the thought process, reasoning and analysis of evidence carried

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out by their personnel when making decisions to amend or not to amend the customer's entitlement, having regard to the Authority's implementation of the provisions of the Data Protection Act. Access to such databases shall be restricted to employees directly employed on this programme of work only.

A13.35 An illustrative timeline showing caseworker handling (after application of analytics) in respect of the High Risk Renewals compliance intervention is shown below.

INDICATIVE CASEWORKER HANDLING: HIGH RISK RENEWALS	
Day 1	<p>Review case – check tax credits core system (household notes) – check risk still exists</p> <ul style="list-style-type: none"> ■ If no risk – note case as no take up (NTU) – Update household notes – update management information system (5 minutes) ■ If risk exists (not Childcare / Income) – prepare opening letter & Save – Update household notes – update management information system – post letter to customer (10 minutes) ■ If risk exists (childcare / Income) – call childcare provider / employer – note the call ■ If costs / income confirmed note case as no take up (NTU) – (5 – 10 minutes including the call) ■ If cost / Income not confirmed - prepare opening letter (10 minutes)
Day 2	<p>• Await call back from employer / childcare provider – issue opening letter.</p>
Day 3 – 10	<ul style="list-style-type: none"> ■ Customer usually receives letter (50% response rate) ■ Process allows for further customer contact to progress case – outbound telephony – allow 5 – 10 minutes per call. ■ Letter issue will generate inbound telephony – 50% response rate – record call discussion & save against customer record. ■ Average call time for undeclared partner risk 15 minutes, all other risks average call time for other risks 5 – 10 minutes ■ Post replies will arrive between days 3 – 14 & days 3 – 30 – response rate 50% of letters issued.
Day 11 – 14	<p>• Calls & replies will continue to come in during this time.</p>

reply – if received go to day 15, if not bring forward further two weeks
 replies will arrive for compliance interventions opened. 50% reply rate.

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Day 15	<ul style="list-style-type: none"> ⚠ Discrepancy B/F matures - Make decision - only process if customer has returned renewal declaration ⚠ If returned <ul style="list-style-type: none"> ○ Amendment Required <ul style="list-style-type: none"> ⊕ Calculate losses prevented, update household notes and management information including customer record - prepare closing letter and save to customer record, issue closing letter, amend and process claim and renewal for relevant year, remove inhibit marker (30 minutes) ○ No amendment required <ul style="list-style-type: none"> ⊕ Remove inhibit signal, prepare closing letter and save to customer record, issue closing letter, update household notes and management information including customer record (5-10 minutes) ⚠ If not returned <ul style="list-style-type: none"> Amendment needed, vary current year payments, update household notes and management information including customer record, prepare and issue vary payments letter, B/F to await return of customer renewal declaration (5-10 minutes).
Day 16 – 30	<ul style="list-style-type: none"> ⚠ Calls & replies will continue to come in during this time.
Day 31	<ul style="list-style-type: none"> ⚠ Info Request BF matures (see Day 15)

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A14 Process – Compliance Intervention Process – High Risk Change of Circumstance – Detail

- A14.1 The Contractor is required to deliver the end to end High Risk Change of Circumstance tax credits compliance intervention process, in line with the provisions of the Commissioners’ powers contained in the Tax Credits Act 2002 and associated regulations. The Contractor’s operational personnel are required to engage with the customer by outbound letter and telephone in order to gain the evidence, under s16(3) of the Tax Credits Act 2002, required to make an entitlement decision based on a response/no response from the customer.
- A14.2 As a key delivery mechanism of the Service, the Contractor is required to provide operational capacity (resource) to commence operational delivery during the contract period, ~~contacting a predefined customer base/population to meet the required delivery profile and volume of compliance interventions, set out below and in Annex 2. Where Authority outputs are provided, these are for illustrative purposes only.~~
- ~~A14.3 The information provided at Annex 2 is illustrative and monthly volumes should be used by the Contractor as indicative only for planning purposes.~~
- A14.4 Where the caseload for intervention has been established in line with the provisions of A11, the Contractor is required to examine individual cases for correctness, reporting errors to Contractor Management. The Contractor will check relevant household notes on the tax credits core system to determine

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the status of the case. If no ongoing action, the Contractor is required to proceed. Where there is other ongoing action, the Contractor is required to contact the case owner via the agreed channel and check that the risk is still valid. The Contractor and the Authority will define the criteria that should be used to agree ownership of the case. Where the Authority is responsible for ongoing action the Contractor is required to arrange transfer. In all cases the Contractor is required to update the required management information, having regard to the Authority's implementation of the provisions of the Data Protection Act.

- A14.5 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to determining the status of the case and any agreement as to ongoing responsibility. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.6 Depending on the specific risk activity (Childcare or Work & Hours), the Contractor is required to either contact the customer's childcare provider to confirm actual fees paid or review the latest Authority data to confirm actual income amount, under s16(3) of the Tax Credits Act 2002. Where income data is not available the Contractor is required to contact the customer's employer to confirm actual income. For all other risks the Contractor is required to check the Authority guidance on the specific data to check information before proceeding.
- A14.7 Where the risk is confirmed the Contractor is required to send a letter to the customer(s) using pre-agreed letter templates to seek evidence, under s16(3) of the Tax Credits Act 2002, to support the correctness of the claim. The Contractor is required to direct within the opening letter issued to Authority customers to send the evidence, requested under s16(3) of the Tax Credits Act 2002, direct to the Contractor. Where the Contractor does not confirm the risk and chooses not to open the case, the Contractor is required to fully document the reasons for doing so on the appropriate customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A14.8 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the issue of the opening letter. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.9 The Contractor is required to dispatch with the opening letter agreed Authority fact sheets. The Authority will specify which Authority fact sheets will accompany the opening letter. The Authority will supply a copy of the fact sheets required in the BRP which must be reproduced by the Contractor. If a fact sheet is updated by the Authority an updated version will be supplied. The Contractor will be required to destroy any old versions of the fact sheet and commence use of the new version with immediate effect.

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- A14.10 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the issue of relevant fact sheets. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.11 The Contractor is required to generate a data update using the format and method described at Annex 4 creating an appropriate household note. Household note wording will be prescribed by the work type and provided in guidance.
- A14.12 The Contractor is required to update the appropriate Management Information system, having regard to the Authority's implementation of the provisions of the Data Protection Act, with date of case opening and B/F date, then move to the next case.
- A14.13 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent; in respect of monitoring activity relating to updating the tax credits core system and management information systems. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.14 At any point after opening cases the customer may telephone the Contractor in regard to the compliance intervention. The Contractor is required to take customer telephone calls. The Contractor shall ensure that their personnel answer inbound calls on a first come first served basis, as per the Key Performance Indicators in Schedule E.
- A14.15 The Contractor is required to carry out identification and verification checks with the customer prior to discussing personal tax credits information with them on an inbound and an outbound call. This process will be provided by the Authority. The Contractor is required to carry out the identification and verification checks with the customer upon each contact.
- A14.16 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to customer identification and verification checks. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.17 The Contractor is required to answer and deal with the customer query, noting the conversation in the agreed format and save it on the appropriate customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A14.18 At any point after opening cases the customer may write to the Contractor in regard to the compliance intervention. The Contractor is required to:
- Ensure that their personnel deal with inbound mail on a first come first served basis, as per the Key Performance Indicators in Schedule E.
 - Note the post as received using the format and method described at Annex 4.
 - If working the case with the reply the Contractor is required to review any documents to determine if a decision can be made.

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- Where the decision on the tax credits award can be made, the Contractor is required to do so (see A12.10 to A12.12). The Contractor will make the decision under s16(1) of the Tax Credits Act 2002.
- If a decision cannot be made telephone the customer to ask for any missing or additional information required, under s16(3) of the Tax Credits Act 2002.
- Note the substance and content of the telephone conversation in the agreed format and save it on the appropriate customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- If unable to contact the customer place back in B/F for the remaining time. If the B/F has expired, move to the making a decision part of the process.
- If a new B/F or extension to the B/F is required, update the MI system used for this work with the new B/F date.

A14.19 At any point after opening cases the customer may repeat call and send additional letters containing information requested and the Contractor is required to answer and action the customer's contact.

A14.20 Where the decision on the tax credits award can be made, the Contractor is required to do so (see A12.10 to A12.12). Where a revised B/F date is required or an extension to an existing B/F date is needed, the Contractor is required to generate the relevant update using the format and method described at Annex 4. In respect of A14.20 there is no requirement to provide a data update to the Authority. Such updates will be confined to the Contractor customer management system and associated records.

A14.21 Where a decision is made to amend the value of the tax credits award as a result of the compliance intervention, the Contractor is required to note reasons/conclusion for the decision in the agreed format including any relevant calculations. If making a decision on an expired B/F check, the Contractor is required to check the tax credits core system to determine if the customer has responded to the issue of the opening letter. If no, the Contractor is required to continue. If yes, the Contractor is required to review the evidence.

A14.22 The Contractor is required to access the tax credits core system to make relevant changes to customer awards (in line with Authority guidance). This will automate a new decision notice to be sent to the customer. The Contractor is required to update the relevant notes and prepare a closing letter to advise the customer of changes. The Contractor is required to print the letter and send it to the customer.

A14.23 The Contractor is required to calculate losses prevented by reference to the Authority adjustment calculator. The Contractor is required to update relevant case management and information systems with required data, having regard to the Authority implementation of the provisions of the Data Protection Act.

A14.24 Where applicable, the Contractor is required to make a referral for the issue of a civil penalty under s31, s32 & s34 of the Tax Credits Act 2002 (see A15).

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- A14.25 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to decisions to amend a tax credits award where a customer has provided evidence in response to the opening letter or subsequent telephone contact or contact in writing. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.26 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the referral of the case for the application of a civil penalty. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.27 Where a decision is made, under s16 of the Tax Credits act 2002, that no amendment to the award is required, the Contractor is required to generate a data update using the format and method described at Annex 4 to provide a note of the closure of the case. The Contractor is required to update relevant notes and prepare a closing letter to advise the customer of changes. The Contractor is required to print the letter and send it to the customer.
- A14.28 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to decisions not to amend a tax credits award where a customer has provided evidence in response to the opening letter or subsequent telephone contact or contact in writing. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A14.29 Following an amend decision the customer may contact the Contractor to challenge the decision. The Contractor will be required to accept and deal with these contacts by reference to the provisions of paragraphs A18 to A21.
- A14.30 The Contractor shall record and store data in date/chronological order about all customer contact as per Annex 4, Records Management and in line with the data security provisions contained in section 28, clearly showing the thought process, reasoning and analysis of evidence carried out by their personnel when making decisions to amend or not to amend the customer's entitlement, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A14.31 ~~An illustrative timeline showing caseworker handling (after application of analytics) in respect of the High Risk Change of Circumstance compliance intervention is shown below.~~

~~INDICATIVE CASEWORKER HANDLING: HIGH RISK CHANGE OF CIRCUMSTANCE~~

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Day 1	<ul style="list-style-type: none"> ▲ Review case – check tax credits core system (household notes) – check risk still exists ■ If no risk – note case as no take up (NTU) – Update household notes – update management information system (5 minutes) ■ If risk exists (not Childcare / Income) – prepare opening letter & Save – Update household notes – update management information system – post letter to customer (10 minutes) ■ If risk exists (childcare / Income) – call childcare provider / employer – note the call <ul style="list-style-type: none"> ○ If costs / income confirmed note case as no take up (NTU) – (5 – 10 minutes including the call) ▲ If cost / Income not confirmed – prepare opening letter (10 minutes) 	Post replies will arrive for compliance interventions opened. 50% reply rate.
Day 2	▲ Await call back from employer / childcare provider – issue opening letter.	
Day 3 – 10	<ul style="list-style-type: none"> ■ Customer usually receives letter (50% response rate) ■ Process allows for further customer contact to progress case – outbound telephony – allow 5 – 10 minutes per call. ■ Letter issue will generate inbound telephony – 50% response rate – record call discussion & save against customer record. ■ Average call time for undeclared partner risk 15 minutes, all other risks average call time for other risks 5 – 10 minutes ■ Post replies will arrive between days 3 – 14 & days 3 – 30 – response rate 50% of letters issued. 	
Day 11 – 14	▲ Calls & replies will continue to come in during this time.	
Day 15	<ul style="list-style-type: none"> ▲ Discrepancy B/F matures – Make decision ■ Amend award (all risks) – update tax credits system – prepare closing letter & retain – issue closing letter to customer – calculate losses prevented – Update management information system – Close case all on systems (all info to be available to view or re-open) (15 – 20 minutes or 30 minutes for undeclared partner) ■ No amend award (all risks) – update tax credits system – prepare closing letter & retain – issue closing letter to customer – update management information system – Close case all on systems (all info to be available to view or re-open) (5 – 10 minutes) 	
Day 16 – 30	▲ Calls & replies will continue to come in during this time.	
Day 31	<p>Info Request BF matures (see Day 15)</p> <p>For Undeclared Partner – suspend payments & B/F for additional 30 days – prepare / Issue payment suspend letter & Save (5-10 minutes)</p>	

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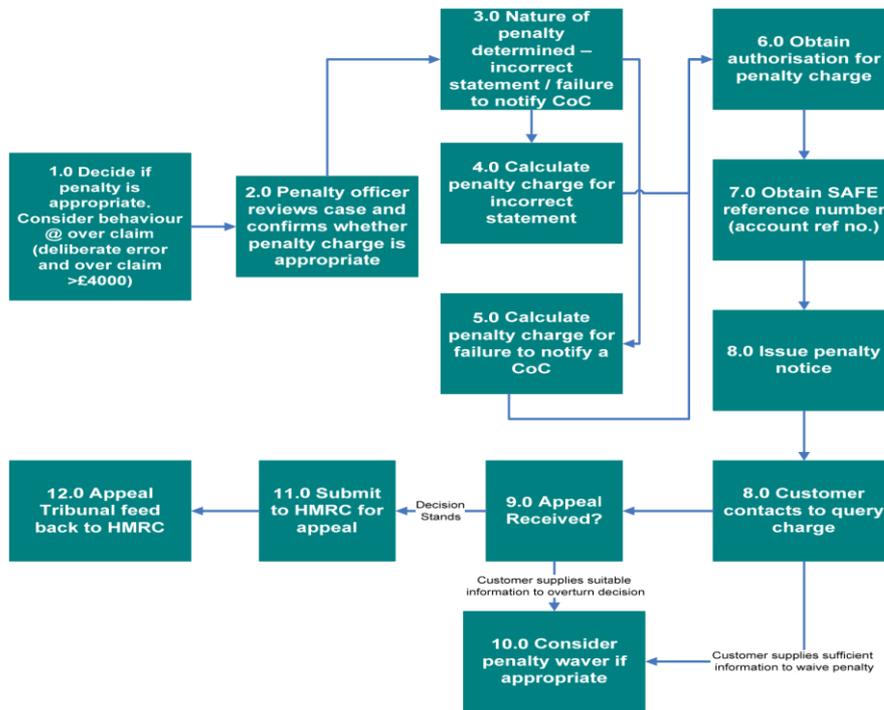
Day 62	<p>For Undeclared Partner Discrepancy BF matures – Make decision</p> <ul style="list-style-type: none"> • Amend award (all risks) – update tax credits system – prepare closing letter & retain – issue closing letter to customer – calculate losses prevented – Update management information system – Close case all on systems (all info to be available to view or re-open) (15 – 20 minutes or 30 minutes for undeclared partner) • No amend award (all risks) – update tax credits system – prepare closing letter & retain – issue closing letter to customer – management information system – Close case all on systems (all info to be available to view or re-open) (5 – 10 minutes) Close all on systems
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A15 Process – Compliance intervention Process – Civil Penalties – Detail

- A15.1 The Authority’s strategy seeks to promote voluntary compliance with tax credits legislation. As part of that strategy the Authority applies civil penalties to customers where it is considered that a customer has been deliberate in their intentions to inform the Authority of a change in order to gain a higher award of tax credits or where they have been proven to deliberately withhold information from tax credits, which would have resulted in a reduction in the award value. For compliance interventions the penalty amount will vary depending on the customer behaviour which led to their incorrect claim. The penalty is calculated as a percentage of the tax credits the customer over-claimed and is rounded down to the nearest £10. The maximum penalty is £3,000.
- A15.2 The Contractor is required to carry out the Tax Credits Penalty Process in line with current Authority Processes, Standard Operating Procedures (SOPs) and Guidance. The penalty process, where applicable forms part of the end-to-end compliance intervention processes described above albeit as a discreet element. The High Level Process Map can be seen below.

E&F High Level Penalty Process Map

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- A15.3 The Contractor will charge a penalty, under s31, s32 & s34 of the Tax Credits Act 2002, within the parameters, criteria and discretion set out by the Authority. Penalties are charged using the Authority Penalty Model for Deliberate Error behaviour type cases where the over-claim has exceeded the threshold established by the Authority and specified in Authority guidance.
- A15.4 In instances where a penalty charge is identified the Contractor will calculate the appropriate level of charge in accordance with guidance provided by the Authority.
- A15.5 The Contractor is required to provide independent assurance that the penalty charge has been applied and calculated in accordance with guidance provided by the Authority. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A15.6 Once the Authority is satisfied that the penalty charge has been applied and calculated in accordance with guidance provided by the Authority, the Contractor is required to authorise the penalty charge. The Authority requires that the authorisation is undertaken by Contractor personnel at the next level of accountability (team leader level, or equivalent) from the person identifying the potential penalty charge. The Authority will assure Contractor activity by reference to the provisions of Annex 1.
- A15.7 The Contractor will be required to inform the Authority of the proposed penalty charge by a method to be agreed with the Authority. The requirement is at individual case level. Upon receipt the Authority will update appropriate Management Information system and allocate a unique

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identifier. The Authority and the Contractor will agree the exchange mechanism.

- A15.8 The Contractor is required to issue a penalty notice, in an agreed format to be provided by the Authority, and accompanying fact sheets to the customer to inform that a penalty will be charged.
- A15.9 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the referral of the case for the application of a civil penalty. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A15.10 On receipt of details of the penalty charge the customer may contact the Contractor to challenge the penalty charge. The Contractor will be required to accept and deal with these contacts by reference to the provisions of paragraphs A18 to A21.

A16 Outbound and Inbound Correspondence

- A16.1 The Contractor is required to implement functions to manage a dedicated and secure outbound and inbound correspondence post room facility to deal with all incoming and outgoing mail using contract mail facilities such as Royal Mail or similar. The high level process map which outlines the key post room functions can be seen at Annex 11. In this context secure is defined as being completely within the direct control of the Contractor: facilities for post opening, sorting and storage are required to be lockable with access restricted to approved persons working on this contract only.
- A16.2 The Contractor is required to segregate and securely store all outbound and inbound correspondence relating to the Authority's business from other parts of their organisation where applicable.
- A16.3 The Contractor shall reconcile all outbound and inbound correspondence from delivery manifests whether internal or external.
- A16.4 The Contractor shall receive post from the Authority (e.g. Contractor specific complaints, incorrectly addressed post) and redirect it within their business.
- A16.5 The Contractor shall take receipt of tax credits customer mail from the External Mail Provider where the customer has paid insufficient postage, and meet any shortfall in postage and associated costs/fees. The Contractor is required to make suitable contract arrangements to facilitate this or, where not appropriate make arrangements for the collection of items within 1 working day of notification.
- A16.6 The Contractor shall receive internal (Authority/Contractor) mail and direct it to intended recipients. Any tracked items must be delivered by hand to, and signed for by, the intended recipient.
- A16.7 The Contractor shall take receipt of and sort incoming customer mail into types specified below, and record the volumes received daily on the agreed Management Information record:
- business reply envelopes,

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- special and recorded delivery;
- unsolicited mail;
- mail marked private and confidential;
- Returned Letter Service (RLS) mail etc.

A16.8 The Contractor shall sift all incoming customer mail, identifying and separating letters containing valuables. The Contractor is required to record all valuable items received, to include customer surname, NINO, date received, any Special/Recorded Delivery reference number and a description of all valuables enclosed. The Authority shall specify what a 'valuable' is within the BRP.

A16.9 The Contractor is required to date stamp all incoming customer mail with the date of receipt.

A16.10 The Contractor shall ensure that all correspondence and valuables e.g. birth certificates, passports etc. are handled securely, in line with the Authority's data security policy, which will be agreed with the Authority in advance of the security accreditation, to avoid items becoming separated, lost, misplaced or mixed up with other customer's information.

A16.11 The Contractor shall sift out all mail received in error, and return it to the External Mail Provider or the Authority, as appropriate.

A16.12 The Contractor shall reimburse tax credits customers for the cost of replacing any documents/valuable items lost or damaged whilst in their possession, e.g. birth certificates, passports. ~~Indicative Authority costs are set out below:~~

Period	Cost of re pl a c e m e n t s	Cost of re pl a c e m e n t s
Jan 4 2 -	£1940.83	£240.00

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- A16.13 The Contractor will check the legitimacy of all documents received from tax credits customers in relation to the compliance intervention. Document Verification Champions will be appointed by the Contractor from the Contractor personnel following training provided by the Authority. The Contractor will refer any documents which they are unable to verify to the Authority. The Authority will return any documents found to be genuine to the Contractor for their continued action.
- A16.14 The Contractor shall update their own Case Management System with notes on the progress or outcome of document verification checks, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A16.15 The Contractor shall scan, securely store, and tag, in accordance with the metadata detailed in Annex 4, all customer correspondence received including valuable items, ensuring they can be retrieved and viewed for purposes of the compliance intervention, and also for return to the Authority upon request throughout and at the end of the contract. In this context secure storage means electronically, either logically or physically, segregated from all other Contractor business and accessible only by those personnel with a business need to access the images and data within.
- A16.16 The Contractor shall collect outgoing post from their operational teams and arrange for its dispatch daily.
- A16.17 The Contractor shall issue opening letters in a standard A5 brown window envelope by 2nd class post. A return addressed postage paid envelope does not need to be provided.
- A16.18 The Contractor shall record volumes and types of outgoing post daily (both external customer mail and Authority/Contractor internal mail).
- A16.19 The Contractor shall return original documents to the customer, unless they are suspected to be fraudulent, in line with the Authority's return of evidence standards. If they are suspected to be fraudulent they must be passed securely and separately to the Authority within 2 working days.
- A16.20 The Contractor shall return any postal items received by 2nd class post at a minimum as per HMRC Standard unless the:
- Customer requests that their documents are returned by Special Delivery, or supplies their own Special Delivery envelope;
 - Mail is received by Recorded or Special Delivery, if so the item(s) must be returned by Recorded Delivery;

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- Mail received includes passports, foreign birth certificates or identity cards; these items must be returned by Recorded Delivery.

A16.21 The Contractor shall undertake checks of outgoing post to ensure that information is being sent to the correct person.

A16.22 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to outbound and inbound postal services. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A17 Inbound and Outbound Telephony

A17.1 The Contractor is required to implement functions to securely manage an outbound and inbound telephony operation to deal with customer contact arising from tax credits error and fraud compliance interventions. The Contractor is required to implement these functions for the sole use of this contract. This means a telephony system that allows for the routing of calls to only those personnel engaged in the work being undertaken for the Authority; a system which permits the automated recording and facilitates secure storage of the calls and permits only approved users to listen to calls in real time for the purpose of assessing quality of service.

A17.2 The Contractor must be able to provide a contact telephone number for the sole use of the Error and Fraud Adding Capacity Service, prefixed with 0345 (or the equivalent in terms of cost to the customer) as per Authority standards for tax credits customers to speak directly to the Contractor's personnel about their tax credits award between the hours of:

- 8.00 am to 8.00 pm, Monday to Friday (as a minimum); and
- 8.00 am to 4.00 pm, Saturday.

A17.3 As per Authority standards, no contact will be made direct with customers on the following days; Sundays, Christmas Day, Boxing Day and New Year's Day.

A17.4 The Contractor must be able to provide the following communication mediums for tax credits customers who need extra help:

- A text phone facility for the deaf/hearing impaired customers;
- A large print/audio format and Braille formats for the visually impaired;
- An interpretation service for customers whose first language is not English mirroring that offered by the Authority;
- A Welsh translation service orally and in print – Welsh Language Act 1993 will apply;
- A dedicated telephone number for; MPs, Intermediaries and Citizens Advice Bureaux;
- A dedicated telephone number if a customer is calling from abroad.

A17.5 ~~The Contractor should anticipate call demand as specified in the table below:~~

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Contact	Inbound Telephony (as a % of written contact)
Opening Letter	50%
Decision	50%
Closing Letter	50%
Progress Chasing & Additional Questions	50%

- A17.6 The Contractor is required to monitor live calls as detailed in Annex 1 to verify that their personnel have carried out customer contact in accordance with the HMRC Customer Charter and the Authority’s processes including authentication.
- A17.7 The Contractor must make available an independent facility to enable the Authority to monitor live calls spontaneously on the Contractor’s site as detailed in Annex 1 to verify that the Contractor’s personnel have carried out customer contact in accordance with the HMRC Customer Charter and the Authority’s processes.
- A17.8 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to inbound and outbound telephony services. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A18 Downstream Customer Activity (Repair)

- A18.1 All decisions taken as a result of tax credits error and fraud compliance interventions may be challenged by a customer at various points within the overall tax credits end-to-end cycle. The Authority’s guidance for those customers who have been overpaid tax credits is contained in publication Code of Practice 26 “What happens if we’ve paid you too much tax credits” (COP 26). Typically, these challenges can take the form of:
 - a) Reconsiderations – informal review of the decision to amend the tax credits award. This can arise where the customer did not provide any or all evidence leading to a decision but subsequently complies.
 - b) Mandatory reconsiderations – a formal review of the decision carried out under specific legislation and independently of the original decision maker.
 - c) Appeal – where the customer does not agree with the outcome of the mandatory reconsideration, they have recourse to HM Courts and Tribunals Service.
 - d) Disputed Overpayment – COP 26 provides details of the respective

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HMRC and customer obligations in administering the tax credits award. Where the customer believes that they have fulfilled all of their obligations in respect of tax credits and that the Authority has failed in theirs a customer may dispute the arising overpayment. For example, the customer tells the Authority about a change to their circumstances and the Authority fails to act or acts inaccurately.

- e) Complaints – an expression of customer dissatisfaction with the manner in which they have been treated or, by omission, have failed to be treated in accordance with expected Authority standards.

A18.2 In respect of this contract the Contractor is required to perform the necessary functions to deal with reconsiderations, mandatory reconsiderations and tone & treatment complaints. All other downstream customer activity will be the responsibility of the Authority.

A19 Other complaints, appeals, disputed overpayments and security incidents

A19.1 Where a customer complaint is not related to tone and treatment the Contractor is required to record the relevant customer details on the relevant Management Information system and transfer to the Authority within 2 working days using the format and method described at Annex 4.

A19.2 The Contractor is required to identify cases where the customer disputes an overpayment of tax credits, record the relevant customer details on the relevant Management Information system and transfer to the Authority within 2 working days using the format and method described at Annex 4.

A19.3 The Contractor is required to identify cases where the customer appeals a decision, record the relevant customer details on the relevant Management Information system and transfer to the Authority within 2 working days using the format and method described at Annex 4.

A19.4 The Contractor is required to report all breaches of data security involving the Authority's data e.g. loss, inappropriate disclosure to a third party, inappropriate access by personnel, as security incidents to the Authority's designated point of contact immediately and no later than within 2 working days of discovery. The Contractor is required to record all incidents on the relevant Management Information system. The Contractor is also required to conduct a full investigation, following the Authority's standard process and report the findings to the Authority's designated point of contact by email within 2 working days of completion of the investigation of the incident. The Contractor must, where required, make available any and all records and personnel connected to the incident within timescales agreed with Authority. All lessons learnt must be disseminated to Contractor personnel within 2 working days of receipt.

A20 Reconsiderations

A20.1 The Contractor will handle all requests from a tax credits customer for either reconsideration or a mandatory reconsideration of their original decision and communicate the outcome to the customer, under powers delegated by the Commissioners' of Revenue and Customs. Reconsideration is, typically, a request by telephone or submission of evidence previously requested as opposed to a formal request in writing for a mandatory reconsideration.

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Where a reconsideration results in a decision upheld, the customer will be notified by letter. The letter will advise the customer that if they are not satisfied with the outcome they should follow the Authority appeal process. A high level process map of the reconsideration process map can be seen at Annex 10.

- A20.2 In respect of reconsideration, the Contractor is required to discuss the detail over the telephone with the customer, referencing customer notes relating to the decision. The Contractor is required to review the original decision in light of the customer contact and communicate the reconsideration decision during the same telephone call or as soon as possible thereafter, also by telephone.
- A20.3 The Contractor is required to make a note of the decision on the relevant customer record, having regard to the Authority's implementation of the provisions of the Data Protection Act.
- A20.4 If the customer remains unhappy with the reconsideration decision, the Contractor is required to inform the customer of the Authority's mandatory reconsideration process.
- A20.5 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the outcome and recording of all reconsideration decisions. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A20.6 In respect of mandatory reconsiderations the Contractor is required to copy the customer request and attach it to the customer record whilst updating the relevant Management Information system to notify the Authority of receipt.
- A20.7 The Contractor is required to assign the mandatory reconsideration to the relevant caseworker who is required to check if the request was received in the prescribed time limits (30 calendar days). If yes, the Contractor is required to update the tax credits system and relevant customer records. If no, the Contractor is required to consider whether the request can be accepted 'out of time' in line with Authority guidance, which will be provided following contract award.
- A20.8 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the receipt and recording of mandatory reconsiderations. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.
- A20.9 For mandatory reconsiderations deemed as late and not accepted the Contractor will notify the customer of the decision using a letter provided by the Authority. The Contractor will be expected to provide the reasons why the review in question will not be accepted. The Contractor will update the relevant Management Information system, customer notes and customer records that the mandatory reconsideration has not been accepted. The

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Contractor shall return any additional evidence supplied by the customer for the mandatory reconsideration to the customer.

A20.10 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the decision to accept requests for consideration that are out of time. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A20.11 For mandatory reconsiderations received within thirty days of the compliance intervention decision or where the Contractor concludes from the guidance provided by the Authority that the late mandatory review can be accepted, the Contractor will consider the points raised by the customer in their request for a mandatory reconsideration.

A20.12 Full consideration to all available evidence including any new information supplied by the customer to date must be given prior to making a decision on whether any further additional evidence is required, prior to making a decision on the points in question. The Contractor is required to fully document the consideration in respect of the evidence, clearly articulating the role played in the overall conclusion.

A20.13 Where the Contractor caseworker concludes that additional information is required, the caseworker will request the information from the customer using a letter supplied by the Authority. The caseworker will save a copy of the letter to the customer record marked with an action date of 30 days, update the relevant Management Information system and customers' records with details of the actions taken.

A20.14 If the customer contacts the Contractor caseworker to advise that they are unable to provide the requested information by the advised date and the information has not been previously requested at any stage of the compliance intervention process, the caseworker reserves the right to extend this period on a single occasion within a reasonable timescale in agreement with the customer.

A20.15 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the examination, consideration and request for additional evidence. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

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A20.16 On receipt of the information requested from the customer, or after 31 days, or the agreed date as detailed at A20.13, the Contractor caseworker will review all the available information supplied by the customer and make an evidence-based decision on the mandatory reconsideration. If the customer has not submitted the additional evidence by the agreed date the caseworker is required to use the information available on which to base their decision. It is imperative to fully document how the caseworker has used the evidence to formulate their thoughts and reasoning on which the decision is based within the customer record notes. Authority owned Management Information and tax credits computer systems shall be updated accordingly by generation of a data update using the format and method described at Annex 4 to reflect the final decision. All additional evidence received must be scanned and linked with the customer papers prior to posting the evidence back to the customer.

A20.17 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the decision to uphold or overturn decisions made on tax credits entitlement as a consequence of mandatory reconsiderations. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A21 Customer Complaints Tone and Treatment

A21.1 HMRC's [Customer Charter](#) was launched in November 2009. The Charter sets out the rights and obligations of customers when dealing with HMRC. HMRC is committed to improving our relationship with customers, and that will be delivered through changing behaviours, attitudes and the ways we work with them. The Charter will help make sure that we apply the same standards and behaviours across all HMRC areas.

Field Code Changed

A21.2 The Contractor is required to process any complaints against their personnel, in terms of their tone and/or treatment. The Authority defines a complaint as a written or verbal expression of dissatisfaction that is not resolved at initial contact.

A21.3 The Contractor is required to inform the Authority of the number of complaints received, their progress and outcome. All other complaints received by the Contractor will be referred back to the Authority for their response. The Contractor may be required to provide caseworker details as appropriate.

A21.4 The Contractor must interpret 'resolved at initial contact' as meaning that the matter can be sorted out quickly and informally with the tax credits customer, usually at the point of contact. Expressions of dissatisfaction which are required to be recorded as complaints will include those where:

- the tax credits customer says they are making a complaint; and
- there may be no mention of the word complaint but it is clear that the customer is unhappy with the way their affairs have been handled.

A21.5 ~~The Authority's Redress guidance will be provided upon award of Contract.~~ The Authority requires the Contractor to make redress payments as appropriate, to customers who feel that the Contractor:

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- caused a lot of worry and/or unnecessary distress;
- handled their complaint badly;
- took too long to deal with their complaint.

A21.6 The Authority’s complaints guidance is provided in Annex 13 and defines the procedures for dealing with a complaint. The Contractor must ensure that 100% of complaints are dealt with and documented in accordance with the procedures.

Period	Complaints Received	Upheld in Customers Favour	No of Redress Payments Made / Value	Ave Value per Case
Nov 2012—Oct 2013	2,462	537 (22%)	188 (35%)	£32.25

A21.7 The Contractor is required to comply with the provisions of Annex 1, with specific regard to type and extent, in respect of monitoring activity relating to the examination, consideration of tone and treatment complaints. The Authority will assure Contractor monitoring activity by reference to the provisions of Annex 1.

A22 Data analytics and matching requirements

A22.1 The Authority requires that the Contractor, as part of the error and fraud compliance intervention service, provide and apply a data matching and analytics solution to enhance the Authority’s own risking and profiling capability and focus Contractor (only) operational delivery plans on cases where the level of risk meets the Authority standard for the relevant compliance intervention process. The Contractor will be required to use data analytics and data matching to de-select cases for intervention where the risk of containing error and fraud is mitigated and therefore does not require intervention. This solution will deliver specificity to high numbers of cases from pots containing broad ranges of risk, to enable deeper penetration of risk groups where Authority strike rates have remained stable or are currently at levels where operational impact is minimal.

A22.2 The Authority requires the Contractor to provide the data matching and analytics solution at the point of receipt, or as soon as is practicably possible, to prevent data aging of the subset of data in caseloads from HMRC. The Contractor will be obliged to share the principles, methodology and outputs of their analytics activity with the Authority. The Contractor shall inform the Authority where data is found to be inaccurate or inadequate. For instance where details pertaining to the customer are incorrect or do not provide sufficient information to properly process the intervention, the Contractor will advise the Authority Service Management point of contact of the case and detail what is inaccurate, missing, why and the information that has led to that conclusion.

A22.3 The core tax credits database, which is the platform of HMRC analytical

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modelling, will typically not be made available for Contractor purposes. Subject to the provisions of section A23 below, the Authority may, subject to appropriate permissions, make such data available on clear and indisputable evidence of the added value of the Contractor data matching and analytics solution.

A22.4 **Data matching** - On receipt of pre-risked data (by risk group) from the Authority the Contractor is required to undertake additional data matching to add value to the Authority's own risking for each of the six risk groups (using data that is not available to the Authority).

A22.5 **Data Analytics** – On receipt of data (by risk group) from the Authority with a pre-indication of risk the Contractor is required to:

- Identify groups and individuals with a likelihood of containing error and fraud including where a customer may have misreported or not reported their change of circumstance, and therefore the case is more likely to contain error and fraud;
- Deselect individuals where there is considered to be no likelihood of error and fraud;
- Wherever possible match data that allows a data comparison with the HMRC record and instigate the discrepancy check process;
- For other cases identify the main risk(s) and instigate an information request;
- Where appropriate, identify those cases/customers where there may be an incidence of error and fraud in two or more risk groups with a view to undertaking a single intervention to tackle both aspects.

A22.6 The Contractor is required to give consideration to an innovative approach for case selection, bearing in mind the potential risk modelling techniques which may add value and identify lower value cases, adding further capability rather than pure case working.

A22.7 In respect of the provisions of this section, where the Contractor chooses to apply analytics to the Authority pre-risked caseload for the purposes of deselecting cases to be worked, the Contractor is required to periodically test the impact of the application of analytics to ensure that risk is not present in de-selected cases. A report of the test, accompanied by an explanation of the sampling methodology used, must be presented to the Authority at agreed intervals.

A23 Innovation

A23.1 The Authority recognises the potential for Contractor innovation to improve the way that the Authority uses data to identify potential error and fraud, the selection of cases for compliance intervention and the process itself, including case management and customer contact strategies. The Authority requires that the Contractor collaborates with the Authority to develop innovation.

A23.2 The Authority requires Contractors to respond to the tender proposing innovative solutions, directly linked to both the data analytics and matching and operational delivery elements of the tax credits error and fraud

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compliance intervention service. Innovation in this context should be taken as the potential to assist the Authority in building its own capability, improving its operational efficiency, performance and outputs, influencing customer behaviour or improving required outcomes, within the boundaries of legislation, guidance and core process. The Contractor has the scope to innovate around both analytics and delivery. The solution should include proposals for the requisite learning and training programmes.

- A23.3 The Authority encourages the Contractor to propose how the partnership approach could provide evidence that there is added value in innovative solutions proposed and how the Authority could leverage this for their benefit. The Contractor is required to propose solutions that will incentivise a different delivery method at a lower cost.
- A23.4 The deployment of innovative concepts will be with the Authority's prior agreement only. The Contractor must share innovation and additional data for analytics with the Authority.
- A23.5 ~~In addition to the requirements of sections A23.2 and A23.3 the contract award process will include the provision of sharing innovation and additional data for analytics with the Authority. The cost and value of those provisions, and a model that incentivises a shift to analytics, must be included within the bid.~~

A24 Customer Experience

- A24.1 The Authority requires the Contractor to deliver the same level of customer service in respect of an error and fraud compliance intervention as that received from the Authority, in terms of:
- Overall experience: straightforward interaction; effective communication; getting things right.
 - Efficiency: acceptable number of contacts; ease of getting in touch; informed of progress; waiting times.
 - Reputation and the nature of dealing with the caseworker: professional; fair.
- A24.2 The Authority will conduct an Equality Analysis in consultation with the Contractor to ensure that any Contractor processes do not put customers at a disadvantage compared to Authority practices.
- A24.3 The Contractor will work with the Authority to ensure that all Contractor customer contacts do not adversely or unfairly affect vulnerable tax credits customers or any particular customer group unless justified by risk.
- A24.4 The Contractor will monitor the number of customers that have contacted them more than once to complete their transactions and resolve their queries. This will enable them to learn and understand customer behaviour which may enable them to resolve any query on first contact.
- A24.5 The Contractor will learn lessons from reconsiderations and complaints and the way they handle them to shape and improve the way they work on a continuous basis.

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A25 ~~Expected delivery and values (Yr 1-3)~~

~~A25.1 — The Authority will provide the level of work specified in a categorised compliance intervention schedule. The caseload of tax credits compliance interventions will be supplied at regular intervals in line with Authority delivery plans, in advance of the specific compliance intervention campaign (see sections A13 and A14), typically monthly or quarterly. For illustrative purposes between September 2014 and September 2017 the Authority requires the Contractor to consider up to 5.5 million tax credits awards to identify and correct in the region of 2.0 million cases that are forecast to contain tax credits error and fraud, over and above HMRC planned activity, as specified in Annex 2.~~

~~A25.2 — The delivery profile, related to tax credits risks, will align with the Authority's delivery plan. The Contractor will use the standard Authority compliance intervention processes, High Risk Renewals and High Risk Change of Circumstance, to engage with tax credits customers, collect and assess evidence and make decisions on the customers' circumstances affecting their tax credits entitlement in line with the Commissioners' powers contained in the Tax Credits Act 2002 and associated regulations. For the duration of the contract the Authority will continue to deliver similar activity, in parallel to Contractor delivery.~~

~~A25.3 — The Error and Fraud Viability Model can be viewed within the eSourcing tool as an attachment: EFAC Viability Model—Supplier Copy~~

A26 Return of information between the Contractor and the Authority

A26.1 The Authority will aim to notify the Contractor when a relevant change of circumstance on a referred un-worked case has been made direct to the Authority and the risk has been mitigated in full through accessing live NTC data as part of the compliance intervention process. The Contractor will then cease all compliance intervention action immediately. Such suppressions will not attract payment. This shall not apply in where the Contractor has opened the intervention and made contact with the customer.

A26.2 The Contractor must be flexible and able to respond to potential requests from the Authority to introduce new return code(s) if appropriate.

A27 Data Retention

A27.1 The data provided by the Authority is classified as Impact Level 3 [OFFICIAL]. The Contractor will be required to securely retain that data along with any added to it by the Contractor for a maximum of 93 days following the compliance intervention closure. At the end of this period the Contractor must supply the Authority with the following data using the format and method described at Annex 4:

- each electronic tax credits error and fraud compliance intervention record;
- all customer evidence received (in a scanned format) as a result of carrying out a tax credits error and fraud compliance intervention;
- all audio records of a conversation with the customer;
- hard copies taken.

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At the end of this period the Contractor must supply the Authority with the above, using the format and method described at Annex 4.

- A27.2 The Contractor will be required to securely supply a copy of any electronic data and customer evidence received as a result of carrying out a tax credits error and fraud compliance intervention on the Authority's receipt of a relevant complaint, dispute or an appeal or for any other associated business reason within 2 working days of the initial request being made to the Contractor.
- A27.3 After the record retention period as stated in A27.1 has passed, the Contractor must ensure that any of the above data is destroyed in line with HMG Information Assurance (IA) Standard IS5 using processes and software approved by Communications Electronic Security Group (a group within the UK Government Communications headquarters). Sanitation of systems should be certified as completed by the Contractor's Chief Information Officer (CIO). Further information can be found at <http://www.cesg.gov.uk>. Audio records must be retained by the Contractor as specified in line with OFCOM regulations.
- A27.4 The Contractor must agree with the Authority the destruction method to be used as per A27.3.
- A27.5 The Contractor shall retain securely and ensure only authorised personnel with a business need have access to audio records as a result of a telephone call from a tax credits customer as specified in A27.1, during which copies of call recordings may be requested by the Authority and provided by the Contractor on request.

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A28 Data Security

- A28.1 The Authority must be able to demonstrate compliance with security best practice as defined in ISO IEC 27001, 2005 (or later) and Security Standards as required by the [HMG Security Policy Framework](#) to ensure the security of its information assets. The Contractor will be required to demonstrate how they comply with these standards through formal Accreditation by the production of appropriate certification and a Risk Management Accreditation Document Set (RMADS) that meets Information Assurance Standards 1 and 2.
- A28.2 The Authority will require the Contractor to have deployed an approved CESG Listed Advisor Scheme (CLAS) consultant to undertake independent security accreditation of its infrastructure and connectivity with the HMRC estate and agree with the Authority its suitability to receive and manage Authority data prior to any data being sent to the Contractor. The Authority will liaise with the Contractor for this purpose. The Contractor will be responsible for procuring the CLAS consultant, at its own expense, to carry out a risk assessment and penetration testing on their proposed operation and produce the RMADS which will be made available to the Authority's Accreditor prior to Go-Live. The Contractor is required to act upon the findings of the CLAS Consultant / RMADS in timescales to be agreed with the Authority's Accreditor.

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- A28.3 At all times the Authority retains ownership for the tax credits customer data referred to the Contractor for compliance intervention.
- A28.4 The Authority will continue to be the data controller and the Contractor will be the data processor as defined in the Data Protection Act 1998.
- A28.5 The Contractor shall sign up to the mandatory Office of Government Commerce (OGC) Security and Information clauses.
- A28.6 The Contractor must complete and agree the Security Plan contained in Schedule H of this contract.
- A28.7 The Contractor must demonstrate that:
- All premises where the Authority's tax credits customer data is held and can be accessed from are secure;
 - All systems that are used to directly or indirectly access Authority data have the appropriate level of security to the necessary standards;
 - Security and access controls must be in line with security best practice, as defined in ISO IEC 27001, 2005 (or later) and conform to HMG Security Policy Standards as set out in HMG Security Policy Framework;
 - HMRC Security Policy and Standards are being adhered to.
- A28.8 The Authority will, prior to signing of the contract, conduct onsite assurance of all security aspects of the tender submitted by prospective Contractors who achieve preferred bidder status. This will include evaluation of building access controls (including floor plan layout), personnel and IT security and will be conducted at later regular intervals as agreed between the Contractor and the Authority throughout the lifetime of the contract.
- A28.9 The Authority will transfer data to the Contractor through the Secure Electronic Transfer mechanism (SET). If a SET transfer fails the Contractor shall notify the Authority Point of Contact immediately. Only when the fault is resolved will data be resent via SET. See Annex 4 for further information about SET.
- A28.10 The Contractor shall ensure that any internal or external mechanisms other than SET used to move data within its infrastructure, or in the case of a consortia from one organisation to another are agreed by the Authority. Any such movements must be conducted using CESG approved encryption tools.
- A28.11 The Contractor must ensure in providing the Service that the confidentiality of tax payer information is paramount as set out in Schedule H.
- A28.12 The Contractor shall not make any onward disclosure of Authority data to another party without the specific written authorisation of the Authority.
- A28.13 The Contractor must ensure that Authority data will not be worked offshore. This means that Authority data must not be processed, stored or accessed from outside the United Kingdom.

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- A28.14 The Contractor is required to ensure that any software developed and deployed in this work has not been designed or developed outside of the United Kingdom.
- A28.15 The Contractor shall only permit access to Authority data by authorised operators with a full business need to do so and to authorised IT support personnel only. All access to data must be by on-shore U.K. personnel only.
- A28.16 The Authority's policy is that the Contractor must not use the Authority data for any purpose apart from carrying out tax credits compliance interventions delivery as part of the contracted service.
- A28.17 The Contractor and their personnel will not take any contents of the Error and Fraud Compliance Intervention Service Business Readiness Pack, business or customer information from the Contractor's premises without the express permission of the Authority requested and received in writing.
- A28.18 The Contractor shall ensure that the Authority's paper and electronic data is securely segregated from all other information and work activity undertaken for or to support other customers. It should not be possible for other employees to access the data held in the IT systems or gain access to the work area where this work is undertaken.
- A28.19 The Contractor shall not commercially exploit or seek to gain any additional financial benefit from the information it handles on behalf of the Authority within the constraints of the contract. Authority data must not be used for any other business purpose.
- A28.20 The Contractor must provide a suitable secure process and facilities for the processing and handling of the Authority's customer inbound and outbound mail.
- A28.21 The Contractor must ensure that printing of information is kept to a minimum. Where there is a business need to print, the Contractor is required to put in place suitable precautions to prevent the unauthorised access to or loss of the Authority's data. Print facilities must be sufficient to support the business activity and be segregated from other lines of work that the Contractor undertakes. Destruction of printed material is required to be in line with HMG IA standard 5.
- A28.22 The Contractor must ensure that they have the relevant permissions/access to interact with the Authority via any online Internet based system. The Authority will support the Contractor in fulfilling this obligation.

A29 Security Incidents

- A29.1 The Contractor must put in place a mechanism to identify all security incidents involving tax credits customers and report it as per A19.4. A security incident is anything that does or could affect the confidentiality, integrity and/or availability of Authority information and assets e.g. breaches or attempted breaches of security; an incident that reveals a weakness that could lead to a breach of security; or denies availability and prevents the delivery of normal business.

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- A29.2 Once the findings have been established it is the Contractor's responsibility to ensure that specific mitigating actions are put in place to ensure that repeat or similar incidents do not occur.
- A29.3 The Contractor will liaise with the Authority directly throughout the security incident process to understand the seriousness of the incident and the impact on the contract.
- A29.4 The Contractor is required to report all breaches of data security involving the Authority's data e.g. loss, inappropriate disclosure to a third party; inappropriate access by personnel, as security incidents to the Authority's designated point of contact immediately and no later than within 2 working days of discovery.

A30 Management Information

- A30.1 The Authority shall have access to all Contractor Management Information up to and including that required to observe individual cases. Accordingly, the Contractor is required to allow the Authority's representative to observe their working methods and provide unrestricted access to relevant records, including the making of copies, allowing the taking of copies where necessary, in order to satisfy audit and performance monitoring requirements.
- A30.2 The Contractor shall provide access to the Management Information (MI) set out at Schedule D and any MI required for the purposes of the a Post Implementation Review. This will be provided commercial in confidence to the Authority.
- A30.3 The Contractor must provide MI to satisfy the Authority's and Parliament's MI specifications, as outlined in Schedule D, in the frequency required by the Authority (usually weekly but may be requested on a daily basis), using the format and method described at Annex 4.
- A30.4 The Contractor shall retain all Management Information until the end of the Contract and then transfer it to the Authority in line with the Exit Strategy provided in Schedule F. This MI will be treated as commercial in confidence by the Authority and not passed on in any way to other 3rd party organisations.
- A30.5 The Contractor shall permit the Authority to monitor operator performance MI, decision making, data and customer engagement, subject to commercial confidentiality.

A31 IT

- A31.1 The Authority will provide the Contractor with the necessary interface artefacts and business rule components (described in greater detail at Annex 4) to interpret the case data provided and to govern the structure of case update data for provision back to the Authority for processing in the tax credits system.

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- A31.2 The Contractor must ensure that their personnel can view relevant case data received from government systems via a suitable Case Management/CRM System. The interface artefacts described at Annex 4 include XSLT Stylesheet to aid rendering.
- A31.3 The Contractor must be able to generate case update data following the relevant compliance intervention processing activity in the relevant format and conforming to the business rules specified by the Authority (described in greater detail at Annex 4).
- A31.4 In conjunction with the Authority the Contractor shall develop scenarios and scripts to enable them to carry out user testing to check that the interface specifications have been correctly implemented (described in greater detail at Annex 4).
- A31.5 Any update messages not conforming to the agreed interface standards will be rejected by the Authority for reprocessing by the Contractor.
- A31.6 The Contractor must supply the Authority with all documentary evidence and call recordings in the approved format (described in greater detail at Annex 4).
- A31.7 The Contractor must use the Secure Electronic Transfer mechanism (SET) initially specified for all data exchanges with the Authority (described in greater detail at Annex 4). It is expected that this will change later to a secure web service which will retain the existing XML formats/structures.
- A31.8 The Contractor must use SET for ad-hoc data exchanges with the Authority, out with the web-service method (described in greater detail at Annex 4).
- A31.9 The Contractor must tag any call recordings supplied with an agreed identifier [to be defined] to allow the Authority to file and retrieve information once received.

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- A31.10 The Contractor must accept that in the event of a failure of the Authority's IT components that they could be unable to receive a data refresh for up to 2 days.
- A31.11 In the event of an IT failure the Contractor must be able to queue update messages for later transmission.
- A31.12 The Authority will notify the Contractor of any planned downtime of relevant IT components. In the event of any unexpected IT failure the Authority will keep the Contractor fully informed of the situation.
- A31.13 The Contractor must ensure that all activity carried out by their personnel on their Case Management/CRM System is fully auditable identifying which individual user carried out each individual action in line with the Authority's accreditation and audit requirements [to be supplied].
- A31.14 The Contractor must provide access to the Internet via an Ethernet cable mechanism for the Authority's operational support team, throughout the term of the contract when they are on-site.
- A31.15 The Contractor will be provided with entitlement, adjustment and childcare calculators. These will require access to Microsoft Office 2003 Excel, Word, VBA, and XML Object Model. The calculators are required for all loss prevention calculations. Childcare calculators are used as an enabler to make decisions against a childcare risk. These will remain the intellectual property of the Authority.
- A31.16 The Contractor will not have access to the Authority's IT Interface between the hours of 2am – 5am each day including weekends and bank holidays.
- A31.17 The Contractor will have support for technical problems with the Authority's IT Interface between the hours of 8am and 8pm on all days except Christmas day and New Year's Day.
- A31.18 The Contractor will immediately remove all accesses to their systems and interface when personnel leave their employment, change roles within the organisation and when the contract comes to an end as specified in Exit Management Schedule F. The Authority will remove all access to their interface when the contract comes to an end as specified in Exit Management Schedule F.
- A31.19 The Contractor must remove all the Authority's data gathered during the course of the Contract from their estate in line with data protection and the Authority requirements as specified in Exit Management Schedule F and enable the Authority to check this has been done and certify completion by the Contractor CIO.
- A31.20 The Contractor must send all audit data on the actions of their staff to the Authority at the end of the contract, using the SET method described at Annex 4.
- A31.21 The Contractor must be able to retrieve and interpret complex information from HMRC systems to help them carry out error and fraud compliance interventions.

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A31.22 The Contractor must accept that once they have deselected cases and informed the Authority that they will not be able to access the case details again.

A31.23 The Authority's Technical Directorate will be the IT Design Authority for the duration of the Contract.

A31.24 Where the Contractor creates back up data to support this work, it shall do so in a secure location and ensure that such back ups are logically or physically segregated from other data stored for business continuity purposes. Access to the back ups shall be limited to approved business users only. Back ups must not be off-shore. The Authority will as part of its security approval programme visit the back up site.

A32 Business Continuity

A32.1 The Contractor must have or create strategies to combat disruption from the following threats to protect both personnel and the continuation of the business. Threats can include, but are not limited to:

- Fire;
- Flood;
- Adverse weather;
- Postal strike;
- Loss of IT (over and above known downtime); • Terrorism.

A32.2 The Contractor is responsible for producing a number of strategies and contingencies to be used during any incident. This involves a large amount of data gathering including detailed information about every team within the Contractor's estate and finding the best place for people to gather following an evacuation.

A32.3 The Contractor is responsible for producing and agreeing a detailed Disaster Recovery Plan in respect of catastrophic event to ensure impact on the tax credits error and fraud compliance intervention service is mitigated.

~~A33~~

~~A33.3 Stage 1 – Discovery and planning for Mobilisation (May to August 2014)~~

~~The Contractor will be required to put in place the Authority's Operational processes and the people to manage and deliver the service over the life of the contract. The Contractor will also be expected to mobilise the operational and specialist capacity and capabilities, supported by appropriate training, in compliance with security accreditation requirements, and put in place any Contractor front end I.T. systems on their own infrastructure to allow them to be accredited prior to Stage 2.~~

~~A33.4 In May 2014 the Authority will provide Interfaces, Formats, Standards and Business Rules to facilitate the necessary data exchanges. This will allow the Contractor to work all six risk categories. Section A8 provides details of those risks categories and Annex 2 provides the volumes of cases to be provided by the Authority to the Contractor.~~

~~A33.5 During stage 1, the Contractor will re-affirm the Authority's requirements of the end-to-end tax credits error and fraud intervention service process, confirm roles, and agree the detail of Governance and Contract Management.~~

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~~A33.6 The Authority will provide a structure for onboarding the Contractor to IT arrangements during this period, including a period of testing.~~

A34 Capability and Roles

A34.1 —The Error and Fraud Compliance Intervention Service described in this document requires the deployment of key roles within the Contractor's organisational design to enable the Contractor to understand the competencies and skills required to carry out the services prior to obtaining the full Business Readiness Pack. These are documented in Annex 15. This list is not exhaustive and is there to enable early identification of key personnel.

A35 Training and Mentoring

A35.1 The Authority will provide training by experienced Authority compliance interventions Officers and the Authority Learning Team to the Contractor's training specialists for onward transmission to their personnel during implementation including August 2014 prior to the HRCC Campaign. The training schedule will cover:

- HMRC security and adherence to Official Secrets Act;
- Customer authentication process;
- Document verification;
- Acceptable computer and data use policy;
- Legislative guidance;
- Process (related to specific Campaign/Risk types);
- Navigation of the Authority's IT Solution; • Navigation of the Contractor's IT Solution; • HMRC Customer Charter awareness.

The Contractor will be required to provide training on the Contractor's IT solution and telephone equipment.

A35.2 The Authority will provide a maximum of 45 operational subject matter experts to "mentor" the Contractor's operational personnel over a 12 month period to consolidate the Contractor's learning and knowledge. The

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Contractor will be expected to identify key personnel to carry out this function in a self-serve capacity during this period.

A35.3 The Authority's mentors are a non-mobile grade. They will be restricted to an hour's reasonable travelling time from Preston, Liverpool, Washington or Belfast. The Authority's personnel will retain access to their terms and conditions and their daily travelling expenses will be funded by the Authority. The Authority's personnel will be available Monday to Friday for 7 hours per day each between the hours of 7am-7pm.

A36 Skills Transfer

A36.1 The Contractor may be required to work with the Authority project team on occasion to transfer skills, techniques and strategies, e.g. improvements to Authority in-house capability.

A37 HR

A37.1 The Contractor shall ensure that their recruitment process of their personnel and Directors complies with Her Majesty's Government (HMG) Baseline

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Personnel Security Standard (BPSS) (Personnel Vetting and Government Baseline Security Standard) of the terms and conditions.

A37.2 The BPSS standard describes the mandatory pre-employment screening

controls that must be applied to any individual who, in the course of their work, has access to government assets. The BPSS comprises verification of:

- Identity;
- Nationality and immigration status (including an entitlement to undertake the work in question);
- Employment history (past 3 years);
- Criminal record (unspent convictions only).

Additionally, prospective employees are required to give a reasonable account of any significant periods (six months or more in the past three years) of time spent abroad.

A37.3 The Contractor must ensure that basic Disclosure and Barring Service (formerly Criminal Records Bureau) checks are carried out to check for unspent convictions, negating any requirement on individuals to self-declare at the time of appointment.

A37.4 The Authority requires the Contractor to verify the legitimacy of documents produced by individuals to prove their identity. The Authority will require assurance that the document verification process employed by the Contractor satisfies their standards.

A37.5 The Authority requires the Contractor to ensure that all BPSS checks are completed before individuals are given access to Authority data/information, however the checks can be carried out in parallel with the Contractor's training period.

A37.6 The Authority requires assurance and sign off that any existing personnel employed by the Contractor must also meet the mandatory BPSS requirements (or equivalent).

A37.7 The Contractor must review and assess information collected at each stage of the BPSS process and record the details on a Verification Record to be retained in the individual's personal file. The Contractor must be able to demonstrate that the checks have been carried out satisfactorily.

A37.8 The Authority will audit BPSS checks conducted by the Contractor to ensure that they have been carried out rigorously and consistently. The Authority will request all paperwork for a selected number of cases and the Contractor is required to send any information requested to the Authority's stated premises within a specified period of time.

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A37.9 The Authority requires the Contractor, in the course of any recruitment activity, to inform potential applicants that pre-employment screening will take place, for which their consent must be provided. The Authority requires the Contractor to terminate the hiring process or employment if any lies or omissions become apparent, no matter when they are discovered.

A37.10 The Contractor must consult with the Authority in the event of adverse preemployment screening information, before deciding to proceed to appoint the individual.

A37.11 The Authority requires the Contractor to retain the right to request CVs and take up references.

A37.12 The Authority requires notification and details of individuals who have ever been dismissed from any previous employment, including HMRC, prior to take up of duty.

A37.13 The Authority requires the Contractor to pursue non-HMRC dismissals to establish the reason for dismissal and notify such details to the Authority. If an individual was dismissed from previous non-HMRC employment due to fraud, computer misuse or financial irregularity the Authority will require the Contractor to terminate the hiring process or employment.

A37.14 The Contractor is required to notify the Authority if individuals have previously been employed by HMRC, so that the Authority can check the reason why employment was terminated. If an individual was dismissed from HMRC for any reason which would make the person unsuitable to be engaged on behalf of the Authority, the Contractor will be required to terminate the hiring process or employment.

A37.15 The Authority requires that all personnel involved in delivery of the service must be employed by the Contractor or approved subcontractor(s) only, i.e. not a third party such as a recruitment agency.

A37.16 The Contractor's personnel must update the Contractor immediately through self declaration, during the course of their employment, of any potential to receive a criminal conviction. Such information must be shared with the Authority immediately on receipt.

A37.17 The Authority requires the Contractor to repeat the pre-employment screening process if they re-employ a former member of personnel.

A37.18 The Contractor shall ensure that these same standards are applied in the recruitment processes of any subcontractors.

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- A37.19 The Authority requires the Contractor to provide weekly lists, details of joiners and leavers, approved personnel involved in delivering the service to enable the Authority/Contractor to identify those who are tax credits customers and for audit and assurance purposes.
- A37.20 The Authority reserves the right to check whether any Contractor personnel who claim tax credits have ever had a tax credits penalty charge imposed upon them, due to behaviours identified as fraudulent or deliberate error. Where this is the case, the Authority will reserve the right to require the Contractor to terminate the hiring process or employment on the Authority work.
- A37.21 The Contractor, whilst providing services within the scope of the agreement, will be acting on behalf of the Commissioners for Revenue & Customs. This means that the Contractor and their personnel will be subject to the duty of confidentiality in respect of all information that the Authority holds for its functions.
- A37.22 The Contractor will require all personnel involved in the delivery of services
to sign the Authority's confidentiality agreement, appended to the Security Plan in Schedule H, which includes reference to the criminal sanctions for breach of confidentiality covered in paragraph D4.2 of the terms and conditions, prior to having sight of any Authority information or data.
- A37.23 The Contractor must ensure that all personnel involved in the delivery of the service are aware that the criminal sanction for wrongful disclosure of the Authority's information contained in section 19 of the Commissioners for Revenue and Customs Act 2005 will apply to Contractors and their personnel.
- A37.24 The Contractor must ensure that all personnel involved in the delivery of the service are aware that all requirements detailed in Section D (Data Security and Protection of Information) of the terms and conditions, must be adhered to at all times.
- A37.25 The Contractor shall liaise with the Authority to ensure compliance with the Data Protection Act (DPA) and Human Rights Act (HRA), by ensuring that personal data disclosed is relevant and necessary. Specifically in relation to Northern Ireland, the Contractor shall ensure compliance with Section 75 of the Northern Ireland Act 1998 (Equality of Opportunity).
- A37.26 The Contractor shall ensure that their personnel behave professionally and with integrity, consistent with Authority standards.

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A37.27 The Contractor is required to share its Conduct and Discipline (C&D) Policy with the Authority. This is required to replicate or be commensurate with the Authority's C&D policy, which shall be provided to the Contractor upon award of the contract.

A37.28 The Contractor is also required to share its Joiners and Leavers Policy with the Authority that is required to replicate the said policy of the Authority, which shall be provided to the Contractor upon award of the contract.

A37.29 The Authority requires the Contractor to apply good personnel security management after recruitment to identify any changing or suspicious behavioural patterns in personnel that might suggest unreliability or a conflict of interest.

A37.30 The Contractor must be committed to being an Equal Opportunities employer and committed to the principles of Diversity.

A38 Audit and Assurance - Overview

A38.1 The Authority has a statutory duty to monitor the exercise of the delegated functions.

A38.2 The Authority's Audit and Assurance team, Departmental Internal Audit and the National Audit Office will require access to the Contractor's premises to validate that processes, guidance, practices and decisions are legal and compliant with ministerial intent, support the HMRC Customer Charter principles and comply with Equality legislation.

A38.3 The Contractor will be subject to assurance of their compliance with Authority legislation, guidance and SOPs, with Authority personnel embedded both at the Contractor's premises to conduct in-flight checks, as well as resource deployed in Authority operational centres that will examine Contractor decisions. The Authority's Contractor Management Framework is at Annex 1.

A38.4 The contract will provide for the recording of all telephone calls between the Contractor and customers, as well as physical checks on other communication channels for financial accuracy, accuracy of decision making, tone and language.

A38.5 The Authority will also apply non-operational independent assurance at separate stages of mobilisation and throughout the period of the contract. This assurance will include, but is not limited to:

- a fit-for-purpose review of letters, call scripts, guidance, SOPs to ensure compliance with powers prior to go-live;
- adherence to HMRC data security provisions prior to go-live;
- evidence of adherence to equality legislation prior to go-live;

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- targeted assurance throughout the period of the contract including sampling, 'go and see' visits to the Contractor's premises to ensure compliance with processes and guidance.

A38.6 The Contractor must allow open access to archived records on their premises held in connection with the Contract.

A38.7 The Authority reserves the right as part of its normal audit procedures and/or random checks to validate that the activity level Management Information provided is accurate.

A38.8 The Contractor must allow the Authority to access customer records on the Contractor's system, including viewing and printing any customer information and listening to call recordings as and when required.

A39 Monitoring, Assurance and Quality Process and Validation

A39.1 The Authority requires a single Contractor approach to all assurance and quality checks across the Contractor operation. By making the decision or penalty determination right first time it will reduce the amount of re-work, complaints and appeals and provide a better customer experience for tax credits customers.

A39.2 The Authority will assure the correct application of Commissioners' powers across the end-to-end process by reference to the Authority Monitoring, Assurance and Quality Framework specified below. The Framework will include the specific monitoring that the Contractor is obliged to carry out to ensure that HMRC Processes, Guidance and Standard Operating Procedures have been applied when making decisions, applying penalty determinations or dealing with tone and treatment complaints. This will include but is not limited to:

- a) Where the Contractor has used relevant data or data matching in identifying the potential for risk within a tax credits award the Authority shall check the type and use of that data;
- b) Where the Contractor analytics does not result in a compliance intervention, the Authority shall examine a percentage of cases not taken up to validate the Contractor de-selection process;
- c) Where the Contractor, as a consequence of the compliance intervention amends the value of a tax credits award, the Authority shall check a percentage of cases to validate the decision;
- d) Where the Contractor, as a consequence of the compliance intervention does not amend the value of a tax credits award, the Authority shall check a percentage of cases to validate the decision;
- e) The Authority shall examine Contractor compliance with the relevant processes.

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- A39.3 The Contractor will be required to implement a 100% monitoring and checking regime, where specified in Annex 1, until notified in writing by the Authority. The Contractor may request a reduction in checks, which the Authority will consider. The Contractor's request must be accompanied by appropriate evidence to enable the Authority to determine that the Contractor has complied with the obligations of Annex 1 and that the Contractor has achieved the standards, specified in Schedule E, for a minimum of 3 consecutive months.
- A39.4 Where the Authority does not require a 100% monitoring and checking regime, the minimum number of checks will be specified in the Authority Monitoring, Assurance and Quality Framework.
- A39.5 Where Annex 1 refers to the monitoring of a random sample of cases the Contractor is required to agree the methodology that will be used to gain that sample in writing.
- A39.6 The subsequent outputs (Management Information) from the quality assurance and validation checks will be used to validate the Service Level Agreement as per Schedule E.
- A39.7 The Authority's Pricing Schedule (Schedule B) specifies that that Contractor payment will be adjusted to take into account:
- The outputs of monitoring activity where that activity indicates that an incorrect decision has been taken by the Contractor that has led to a claim under the payment-by results model;
 - The full economic cost of HMRC resource to restore a customer's award to the position it had been in prior to the Contractor compliance intervention.
- A39.8 The Management Information relating to these checks will be collated on the Contractor's Quality and Assurance Database and shared with the Authority on a regular basis, frequency to be determined by the Authority.
The Management Information relating to these checks will be provided to the Contractor on a regular basis, frequency to be determined by the Authority.

A40 Subcontracting

~~A40.1 HMRC is not minded to agree to subcontracting in this Project to any significant extent. Accordingly it is looking to receive bids submitted either by consortia or single suppliers able to provide the full range of services required under the ITT. In either event it will be necessary for functions of the Commissioners to be delegated to the successful consortium or single bidder.~~

A40.2 Where the Contractor intends to subcontract the provision of the service the

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Contractor must provide details and obtain prior written approval from the Authority before entering into any subcontract arrangement. Where the Contractor subcontracts without prior written approval this shall be cause for immediate termination by the Authority.

- A40.3 Where the Contractor is considering the use of a subcontractor for any part of the service, the Contractor will need to demonstrate that suitable contractual and management, including data and infrastructure security, arrangements are in place and provide the Authority with copies of any subcontracts as soon as is reasonably practicable after signature.
- A40.4 The Authority reserves the right to carry out an audit at the subcontractor's site prior to approval being given to the Contractor for the use of a subcontractor.

A41 Conflicts of Interest

- A41.1 As per clause A7 of the terms and conditions, the Contractor must have systems in place to identify and therefore avoid conflicts of interest to ensure that the interests of both parties would not be compromised by any such conflict, and to protect themselves and the Authority from any allegation or perception of impropriety. Conflicts of interest may appear, but not be exclusive to Contractor personnel:
- Working on the Authority's cases involving members of their family or other people known to them;
 - Working on the Authority's cases involving a shareholder, director or employee of the Contractor;
 - Accepting any offer of outside work or business activity whilst undertaking Authority business that is not consistent with the work of the Authority, or conflicts with their hours of duty;
 - Giving advice to anyone in circumstances where they are enabling others to make use of knowledge or connections gained through their work in the Authority.
- A41.2 The Contractor must have processes in place to deal with grievances that are the result of a conflict which was not identified.
- A41.3 The Contractor must indemnify the Authority, its subsidiaries, affiliates, officers, employees and Personnel from and against all actions, demands, costs, losses, penalties, damages, liability, claims and expenses (including but not limited to reasonable legal fees) whatsoever incurred by it or them arising from the Contractor's non-compliance with, or breach of clause A28.1.
- A41.4 The Contractor must disclose any work being undertaken concurrently for another organisation to the Authority, and provide

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for immediate termination of the contract if there is thought to be a conflict of interest.

- A41.5 The Contractor must have a process that identifies any potential conflict of interest brought about by the acceptance of gifts or hospitality made to its personnel.

A42 Marketing and Communications

- A42.1 The Contractor shall agree that the Authority template communication products, including the HMRC logo, which the Authority has supplied, are the property of HM Revenue & Customs: they are Crown Copyright and trade marked. The Contractor shall agree to use them solely to enable contact with tax credits customers on behalf of the Authority. The Contractor shall not amend or alter the above without the agreement of the Authority.

A43 Accommodation, Equipment and Personnel

- A43.1 The Contractor will provide all accommodation, equipment and personnel associated with the service and take all liability relating thereto.
Accommodation is required to be secured and be segregated from any other work the Contractor undertakes, allowing access to only those personnel that are specifically approved to be in the tax credits interventions work area. Its equipment should also prevent unauthorised access to Authority data.
- A43.2 The Contractor shall hold all hard copy documents in secure lockable cabinets within the designated tax credits interventions work area. Appropriate policies are required to be put in place to control access to storage keys.
- A43.3 The Contractor shall put adequate and secure and lockable confidential waste storage and approved destruction arrangements in place at the location where the work will be done. These are required to be agreed with the Authority prior to commencement of the contract. Destruction of hard copy material is required to be in line with HMG IA standard 5.
- A43.4 The Contractor will provide sufficient accommodation to include desks with secure lockable storage for the Authority's Operation Support team for the duration of the contract.
- A43.5 The Contractor shall operate a clear desk environment ensuring that documents, when not in active use are held in secure lockable cabinets.

A44 Payment by Results (PBR)

- ~~A44.1 An illustrative model of the potential EFAC PBR model can be seen at Schedule B. [DN: Insert new model here]~~

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A44.2

A45 Contract Funding/Payment Terms

A45.1 The Contractor must be able to invoice the Authority for the costs of carrying out tax credits error and fraud compliance interventions with the costs for the performance of the Service coming from the operational budget specified below.

A45.2 HMRC wishes to see an open book accounting system specifically for this Service. Therefore the Contractor will be responsible for identifying their operational budget at the start of each financial year and agreeing that budget with HMRC to establish a baseline for the payment mechanism as outlined in Schedule B.

A45.3 The Authority is required to take account of operational/financial impacts and constraints before requesting services and will enter into a period of disclosure about impact and constraints prior to agreeing the operational budget with the Contractor.

A45.4 The Contractor must be able to operate the contract in a sufficiently flexible manner to allow adjustment to the volumes of work transferred throughout the year taking account of operational/financial impacts and constraints.

A45.5 As per clause B1.1 of the terms and conditions, the Authority is required to pay all sums due to the Contractor within 30 days of receipt of a valid invoice 10 months after they have identified losses prevented to allow for identification of associated upheld security incidents, complaints, disputes and appeals.

A45.6

A46 Cost Schedule

A46.1 The remuneration for the services provided by the successful supplier is based on a Payment By Results model. Figures provided when completing the bid section within the eSourcing tool will be included in Schedule B of the final contract awarded to the successful tenderers.

A47 Authority Interaction and Cost

A47.1 The Contractor will provide and maintain appropriate levels of physical security to restrict access to the Contractor's premises (general) and to segregate and restrict access to the work areas where the Authority's services are conducted ensuring that they meet the Authority's requirements for 'need to know' access and are in line with the Security Policy Framework.

A48 Contract Exit Management Plan

A48.1 Details of the contract Exit Management Plan are contained in Schedule F.

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