

## Protect Commercial



### **FORMAL CONTRACT Between**

**HM Revenue & Customs**

**And**

**SYNNEX-Concentrix UK Limited**

**for the provision of**

**Additional Capacity for HM Revenue & Customs**

**Version:** 2.0

**Contract ref:** 444

**eSourcing ref:** BAK-2013-Error and Fraud Adding Capacity-444

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**OJEU ref:** 2014/S 023-036432

**Start Date:** 06 May 2014

**Expiry Date:** 05 May 2017

## Protect – Commercial

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## Form of Agreement



This Agreement is made between Her Majesty's Revenue and Customs, the Authority, of 5W Ralli quays, 3 Stanley Street, Salford M60 9LA and SYNnex-Concentrix UK Limited whose main or registered office is at Tower 42, Level 23, 25 Old Broad Street, London EC2N 1HQ, together referred to as "the Parties" and is effective as of 06 May 2014 ("Commencement Date")

It is agreed that:

This Form of Agreement together with the Terms and Conditions and Schedules are the documents that collectively form the "Contract".

The Contract effected by the signing of this Form of Agreement constitutes the entire agreement between the Parties relating to the subject matter of the Contract and supersedes all prior negotiations, representations or understandings whether written or oral.

Signed for and on behalf of:

HM Revenue and Customs	SYNNEX-Concentrix UK Limited
<b>Full Name:</b> 	<b>Full Name:</b> 
<b>Position:</b> Commercial Director	<b>Position:</b> Senior Vice President
<b>Date:</b> 6 May 2014	<b>Date:</b> 6 <sup>th</sup> May 2014
<b>Address:</b> 5W Ralli Quays 3 Stanley Street Salford M60 9LA	<b>Address:</b> Concentrix, 9 Lanyon Place, Belfast, BT1 3LP, N.Ireland
<b>Telephone:</b> REDACTED	<b>Telephone:</b> REDACTED
<b>email:</b> REDACTED	<b>email:</b> REDACTED

**Terms and Conditions**

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**A GENERAL PROVISIONS**

**A1 Definitions and Interpretation**

A1.1 In this Contract unless the context otherwise requires the following provisions shall have the meanings given to them below:

“Approval” means the written consent of the Authority.

“Authority” means Her Majesty’s Revenue & Customs (HMRC).

“Authority Data” means:

- (a) data, text, drawings, diagrams, images or sounds (together with any database made up of any of these) which are embodied in any electronic, magnetic, optical or tangible media, and which:
  - (i) are supplied to the Contractor by or on behalf of the Authority;or
  - (ii) the Contractor is required to generate, process, store or transmit pursuant to this Agreement; and/or
- (b) any Personal Data for which the Authority is the Data Controller.

“Baseline Standard” means the HMG Baseline Personnel Security Standard staff vetting procedures, issued by the Cabinet Office Security Policy Division and Corporate Development Group.

“Commencement Date” means the effective date shown within the Form of Agreement.

“Commercially Sensitive Information” means Information notified to the Authority in writing (prior to the commencement of this Contract) which has been clearly marked by the Contractor as Commercially Sensitive Information, comprising of information:

- (a) which is provided by the Contractor to the Authority in confidence; and/or
- (b) that constitutes a trade secret.

“Confidential Information” means all Information:

- (a) however it is conveyed or on whatever media it is stored;
- (b) which comes (or has come) to the attention of or into the possession of a Party before, on or after execution of the Contract; and
- (c) which has been designated as confidential by either Party in writing or which ought to be considered as confidential (whether or not it is marked at the time of provision to show that it is imparted in confidence);
- (d) including but not limited to Information the disclosure of which would, or would be likely to, prejudice the commercial interests of any person, trade secrets, Intellectual Property Rights and know-how of either Party and all personal data and sensitive personal data within the meaning of the DPA;
- (e) and which Information is not:
  - (i) in the public domain at the time of disclosure (otherwise then by breach of Clause D4 (Confidential Information)); or

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- (ii) received from a third Party (who has lawfully acquired it) without restriction as to its disclosure; or
- (iii) independently developed without access to the Confidential Information

“Contract” means this written agreement between the Authority and the Contractor consisting of these Clauses and any attached Schedules.

“Contracting Authority” means any Contracting Authority as defined in Regulation 3 of the Public Contracts Regulations 2006.

“Contractor” means the person, firm, company or consortium with legal personality with whom the Authority enters into the Contract.

“Contract Period” means the period from the Commencement Date to the date of expiry set out in Clause A2 (Initial Contract Period);

or such earlier date of termination or partial termination of the Contract in accordance with the Law or the provisions of the Contract.

“Contract Price” means the price (exclusive of any applicable VAT) payable to the Contractor by the Authority under the Contract, as set out in the Pricing Schedule, for the full and proper performance by the Contractor of its obligations under the Contract but before taking into account the effect of any adjustment of price in accordance with Clause B6 (Price Adjustment on Extension of Initial Contract Period).

“Crown” means the government of the United Kingdom (including the Northern Ireland Executive Committee and Northern Ireland Departments, the Scottish Executive and the National Assembly for Wales), including, but not limited to, government ministers, government departments, government and particular bodies and government agencies.

“Default” means any breach of the obligations of the relevant Party (including but not limited to fundamental breach or breach of a fundamental term) or any other Default, act, omission, negligence or negligent statement of the relevant Party or the Staff in connection with or in relation to the subject-matter of the Contract and in respect of which such Party is liable to the other.

“DPA” means the Data Protection Act 1998 together with any guidance and/or codes of practice issued by the Information Commissioner or relevant Crown body in relation to such legislation.

“E-Sourcing Messaging Facility” means the ability to send and receive messages via the E-Sourcing application.

“Environmental Information Regulations” means the Environmental Information Regulations 2004 and any guidance and/or codes of practice issued by the Information Commissioner or relevant Crown body in relation to such regulations.

“Equipment” means the Contractor’s Equipment, plant, materials and such other items supplied and used by the Contractor in the performance of its obligations under the Contract.

“Fees Regulations” means the Freedom of Information and Data Protection (Appropriate Limit and Fees) Regulations 2004.

“FOIA” means the Freedom of Information Act 2000 together with any guidance and/or codes of practice issued by the Information Commissioner or relevant Crown body in relation to such legislation.

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“Fraud” means any offence under Laws creating offences in respect of fraudulent acts or at common Law in respect of fraudulent acts in relation to the Contract or defrauding or attempting to defraud or conspiring to defraud the Crown.

“Good Industry Practice” means standards, practices, methods and procedures conforming to the Law and the degree of skill and care, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced person or body engaged in a similar type of undertaking under the same or similar circumstances.

“Initial Contract Period” means the period from the Commencement Date to the date of expiry set out in Clause A2 (Initial Contract Period), or such earlier date of termination of the Contract in accordance with the Law or the provisions of the Contract.

“Intellectual Property Rights” means patents, inventions, trade marks, service marks, logos, design rights (whether registrable or otherwise), applications for any of the foregoing, copyright, database rights, domain names, trade or business names, moral rights and other similar rights or obligations whether registrable or not in any country (including but not limited to the United Kingdom) and the right to sue for passing off.

“Key Personnel” mean those persons named in the Specification as being Key Personnel.

“Law” means any applicable Act of Parliament, subordinate legislation within the meaning of Section 21(1) of the Interpretation Act 1978, exercise of the royal prerogative, enforceable community right within the meaning of Section 2 of the European Communities Act 1972, regulatory policy, guidance or industry code, judgment of a relevant court of Law, or directives or requirements or any Regulatory Body of which the Contractor is bound to comply.

“Month” means calendar Month.

“Outgoing Contractor” means the Person, firm or company currently providing the Services and whose replacement is envisaged pursuant to the Contract.

“Party” means a Party to the Contract.

“Premises” means the location where the Services are to be supplied, as set out in the Specification.

“Pricing Schedule” means the Schedule containing details of the Contract Price.

“Property” means the Property, other than real Property, issued or made available to the Contractor by the Authority in connection with the Contract.

“Quality Standards” means the Quality Standards published by BSI British Standards, the National Standards Body of the United Kingdom, the International Organisation for Standardization or other reputable or equivalent body, (and their successor bodies) that a skilled and experienced operator in the same type of industry or business sector as the Contractor would reasonably and ordinarily be expected to comply with, and as may be further detailed in the Specification.

“Regulatory Bodies” means those Crown bodies and regulatory, statutory and other entities, committees, ombudsmen and bodies which, whether under statute, rules, regulations, codes of practice or otherwise, are entitled to regulate, investigate, or influence the matters dealt with in the Contract or any



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other affairs of the Authority and “Regulatory Body” shall be construed accordingly.

“Replacement Contractor” means any third Party service provider appointed by the Authority to supply any Services which are substantially similar to any of the Services and which the Authority receives in substitution for any of the Services following the expiry, termination or partial termination of the Contract.

“Request for Information” shall have the meaning set out in the FOIA or the Environmental Information Regulations as relevant (where the meaning set out for the term “request” shall apply).

“Relevant Convictions” means a conviction that is relevant to the nature of the Services and/or relevant to the work of the Authority as previously agreed between the Authority and the Contractor.

“Relevant Transfer” shall have the meaning set out in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”)

“Returning Employees” means those persons listed in a Schedule to be agreed by the Parties prior to the end of the Contract Period who it is agreed were employed by the Contractor (and/or any sub-contractor) wholly and/or mainly in the provision of the Services immediately before the end of the Contract Period.

“Schedule” means a Schedule attached to, and forming part of, the Contract.

“Security Plan” means the Contractor's Security Plan prepared pursuant to the Authority's instructions.

“Security Policy” means the Authority's current Security Policy as updated from time to time.

“Transfer Date” means the date that a Relevant Transfer takes place and may or may not be coincidental to the Commencement Date.

“Services” mean the Services to be supplied as specified in the Specification.

“Specification” means the description of the Services to be supplied under the Contract.

“Staff” mean all persons employed by the Contractor to perform its obligations under the Contract together with the Contractor's servants, agents, suppliers and sub-contractors used in the performance of its obligations under the Contract.

“Tender” means the document(s) submitted by the Contractor to the Authority in response to the Authority's invitation to suppliers for formal offers to supply it with the Services.

“Variation” has the meaning given to it in Clause E3.1 (Variation).

“VAT” means value added tax in accordance with the provisions of the Value Added Tax Act 1994.

“Working Day” means a day (other than a Saturday or Sunday) on which banks are open for general business in the City of London.

A1.2 The interpretation and construction of this Contract shall be subject to the following provisions:

- (a) Words importing the singular meaning include where the context so admits the plural meaning and vice versa;

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- (b) Words importing the masculine include the feminine and the neuter;
- (c) Reference to a Clause is a reference to the whole of that Clause unless stated otherwise;
- (d) Reference to any statute, enactment, order, regulation or other similar instrument shall be construed as a reference to the statute, enactment, order, regulation or instrument as amended by any subsequent enactment, modification, order, regulation or instrument as subsequently amended or re-enacted;
- (e) Reference to any person shall include natural persons and partnerships, firms and other incorporated bodies and all other legal persons of whatever kind and however constituted and their successors and permitted assigns or transferees;
- (f) The words “include”, “includes” and “including” are to be construed as if they were immediately followed by the words “without limitation”;
- (g) Headings are included in the Contract for ease of reference only and shall not affect the interpretation or construction of the Contract.

### **A2 Initial Contract Period**

- A2.1 The Contract shall take effect on the Commencement Date and shall expire automatically three (3) years from the date of the signature thereof, unless it is otherwise terminated in accordance with the provisions of the Contract, or otherwise lawfully terminated, or extended under Clause E6 (Extension of Initial Contract Period).

### **A3 Contractor's Status**

- A3.1 In carrying out the contract at all times during the Contract Period the Contractor shall be an independent Contractor and nothing in the Contract shall create a Contract of employment, a relationship of agency or partnership or a joint venture between the Parties and accordingly neither Party shall be authorised to act in the name of, or on behalf of, or otherwise bind the other Party save as expressly permitted by the terms of the Contract. In order to enable the Contractor to carry out the contract, it will be necessary for the Authority to delegate certain of its statutory functions to the Contractor according to the provisions of section 14 Commissioners for Revenue and Customs Act 2005. It is a condition precedent of the Contract that no action to implement the Contract can be taken by the Contractor other than preliminary set-up and training of the Contractor's staff until the necessary delegation has been made.
- A3.2 Failure by the Contractor to comply with Section 14 of the Commissioners for Revenue and Customs Act 2005 will constitute a material breach for the purpose of Clause G2 (Termination on default).

### **A4 Authority's Obligations**

- A4.1 Save as otherwise expressly provided, the obligations of the Authority under the Contract are obligations of the Authority in its capacity as a contracting counterparty and nothing in the Contract shall operate as an obligation upon, or in any other way fetter or constrain the Authority in any other capacity, nor shall the exercise by the Authority of its duties and powers in any other capacity lead

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to any liability under the Contract (howsoever arising) on the part of the Authority to the Contractor.

### **A5 Notices**

- A5.1 Any notice or other communication which is to be given by either Party to the other shall be issued by the E-Sourcing Messaging Facility. Where, for legal or other reasons, this is not possible, notice shall be given by letter, (sent by hand or post, registered post or recorded delivery), or transmitted by facsimile or e-mail, confirmed in either case by written letter. Such notice or communication shall be deemed to have been given on the day when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours.

### **A6 Mistakes in Information**

- A6.1 The Contractor shall be responsible for the accuracy of all drawings, documentation and Information supplied to the Authority by the Contractor in connection with the supply of the Services and shall pay the Authority any extra costs occasioned by any discrepancies, errors or omissions therein.

### **A7 Conflicts of Interest**

- A7.1 The Contractor shall take appropriate steps to ensure that neither the Contractor nor any Staff is placed in a position where, in the reasonable opinion of the Authority, there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Contractor and the duties owed to the Authority under the provisions of the Contract. The Contractor will disclose to the Authority full particulars of any such conflict of interest which may arise.
- A7.2 The Authority reserves the right to terminate the Contract immediately by notice in writing and/or to take such other steps it deems necessary where, in the reasonable opinion of the Authority, there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Contractor and the duties owed to the Authority under the provisions of the Contract. The actions of the Authority pursuant to this Clause shall not prejudice or affect any right of action or remedy which shall have accrued or shall thereafter accrue to the Authority.
- A7.3 Clauses A7.1 and A7.2 shall apply during the continuance of the Contract.

### **A8 Access to Authority's Premises**

- A8.1 The Contractor's Staff, engaged within the boundaries of the Premises, shall comply with such rules, regulations and requirements (including those relating to security arrangements) as may be in force from time to time for the conduct of personnel when at or outside the Premises.

### **A9 Staff Vetting and Government Baseline Security Standard**

- A9.1 The Contractor shall comply with the HMG Baseline Personnel Security Standard (the Baseline Standard) in respect of all persons employed or engaged in the provision of the Services. The Contractor confirms that all persons employed or engaged by the Contractor have been vetted and recruited in accordance with the Baseline Standard.
- A9.2 The Contractor hereby warrants and represents that the checks specified in HMG Baseline Personnel Security Standard (the Baseline Standard) have been carried out in respect of each person assigned to access Premises, Property or

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Information belonging to the Authority and that the results of those checks are satisfactory.

- A9.3 The Contractor shall maintain full and accurate records of Baseline Standard checks such that the Authority (or its authorised agents) may verify that the Contractor has carried out such checks in accordance with the Baseline Standard.
- A9.4 Subject to legal requirements in respect of confidentiality, the Contractor shall grant to the Authority (or its authorised agents) the right of reasonable access to all its records of Baseline Standard checks and shall provide all reasonable assistance at all times for the purpose of carrying out an audit of the Contractor's compliance with the Baseline Standard.
- A9.5 The Authority may require the Contractor to ensure that any person employed in the provision of the Goods or Services has undertaken a Criminal Records Bureau check. The Contractor shall ensure that no person who discloses that he/she has a Relevant Conviction, or is found by the Contractor to have a Relevant Conviction (whether as a result of a police check or through the Criminal Records Bureau check or otherwise) is employed or engaged in the provision of any part of the Goods or Services.

### **A10 Security of Premises**

- A10.1 The Contractor shall be responsible for maintaining the security of the Premises in accordance with its standard security requirements. The Contractor shall comply with all reasonable security requirements of the Authority while the contract is in existence, and shall ensure that its entire Staff complies with such requirements.
- A10.2 The Contractor shall take all steps reasonably required by the Authority to prevent unauthorised persons from being admitted to the Contractor's Premises. The Authority shall afford to the authorised personnel of the Contractor at all reasonable times and with prior agreement such access to the Authority's Premises as may be necessary for the performance of the Contract provided always that the Authority shall have the right to refuse admittance to or order the removal from the Premises any person employed by or acting on behalf of the Contractor or any sub-contractor who in the opinion of the Authority (which shall be final) is not a fit and proper person to be on the Authority's Premises. Action taken under this Condition shall be confirmed in writing to the Contractor by the Authority and shall not relieve the Contractor of its obligations under the Contract. At all times personnel of the Contractor shall obey the Authority's directions relating to safety.
- A10.3 Where Contractor's Staff are required to have a pass for admission to the Authority's Premises, the Authority's representative shall, subject to satisfactory completion of Approval procedures, arrange for passes to be issued.
- A10.4 The Authority shall provide the Contractor upon request copies of its written security procedures and shall afford the Contractor upon request with an opportunity to inspect its physical security arrangements.

## **B PAYMENT TERMS AND CONTRACT PRICE**

### **Contract Price**

See Schedule B the Payment by Results Model agreed at commencement of the contract

### **B1 Payment Terms and VAT**

- B1.1 The Authority shall pay all sums due to the Contractor within the timeframe agreed for the Payment By Results model described in Schedule B
- B1.2 The Contractor shall ensure that each invoice contains all appropriate references and a detailed breakdown of the Services supplied and is supported by any other documentation reasonably required by the Authority to substantiate the invoice.
- B1.3 Where the Contractor enters into a sub-contract with a supplier or sub-contractor for the purpose of performing its obligations under the Contract, it shall ensure that a provision is included in such a sub-contract which requires payment to be made of all sums due by the Contractor to the sub-contractor within a specified period not exceeding 30 days from the receipt of a valid invoice.
- B1.4 The Contractor shall add VAT to the Contract Price at the prevailing rate as applicable and the Authority shall pay the VAT to the Contractor following its receipt of a valid VAT invoice.
- B1.5 The Contractor shall indemnify the Authority on a continuing basis against any liability, including any interest, penalties or costs incurred which is levied, demanded or assessed on the Authority at any time in respect of the Contractor's failure to account for or to pay any VAT relating to payments made to the Contractor under the Contract. Any amounts due under this Clause B1.5 shall be paid by the Contractor to the Authority not less than 5 Working Days before the date upon which the tax or other liability is payable by the Authority.

### **B2 Recovery of Sums Due**

- B2.1 Wherever under the Contract any sum of money is recoverable from or payable by the Contractor (including any sum which the Contractor is liable to pay to the Client in respect of any breach of the Contract), that sum may be deducted from any sum then due, or which at any later time may become due to the Contractor under the Contract or under any other agreement or Contract with the Client or the Crown.
- B2.2 Any overpayment by either Party shall be a sum of money recoverable by the Party who made the overpayment from the Party in receipt of the overpayment.

### **B3 Compliance with Value Added Tax and Other Tax Requirements**

- B3.1 The Contractor shall at all times comply with the Value Added Tax Act 1994 and all other statutes relating to direct or indirect taxes.
- B3.2 Failure to comply may constitute a material breach of this Contract and the Authority may exercise the rights and provisions conferred by Condition G2 (Termination on Default) hereof.
- B3.3 The Contractor shall provide to the Authority the name and, as applicable, the Value Added Tax registration number, PAYE collection number and either the

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Corporation Tax or Self Assessment reference of any agent, supplier or sub-contractor of the Contractor prior to the commencement of any work under this Contract by that agent, supplier or sub-contractor. Upon a request by the Authority, the Contractor shall not employ or will cease to employ any agent, supplier or sub-contractor.

### **B4 Arrears of Value Added Tax**

- B4.1 Where an amount, including any assessed amount, is due from the Contractor as Value Added Tax under the Value Added Tax Act 1994 (as amended) an equivalent amount may be deducted by the Authority from the amount of any sum due to the Contractor under the Contract.
- B4.2 The Authority shall give the Contractor at least 14 days notice in writing before exercising the right of deduction under Clause B4.1. The notice shall specify the amount to be deducted and shall contain a description of the VAT due from the Contractor in respect of which the deduction is made.

### **B5 Price adjustment on extension of the Initial Contract Period**

- B5.1 The Contract Price shall apply for the Initial Contract Period. In the event that the Authority agrees to extend the Initial Contract Period pursuant to Clause E6 (Extension of Initial Contract Period) the Authority shall, in the 6 Month period prior to the expiry of the Initial Contract Period, enter into good faith negotiations with the Contractor (for a period of not more than 30 Working Days) to agree a Variation in the Contract Price.
- B5.2 If the Parties are unable to agree a Variation in the Contract Price in accordance with Clause B5.1, the Contract shall terminate at the end of the Initial Contract Period.
- B5.3 If a Variation in the Contract Price is agreed between the Authority and the Contractor, the revised Contract Price will take effect from the first day of any period of extension and shall apply during such period of extension.
- B5.4 Any increase in the Contract Price pursuant to Clause B5.1 shall not exceed the percentage change in the Price Index previously agreed between the Authority and the Contractor between the Commencement Date and the date 6 Months before the end of the Initial Contract Period.

## **C STATUTORY OBLIGATIONS AND REGULATIONS**

### **C1 Prevention of Corruption**

- C1.1 The Contractor shall not offer or give, or agree to give, to the Authority or any other Crown body or any person employed by or on behalf of the Authority or any other Crown body any gift or consideration of any kind as an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of the Contract or any other Contract with the Authority or any other Crown body, or for showing or refraining from showing favour or disfavour to any person in relation to the Contract or any such Contract.
- C1.2 The Contractor warrants that it has not paid commission or agreed to pay commission to the Authority or any other Crown body or any person employed by or on behalf of the Authority or any other Crown body in connection with the Contract.
- C1.3 If the Contractor, its Staff or anyone acting on the Contractor's behalf, engages in conduct prohibited by Clauses C1.1 or C1.2, the Authority may:

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- (a) terminate the Contract and recover from the Contractor the amount of any loss suffered by the Authority resulting from the termination, including the cost reasonably incurred by the Authority of making other arrangements for the supply of the Services and any additional expenditure incurred by the Authority throughout the remainder of the Contract Period; or
- (b) recover in full from the Contractor any other loss sustained by the Authority in consequence of any breach of those Clauses.

### **C2 Prevention of Fraud**

- C2.1 The Contractor shall take all reasonable steps, in accordance with Good Industry Practice, to prevent Fraud by Staff and the Contractor (including its shareholders, members, directors) in connection with the receipt of monies from the Authority.
- C2.2 The Contractor shall notify the Authority immediately if it has reason to suspect that any Fraud has occurred or is occurring or is likely to occur.
- C2.3 If the Contractor or its Staff commits Fraud in relation to this or any other Contract with the Crown (including the Authority) the Authority may:
- (a) terminate the Contract and recover from the Contractor the amount of any loss suffered by the Authority resulting from the termination, including the cost reasonably incurred by the Authority of making other arrangements for the supply of the Services and any additional expenditure incurred by the Authority throughout the remainder of the Contract Period; or
  - (b) recover in full from the Contractor any other loss sustained by the Authority in consequence of any breach of this Clause.

### **C3 Discrimination**

- C3.1 The Contractor shall not unlawfully discriminate either directly or indirectly because of race, colour, ethnic or national origin, disability, sex, sexual orientation, gender reassignment, religion or belief, or age and without prejudice to the generality of the foregoing the Contractor shall not unlawfully discriminate within the meaning and scope of the Equality Act 2010 (which replaces the following: Sex Discrimination Act 1975, the Race Relations Act 1976, the Equal Pay Act 1970, the Disability Discrimination Act 1995, the Employment Equality (Sexual Orientation) Regulations 2007, the Employment Equality (Religion or Belief) Regulations 2003, the Employment Equality (Age) Regulations 2006, the Equality Act 2006), the Human Rights Act 1998 or other relevant or equivalent legislation, or any statutory modification or re-enactment thereof.
- C3.2 The Contractor shall take all reasonable steps to secure the observance of Clause C3.1 by all Staff.

### **C4 The Contracts (Rights of Third Parties) Act 1999**

- C4.1 A person who is not a Party to the Contract shall have no right to enforce any of its provisions which, expressly or by implication, confer a benefit on him, without the prior written agreement of both Parties. This Clause does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999 and does not apply to the Crown.

### **C5 Health and Safety**

- C5.1 The Contractor shall comply with the requirements of the Health and Safety at Work Act 1974 and any other acts, orders, regulations and codes of practice relating to health and safety, which may apply to Staff and other persons

working on the Premises in the performance of its obligations under the Contract.

## **D DATA SECURITY AND PROTECTION OF INFORMATION**

### **D1 Authority Data**

- D1.1 The Contractor shall not delete or remove any proprietary notices contained within or relating to Authority Data.
- D1.2 The Contractor shall not store, copy, disclose, or use Authority Data except as necessary for the performance by the Contractor of its obligations under the Contract or as otherwise expressly authorised in writing by the Authority.
- D1.3 To the extent that Authority Data is held and/or processed by the Contractor, the Contractor shall supply that Authority Data to the Authority as may be requested by the Authority and in the format specified by the Authority.
- D1.4 The Contractor shall take responsibility for preserving the integrity of Authority Data and shall take all necessary steps to prevent the corruption or loss of Authority Data.
- D1.5 The Contractor shall perform secure back-ups of all Authority Data and shall ensure that up-to-date back-ups are stored off-site in accordance with the Authority's instructions. The Contractor shall ensure that such back-ups are available to the Authority at all times upon request and are delivered to the Authority at agreed intervals.
- D1.6 The Contractor shall ensure that any system on which the Contractor holds Authority Data, including back-up data, is a secure system that complies with the Authority's current Security Policy. If any Authority Data is corrupted, lost or sufficiently degraded as a result of the Contractor's Default so as to be unusable, the Authority may:
- (a) require the Contractor (at the Contractor's expense) to restore or procure the restoration of the Authority Data to the extent required by the Authority and in accordance with the Authority's security requirements and the Contractor shall do so as soon as practicable but not later than any agreed timescale; and/or
  - (b) itself restore or procure the restoration of the Authority Data, and shall be reimbursed by the Contractor any reasonable expenses incurred in doing so to the extent required by the Authority and in accordance with the Authority's security requirements.
- D1.7 If at any time the Contractor suspects or has reason to believe that Authority Data has or may become corrupted, lost or sufficiently degraded in any way for any reason, then the Contractor shall notify the Authority immediately and inform the Authority of the remedial action the Contractor proposes to take.

### **D2 Data Protection Act**

- D2.1 For the purposes of this Clause D2, the terms "Data Controller", "Data Processor", "Data Subject", "Personal Data", "Process" and "Processing" shall have the meaning prescribed under the DPA.
- D2.2 The Contractor shall (and shall ensure that all Staff) comply with any notification requirements under the DPA and both Parties will duly observe all their obligations under the DPA which arise in connection with the Contract.



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D2.3 Notwithstanding the general obligation in Clause D1.2, where the Contractor is processing Personal Data as a Data Processor for the Authority the Contractor shall:

- (a) Process the Personal Data only in accordance with instructions from the Authority (which may be specific instructions or instructions of a general nature as set out in this Contract or as otherwise notified by the Authority to the Contractor);
- (b) Comply with all applicable Laws;
- (c) Process the Personal Data only to the extent and in such manner as is necessary for the provision of the Contractor's obligations under this Contract or as is required by Law or any Regulatory Body;
- (d) Implement appropriate technical and organised measures to protect the Personal Data against unauthorised or unlawful Processing and against accidental loss, destruction, damage, alteration or disclosure. These measures shall be appropriate to the harm which might result from any unauthorised or unlawful Processing, accidental loss, destruction or damage to the Personal Data and having regard to the nature of the Personal Data which is to be protected;
- (e) Take reasonable steps to ensure the reliability of Staff and agents who may have access to the Personal Data;
- (f) For the performance of this contract it is agreed that written consent from the Authority in order to transfer the relevant Personal Data to any sub-contractor for the provision of the Services is granted
- (g) Not cause or permit the Personal Data to be transferred outside of the European Economic Area without the prior consent of the Authority;
- (h) Ensure that all Staff and agents required to access the Personal Data are informed of the confidential nature of the Personal Data and comply with the obligations set out in this Clause D2;
- (i) Ensure that none of the Staff and agents publish disclose or divulge any of the Personal Data to any third parties unless directed in writing to do so by the Authority;
- (j) Not disclose Personal Data to any third parties other than a notified sub contractor or consortium member in any circumstances other than with the written consent of the Authority or in compliance with a legal obligation imposed upon the Authority; and

D2.4 Notify the Authority within 5 Working Days if it receives:

- (a) A request from a Data Subject to have access to that person's Personal Data; or
- (b) A complaint or request relating to the Authority's obligations under the DPA;

D2.5 Provide the Authority with reasonable cooperation and assistance in relation to any such complaint or request made, including by:

- (a) Providing the Authority with full details of the complaint or request;
- (b) Assisting the Authority to comply with any such request in accordance with the Authority's reasonable instructions; and

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- (c) Providing the Authority with any Personal Data it holds in relation to a Data Subject (within the timescales reasonably required by HMRC).

D2.6 The provision of this Clause D2 shall apply during the Contract Period and indefinitely after its expiry.

### **D3 Official Secrets Acts and related Legislation**

D3.1 The Contractor shall comply with, and shall ensure that its Staff comply with, the provisions of:

- (a) the Official Secrets Acts 1911 to 1989; and
- (b) Section 182 of the Finance Act 1989; and
- (c) Section 18 and Section 19 of the Commissioners for Revenue and Customs Act 2005
- (d) the Tax Credits Act of 2002

D3.2 In the event that the Contractor or its Staff fails to comply with this Clause, the Authority reserves the right to terminate the Contract with immediate effect.

### **D4 Confidential Information**

D4.1 Except to the extent set out in this Clause or where disclosure is expressly permitted elsewhere in this Contract, each Party shall:

- (a) treat the other Party's Confidential Information as confidential and safeguard it accordingly; and
- (b) not disclose the other Party's Confidential Information to any other person without the Information owner's prior written consent.

D4.2 Clause D4.1 shall not apply to the extent that:

- (a) such disclosure is a requirement of Law placed upon the Authority making the disclosure, including any requirements for disclosure under the FOIA, Code of Practice on Access to Government Information or the Environmental Information Regulations pursuant to Clause D5 (Freedom of Information);
- (b) Information in the possession of the Contractor pursuant and ancillary to carrying out the contract must not be disclosed without the Authority's express written permission. The Contractor holds such information according to the statutory obligation of confidentiality at section 18(1) Commissioners for Revenue and Customs Act 2005 and a wrongful disclosure may make an employee of the contractor subject to a criminal offence at section 19 Commissioners for Revenue and Customs Act 2005;
- (c) it is independently developed without access to the other Party's Confidential Information.

D4.3 The Contractor may only disclose the Authority's Confidential Information to the Staff who are directly involved in the provision of the Services and who need to know the Information, and shall ensure that such Staff are aware of and shall comply with these obligations as to confidentiality.

D4.4 The Contractor shall not, and shall procure that the Staff do not, use any of the Authority's Confidential Information received otherwise than for the purposes of the Contract.

D4.5 The Contractor shall procure that its Staff sign a confidentiality undertaking prior to commencing any work in accordance with the Contract.

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- D4.6 Nothing in this Contract shall prevent the Authority from disclosing the Contractor's Confidential Information (including the Management Information obtained under Schedule D to this Contract):
- (a) to the Crown or any other Contracting Authority. The Crown and any Contracting Authorities receiving such Confidential Information shall be entitled to further disclose the Confidential Information to the Crown or other Contracting Authorities on the basis that the Information is confidential and is not to be disclosed to a third Party which is not part the Crown or any Contracting Authority;
  - (b) to any consultant, Contractor or other person engaged by the Authority or any person conducting an Office of Government Commerce gateway review;
  - (c) for the purpose of the examination and certification of the Authority's accounts; or
  - (d) for any examination pursuant to Section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources.
- D4.7 The Authority shall use all reasonable endeavours to ensure that any Crown body, Contracting Authority, employee, third Party or sub-contractor to whom the Contractor's Confidential Information is disclosed pursuant to Clause D4.6 is made aware of the Authority's obligations of confidentiality.
- D4.8 Nothing in this Clause D4 shall prevent either Party from using any techniques, ideas or know-how gained during the performance of the Contract in the course of its normal business to the extent that this use does not result in disclosure of the other Party's Confidential Information or an infringement of its Intellectual Property Rights.

## **D5 Freedom of Information**

- D5.1 The Contractor acknowledges that the Authority is subject to the requirements of the FOIA and the Environmental Information Regulations and shall assist and cooperate with the Authority to enable the Authority to comply with its Information disclosure obligations.
- D5.2 The Contractor shall and shall procure that any sub-contractors shall:
- (a) transfer to the Authority all Requests for Information that it receives as soon as practicable and in any event within 2 Working Days of receiving a Request for Information;
  - (b) provide the Authority with a copy of all Information in its possession or power in the form that the Authority requires within 5 Working Days (or such other period as the Authority may reasonably specify) of the Authority's request; and
  - (c) provide all necessary assistance as reasonably requested by the Authority to enable the Authority to respond to the Request for Information within the time for compliance set out in section 10 of the FOIA or Regulation 5 of the Environmental Information Regulations.
- D5.3 The Authority shall be responsible for determining in its absolute discretion and notwithstanding any other provision in this Contract or any other agreement whether the Commercially Sensitive Information and/or any other Information is exempt from disclosure in accordance with the provisions of the Code of Practice on Government Information, FOIA or the Environmental Information Regulations.

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- D5.4 In no event shall the Contractor respond directly to a Request for Information unless expressly authorised to do so by the Authority.
- D5.5 If the Authority receives a Request for Information relating to Information previously considered by the Parties to be Commercially Sensitive Information that is exempt under the FOIA the Authority shall:
- (a) consider whether the Information is, in fact, exempt and;
  - (b) consider whether the public interest in maintaining the exemption outweighs the public interest in disclosing the Information (unless the Information benefits from an absolute exemption) and;
  - (c) consult with the Contractor prior to disclosure of the Information whenever reasonably practicable.
- D5.6 Without prejudice to Clause D5.5 the Authority shall consult with the Contractor before disclosing any Confidential Information of the Contractor unless the Authority is obliged under the FOIA to disclose such Information without consulting the Contractor.
- D5.7 The Authority shall not be liable for any loss or damage suffered by the Contractor, whether in Contract, tort or any other way, as a result of the Authority disclosing Information in response to a request made under the FOIA.
- D5.8 The Contractor shall ensure that all Information is retained for disclosure in accordance with any legislation or guidelines from time to time in place and shall permit the Authority to inspect such records as requested from time to time.

## **D6 Security Requirements**

- D6.1 In the performance of this Contract, the Contractor shall comply with (and shall ensure that its Staff comply with) the Authority's specific security requirements as described in the Specification of Requirements at Schedule A as appropriate. Failure to do so may result in the termination of the Contract in accordance with Clause G2. The Contractor shall be obliged to inform the Authority of any security incident, regardless of its size or perceived impact on the Authority's business, as soon as the Contractor becomes aware of such an incident, and shall maintain auditable records of such events.
- D6.2 Where required by the Authority, the Contractor shall comply, and shall procure the compliance of its Staff, with the HMRC Security Policy as described in the Security Plan at Schedule H of this Contract and the Contractor shall ensure that its Security Plan fully complies with the Security Policy.
- D6.3 The Authority shall notify the Contractor of any changes or proposed changes to the Security Policy.
- D6.4 If the Contractor believes that a change or proposed change to the Security Policy will have a material and unavoidable cost implication to the Services it may submit a Change Request. In doing so, the Contractor must support its request by providing evidence of the cause of any increased costs and the steps that it has taken to mitigate these costs. Any such change shall then be agreed in accordance with the change procedures previously agreed between the Authority and the Contractor.

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- D6.5 Unless and/or until such a change is agreed by the Authority pursuant to Clause D6.4 the Contractor shall continue to perform the Services in accordance with its existing obligations under the Contract.
- D6.6 The Contractor shall, as an enduring obligation for the Contract Period, use the latest versions of anti-virus definitions available from an industry accepted anti-virus software vendor to check for and delete Malicious Software from the ICT Environment.
- D6.7 Notwithstanding Clause D6.6, if Malicious Software is found, the Parties shall co-operate to reduce the effect of the Malicious Software and, particularly if Malicious Software causes loss of operational efficiency or loss or corruption of Authority Data, assist each other to mitigate any losses and to restore the Services to their desired operating efficiency.
- D6.8 Any cost arising out of the actions of the parties taken in compliance with the provisions of Clause D6.7 shall be borne by the parties as follows:
- (a) by the Contractor where the Malicious Software originates from the Contractor Software, the Third Party Software or the Authority Data (whilst the Authority Data was under the control of the Contractor); and
  - (b) by the Authority if the Malicious Software originates from the Authority Software or the Authority Data (whilst the Authority Data was under the control of the Authority).

### **D7 Publicity, Media and Official Enquiries**

- D7.1 Without prejudice to the Authority's obligations under the FOIA, neither Party shall make any press announcement or publicise the Contract or any part thereof in any way, except with the prior written consent of the other Party.
- D7.2 Both Parties shall take all reasonable steps to ensure that their servants, employees, agents, sub-contractors, suppliers, professional advisors and consultants comply with Clause D7.1.
- D7.3 The Contractor shall not use HMRC's name or brand in any promotion or marketing or announcement without the prior written consent of the Authority.
- D7.4 Each Party acknowledges to the other that nothing in this Contract either expressly or by implication constitutes an endorsement of any products or Services of the other Party and each Party agrees not to conduct itself in such a way as to imply or express any such Approval or endorsement.

### **D8 Intellectual Property Rights**

- D8.1 All Intellectual Property Rights in any guidance, Specifications, instructions, toolkits, plans, data, drawings, databases, patents, patterns, models, designs or other material (the "IP Materials"):
- (a) furnished to or made available to the Contractor by or on behalf of the Authority shall remain the Property of the Authority; and
  - (b) prepared by or for the Contractor on behalf of the Authority for use, or intended use, in relation to the performance by the Contractor of its obligations under the Contract shall belong to the Authority; and the Contractor shall not, and shall ensure that the Staff shall not, (except when necessary for the performance of the Contract) without prior Approval, use or disclose any Intellectual Property Rights in the IP Materials.
- D8.2 The Contractor hereby assigns to the Authority, with full title guarantee, all Intellectual Property Rights which may subsist in the IP Materials prepared in

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accordance with Clause D8.1(b). This assignment shall take effect on the Commencement Date or as a present assignment of future rights that will take effect immediately on the coming into existence of the Intellectual Property Rights produced by the Contractor. The Contractor shall execute all documentation necessary to execute this assignment.

- D8.3 The Contractor shall execute all documentation necessary to execute the assignment under Clause D8.2. The Contractor shall waive or procure a waiver of any moral rights subsisting in copyright produced by the Contract or the performance of the Contract.
- D8.4 The Contractor shall not infringe any Intellectual Property Rights of any third Party in supplying the Services and the Contractor shall, during and after the Contract Period, indemnify and keep indemnified and hold the Authority and the Crown harmless from and against all actions, suits, claims, demands, losses, charges, damages, costs and expenses and other liabilities which the Authority or the Crown may suffer or incur as a result of or in connection with any breach of this Clause, except where any such claim arises from:
- (a) items or materials based upon designs supplied by the Authority; or
  - (b) the use of data supplied by the Authority which is not required to be verified by the Contractor under any provision of the Contract.
- D8.5 The Authority shall notify the Contractor in writing of any claim or demand brought against the Authority for infringement or alleged infringement of any Intellectual Property Right in materials supplied or licensed by the Contractor.
- D8.6 The Contractor shall at its own expense conduct all negotiations and any litigation arising in connection with any claim for breach of Intellectual Property Rights in materials supplied or licensed by the Contractor.
- D8.7 If a claim, demand or action for infringement or alleged infringement of any Intellectual Property Right is made in connection with the Contract or in the reasonable opinion of the Contractor is likely to be made, the Contractor shall notify the Authority and, at its own expense and subject to the consent of the Authority (not to be unreasonably withheld or delayed), use its best endeavours to:
- (a) modify any or all of the Goods or Services without reducing the performance or functionality of the same, or substitute alternative Goods or Services of equivalent performance and functionality, so as to avoid the infringement or the alleged infringement, provided that the provisions herein shall apply to such modified Services or to the substitute Goods or Services; or
  - (b) procure a licence to use and supply the Services which are the subject of the alleged infringement on terms which are acceptable to the Authority, and in the event that the Contractor is unable to comply with Clauses D8.7(a) or (b) within 20 Working Days of receipt of the Contractor's notification the Authority may terminate the Contract with immediate effect by notice in writing.
- D8.8 The Contractor grants to the Authority a royalty-free, irrevocable and non-exclusive licence (with a right to sub-licence) to use any Intellectual Property Rights that the Contractor owned or developed prior to the Commencement Date and which the Authority reasonably requires in order exercise its rights and take the benefit of this Contract including the Services provided.

**D9 Audit and the National Audit Office**

- D9.1 The Contractor shall keep and maintain until 6 years after the end of the Contract Period, or as long a period as may be agreed between the Parties, full and accurate records of the Contract including the Goods or Services supplied under it, all expenditure reimbursed by the Authority, and all payments made by the Authority. The Contractor shall on request afford the Authority or the Authority's representatives such access to those records as may be requested by the Authority in connection with the Contract.

**D10 Authority's Right to Publish the Contract**

- D10.1 The parties acknowledge that, except for any information which is exempt from disclosure in accordance with the provisions of the FOIA, the content of this Contract is not Confidential Information. The Authority shall be responsible for determining in its absolute discretion whether any of the content of the Contract is exempt from disclosure in accordance with the provisions of the FOIA. Notwithstanding any other term of this Contract, the Contractor hereby gives his consent for the Authority to publish the Contract in its entirety, (but with any information which is exempt from disclosure in accordance with the provisions of the FOIA redacted) including from time to time agreed changes to the Contract, to the general public.
- D10.2 The Authority may consult with the Contractor to inform its decision regarding any redactions but the Authority shall have the final decision at its absolute discretion.
- D10.3 The Contractor shall assist and cooperate with the Authority to enable the Authority to publish this Contract

**E CONTROL OF THE CONTRACT**

**E1 Transfer, Sub-Contracting and Novation**

- E1.1 The Contractor shall not assign, sub-contract or in any other way dispose of the Contract or any part of it without the prior written approval of the Authority.
- E1.2 The Contractor shall be responsible for the acts and omissions of its sub-contractors as though they are its own.
- E1.3 Where the Authority has given written consent to the award of a sub-contract or sub-contracts by the Contractor, copies of each sub-contract shall, at the request of the Authority, be sent by the Contractor to the Authority as soon as reasonably practicable.

**E2 Waiver**

- E2.1 The failure of either Party to insist upon strict performance of any provision of the Contract, or the failure of either Party to exercise, or any delay in exercising, any right or remedy shall not constitute a waiver of that right or remedy and shall not cause a diminution of the obligations established by the Contract.
- E2.2 No waiver shall be effective unless it is expressly stated to be a waiver and communicated to the other Party in writing in accordance with Clause A5 (Notices).
- E2.3 A waiver of any right or remedy arising from a breach of the Contract shall not constitute a waiver of any right or remedy arising from any other or subsequent breach of the Contract.

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### **E3 Variation**

- E3.1 Subject to the provisions of this Clause E3.1, the Authority may request a Variation of the Specification provided that such Variation does not amount to a material change to the Specification. Such a change is hereinafter called a "Variation".
- E3.2 The Authority may request a Variation by notifying the Contractor in writing giving the Contractor sufficient Information to assess the extent of the Variation and any additional cost that may be incurred by the Contractor. The Authority shall specify a time limit within which the Contractor shall respond to the request for a Variation. Such time limits shall be reasonable having regard to the nature of the Variation. If the Contractor accepts the Variation it shall confirm the same in writing.
- E3.3 In the event that the Contractor is unable to provide the Variation to the Specification or where the Parties are unable to agree a change to the Contract Price, the Authority may;
- (a) allow the Contractor to fulfil its obligations under the Contract without the Variation to the Specification;
  - (b) terminate the Contract with immediate effect, except where the Contractor has already delivered all or part of the Services or where the Contractor can show evidence of substantial work being carried out to fulfil the requirements of the Specification; and in such case the Parties shall attempt to agree upon a resolution to the matter. Where a resolution cannot be reached, the matter shall be dealt with under the Dispute Resolution procedure detailed at Clause H2.

### **E4 Severability**

- E4.1 If any provision of the Contract is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction, such provision shall be severed and the remainder of the provisions of the Contract shall continue in full force and effect as if the Contract had been executed with the invalid, illegal or unenforceable provision eliminated.

### **E5 Remedies Cumulative**

- E5.1 Except as otherwise expressly provided by the Contract, all remedies available to either Party for breach of the Contract are cumulative and may be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of other remedies.

### **E1 Extension of Initial Contract Period**

- E6.1 This Contract contains the option to extend for further periods of up to 2 years in total, subject to the agreement of both parties. The Contract terms and conditions will apply throughout any such extended period.

### **E2 Review Points**

- E7.1 There will be formal reviews of the Contract's effectiveness in reducing error and fraud within the administration of Working Tax Credits as described in Schedule D. The reviews will be between the Authority's Contract Manager and the Contractor's representative.

### **E8 The Entire Agreement**



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- E8.1 The Contract constitutes the entire agreement between the Parties in respect of the matters dealt with therein. The Contract supersedes all prior negotiations between the Parties and all representations and undertakings made by one Party to the other, whether written or oral, except that this Clause shall not exclude liability in respect of any Fraud or Fraudulent misrepresentation.
- E8.2 In the event of, and only to the extent of, any conflict between the Clauses of the Contract, any document referred to in those Clauses and the Schedules, the conflict shall be resolved in accordance with the following order of precedence:
- (a) the Clauses of the Contract;
  - (b) the Schedules; and
  - (c) any other document referred to in the Clauses of the Contract.

## **F LIABILITIES**

### **F1 Liability, Indemnity and Insurance**

- F1.1 Neither Party excludes or limits liability to the other Party for:
- (a) death or personal injury caused directly or indirectly by its negligence; or
  - (b) Fraud; or
  - (c) Fraudulent misrepresentation; or
  - (d) any breach of any obligations implied by Section 12 of the Sale of Goods Act 1979 or Section 2 of the Supply of Goods and Services Act 1982.
- F1.2 Subject to Clauses F1.3 and F1.4, the Contractor shall indemnify the Authority and keep the Authority indemnified against all claims, proceedings, actions, damages, costs, expenses and any other liabilities which may arise out of or in consequence of the supply, or the late or purported supply, of the Services, or the performance or non-performance by the Contractor of its obligations under the Contract, or the presence of the Contractor or any Staff on the Premises, including in respect of any death or personal injury, loss of or damage to the Authority's Property, financial loss arising from any advice given or omitted to be given by the Contractor, or any other loss which is caused directly or indirectly by any negligent act or omission of the Contractor.
- F1.3 The Contractor shall not be responsible for any injury, loss, damage, cost or expense if and to the extent that it is solely caused by the negligence or wilful misconduct of the Authority or by breach by the Authority of its obligations under the Contract.
- F1.4 Subject always to Clause F1.1, the liability of either Party for Defaults shall be subject to the following financial limits:
- (a) the aggregate liability of either Party for all Defaults resulting in direct loss of or damage to the Property of the other under or in connection with the Contract shall in no event exceed (1 ) million pounds; and
  - (b) the annual aggregate liability under the Contract of either Party for all Defaults (other than a Default governed by Clauses D8.4 (Intellectual Property Rights) or F1.4(a) shall in no event exceed the greater of or (10%) of the Contract Price paid or payable by the Authority to the Contractor in the year in which the liability arises;

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- (c) The aggregate liability of the Contractor under Clause D8.4 (Intellectual Property Rights) where applicable shall in no event exceed (1) million pounds.
  - (d) Where the Authority is satisfied that the Contractor has failed to apply HMRC process, guidance or learning in accordance with Specification and this failure has resulted in an incorrect decision being made, HMRC will undertake remedial action and impose liquidated damages on the Contractor to cover the cost thereof at a rate of £240 per case. Such liquidated damages shall be deemed to be a genuine pre-estimate of the foreseeable damages incurred by the Authority.
- F1.5 Subject always to Clause F1.1, in no event shall either Party be liable to the other for any:
- (a) loss of profits, business, revenue or goodwill; and/or
  - (b) loss of savings (whether anticipated or otherwise); and/or
  - (c) indirect or consequential loss or damage.
- F1.6 The Contractor shall effect and maintain with a reputable insurance company a policy or policies of insurance providing an adequate level of cover in respect of all risks which may be incurred by the Contractor, arising out of the Contractor's performance of its obligations under the Contract, including in respect of death or personal injury, loss of or damage to Property or any other loss. Such policies shall include cover in respect of any financial loss arising from any advice given or omitted to be given by the Contractor and shall be maintained for the Contract Period
- F1.7 The Contractor shall hold employer's liability insurance to a minimum of £5,000,000 in respect of Staff in accordance with any legal requirement from time to time in force.
- F1.8 The Contractor shall give the Authority, on request, copies of all insurance policies referred to in this Clause or a broker's verification of insurance to demonstrate that the appropriate cover is in place, together with receipts or other evidence of payment of the latest premiums due under those policies.
- F1.9 If, for whatever reason, the Contractor fails to give effect to and maintain the insurances required by the provisions of the Contract the Authority may make alternative arrangements to protect its interests and may recover the costs of such arrangements from the Contractor.
- F1.10 The provisions of any insurance or the amount of cover shall not relieve the Contractor of any liabilities under the Contract. It shall be the responsibility of the Contractor to determine the amount of insurance cover that will be adequate to enable the Contractor to satisfy any liability referred to in Clause F1.2.
- F1.11 The Contractor shall effect and maintain with a reputable insurance company a fidelity insurance policy or policies to cover the loss, theft or misappropriation of moneys held on behalf of the Authority up to the sum of one million pounds whilst in the custody or possession of the Contractor, or its Staff.

## **F2 Warranties and Representations**

- F2.1 The Contractor warrants and represents that:
- (a) it has full capacity and authority and all necessary consents (including where its procedures so require, the consent of its parent company) to

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enter into and perform its obligations under the Contract and that the Contract is executed by a duly authorised representative of the Contractor;

- (b) in entering the Contract it has not committed any Fraud;
- (c) as at the Commencement Date, all Information contained in the Tender remains true, accurate and not misleading, save as may have been specifically disclosed in writing to the Authority prior to execution of the Contract;
- (d) no claim is being asserted and no litigation, arbitration or administrative proceeding is presently in progress or, to the best of the Contractor's knowledge and belief, pending or threatened against it or any of its assets which will or might have a material adverse effect on its ability to perform its obligations under the Contract;
- (e) it is not subject to any Contractual obligation, compliance with which is likely to have a material adverse effect on its ability to perform its obligations under the Contract;
- (f) no proceedings or other steps have been taken and not discharged (nor, to the best of its knowledge, are threatened) for the winding up of the Contractor or for its dissolution or for the appointment of a receiver, administrative receiver, liquidator, manager, administrator or similar officer in relation to any of the Contractor's assets or revenue;
- (g) it owns, has obtained or is able to obtain, valid licences for all Intellectual Property Rights that are necessary for the performance of its obligations under the Contract;
- (h) in the 3 years prior to the date of the Contract:
  - (i) it has conducted all financial accounting and reporting activities in compliance in all material respects with the generally accepted accounting principles that apply to it in any country where it files accounts;
  - (ii) it has been in full compliance with all applicable securities and tax Laws and regulations in the jurisdiction in which it is established; and
  - (iii) it has not done or omitted to do anything which could have a material adverse effect on its assets, financial condition or position as an ongoing business concern or its ability to fulfil its obligations under the Contract.

**F3 Professional Indemnity**

- F3.1 The Contractor shall effect and maintain appropriate professional indemnity insurance cover during the Contract Period and shall ensure that all agents, professional consultants and sub-contractors involved in the supply of the Services do the same. To comply with its obligations under this Clause and as a minimum, the Contractor shall ensure professional indemnity insurance held by the Contractor and by any agent, sub-contractor or consultant involved in the supply of the Services has a limit of indemnity of not less than [ £1m ] for each individual claim or such higher limit as the Authority may reasonably require (and as required by Law) from time to time. Such insurance shall be maintained for the duration of the Contract Period and for a minimum of 12 Months thereafter.
- F3.2 Any excess or deductibles under the insurance referred to in Clause F3.1 shall be the sole and exclusive responsibility of the Contractor or the Contractor's agents, professional consultants or sub-contractors, as applicable.
- F3.3 The terms of any insurance or the amount of insurance cover shall not relieve the Contractor of any liabilities arising under the Contract.
- F3.4 The Contractor shall, on request, provide the Authority with copies of all insurance policies referred to in Clause F3.1 or a broker's verification of insurance to demonstrate that the appropriate cover is in place, together with receipts or other evidence of payment of the latest premiums due under those policies.
- F3.5 If, for whatever reason, the Contractor fails to give effect to and maintain the insurances required by this Clause then the Authority may make alternative arrangements to protect its interests and may recover the costs of such arrangements from the Contractor.

**G DEFAULT, DISRUPTION AND TERMINATION**

**G1 Termination on insolvency and change of control**

- G1.1 The Authority may terminate the Contract and revoke delegation with immediate effect by notice in writing where the Contractor is a company and in respect of the Contractor:
- (a) a proposal is made for a voluntary arrangement within Part I of the Insolvency Act 1986 or of any other composition scheme or arrangement with, or assignment for the benefit of, its creditors; or
  - (b) a shareholders' meeting is convened for the purpose of considering a resolution that it be wound up or a resolution for its winding-up is passed (other than as part of, and exclusively for the purpose of, a bona fide reconstruction or amalgamation); or
  - (c) a petition is presented for its winding up (which is not dismissed within 14 days of its service) or an application is made for the appointment of a provisional liquidator or a creditors' meeting is convened pursuant to section 98 of the Insolvency Act 1986; or
  - (d) a receiver, administrative receiver or similar officer is appointed over the whole or any part of its business or assets; or

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- (e) an application order is made either for the appointment of an administrator or for an administration order, an administrator is appointed, or notice of intention to appoint an administrator is given; or
  - (f) it is or becomes insolvent within the meaning of section 123 of the Insolvency Act 1986; or
  - (g) being a “small company” within the meaning of section 247(3) of the Companies Act 1985, a moratorium comes into force pursuant to Schedule A1 of the Insolvency Act 1986; or
  - (h) any event similar to those listed in G1.1(a)-(g) occurs under the Law of any other jurisdiction.
- G1.2 The Authority may terminate the Contract and revoke delegation with immediate effect by notice in writing where the Contractor is a partnership and:
- (a) a proposal is made for a voluntary arrangement within Article 4 of the Insolvent Partnerships Order 1994 or a proposal is made for any other composition, scheme or arrangement with, or assignment for the benefit of, its creditors; or
  - (b) it is for any reason dissolved; or
  - (c) a petition is presented for its winding up or for the making of any administration order, or an application is made for the appointment of a provisional liquidator; or
  - (d) a receiver, or similar officer is appointed over the whole or any part of its assets; or
  - (e) the partnership is deemed unable to pay its debts within the meaning of section 222 or 223 of the Insolvency Act 1986 as applied and modified by the Insolvent Partnerships Order 1994; or
  - (f) any of the following occurs in relation to any of its partners:
    - (i) an application for an interim order is made pursuant to Section 252-253 of the Insolvency Act 1986 or a proposal is made for any composition scheme or arrangement with, or assignment for the benefit of, his creditors; or
    - (ii) a petition is presented for his bankruptcy; or
    - (iii) a receiver, or similar officer is appointed over the whole or any part of his assets.
- G1.3 The Authority may terminate the Contract and revoke delegation with immediate effect by notice in writing where the Contractor is a limited liability partnership and:
- (a) a proposal is made for a voluntary arrangement within Part I of the Insolvency Act 1986 or a proposal is made for any other composition, scheme or arrangement with, or assignment for the benefit of, its creditors; or
  - (b) it is for any reason dissolved; or
  - (c) an application is made either for the appointment of an administrator or for an administration order, an administrator is appointed, or notice of intention to appoint an administrator is given within Part II of the Insolvency Act 1986; or

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- (d) any step is taken with a view to it being determined that it be wound up (other than as part of, and exclusively for the purpose of, a bona fide reconstruction or amalgamation) within Part IV of the Insolvency Act 1986; or
  - (e) a petition is presented for its winding up (which is not dismissed within 14 days or its service) or an application is made for the appointment of a provisional liquidator within Part IV of the Insolvency Act 1986; or
  - (f) a receiver, or similar officer is appointed over the whole of any part of its assets; or
  - (g) it is or becomes unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or
  - (h) a moratorium comes into force pursuant to Schedule A1 of the Insolvency Act 1986.
- G1.4 References to the Insolvency Act 1986 in Clause G1.3(a) shall be construed as being references to that Act as applied under the Limited Liability Partnerships Act 2000 subordinate legislation.
- G1.5 The Contractor shall notify the Authority immediately if the Contractor undergoes a change of control within the meaning of section 416 of the Income and Corporation Taxes Act 1988 ("Change of Control"). The Authority may terminate the Contract by notice in writing with immediate effect within six months of:
- (a) being notified that a Change of Control has occurred; or
  - (b) where no notification has been made, the date that the Authority becomes aware of the Change of Control,
- but shall not be permitted to terminate where an Approval was granted prior to the Change of Control.
- G2 Termination on Default**
- G2.1 Either Party may terminate the Contract and revoke delegation, or terminate a provision of any part of the Contract by written notice to the other Party with immediate effect:
- (a) if the other party commits a Default and has not remedied the Default to the satisfaction of the injured Party within 25 Working Days or such other period as may be agreed between the Parties, after issue of a written notice specifying the Default and requesting it to be remedied; or
  - (b) if the Default is not, in the opinion of the injured Party, capable of remedy; or
  - (c) if the Default is a material breach of the Contract; or
  - (d) if the Contractor commits repeated Defaults (whether of the same or different obligations), the cumulative effect of which is a Material breach
- G2.2 In the event that through any Default of the Contractor, data transmitted or processed in connection with the Contract is either lost or sufficiently degraded as to be unusable, the Contractor shall be liable for the cost of reconstitution of that data and shall reimburse the Authority in respect of any charge levied for its transmission and any other costs charged in connection with such Default in accordance with Clause D1.
- G2.3 If the Authority fails to pay the Contractor any undisputed sums of money when due, the Contractor shall notify the Authority in writing of such failure to

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pay. If the Authority fails to pay such undisputed sums within 90 Working Days of the date of such written notice, the Contractor may terminate the Contract and revoke delegation in writing with immediate effect, save that such right of termination shall not apply where the failure to pay is due to the Authority exercising its rights under Clause B2 (Recovery of Sums Due).

### **G3 Break**

- G3.1 The Authority shall have the right to terminate the Contract and revoke delegation or to terminate a provision of any part of the Contract and revoke delegation at any time by giving 3 Months' written notice to the Contractor.
- G3.2 The Authority may extend this period of notice at any time before it expires subject to agreement on the level of performance to be provided by the Contractor during the period of extension.

### **G4 Consequences of Expiry or Termination**

- G4.1 Where the Authority terminates the Contract and revokes delegation under Clause G2 (Termination on Default) and then makes other arrangements for the supply of the Services, the Authority may recover from the Contractor the cost reasonably incurred of making those other arrangements and any additional expenditure incurred by the Authority throughout the remainder of the Contract Period. The Authority shall take all reasonable steps to mitigate such additional expenditure. Where the Contract is terminated under Clause G2 (Termination on Default), no further payments shall be payable by the Authority to the Contractor (for Services supplied by the Contractor prior to termination and in accordance with the Contract but where the payment has yet to be made by the Authority), until the Authority has established the final cost of making the other arrangements envisaged under this Clause.
- G4.2 Subject to Clause F1, where the Authority terminates the Contract and revokes delegation under Clause G3 (Break), the Authority shall indemnify the Contractor against any commitments, liabilities or expenditure which represent an unavoidable direct loss to the Contractor by reason of the termination of the Contract, provided that the Contractor takes all reasonable steps to mitigate such loss. Where the Contractor holds insurance, the Authority shall only indemnify the Contractor for those unavoidable direct costs that are not covered by the insurance available. The Contractor shall submit a fully itemised and costed list of unavoidable direct loss which it is seeking to recover from the Authority, with supporting evidence, of losses reasonably and actually incurred by the Contractor as a result of termination under Clause G3 (Break).
- G4.3 The Authority shall not be liable under Clause G4.2 to pay any sum which:
  - (a) was claimable under insurance held by the Contractor, and the Contractor has failed to make a claim on its insurance, or has failed to make a claim in accordance with the procedural requirements of the insurance policy;
  - (b) when added to any sums paid or due to the Contractor under the Contract, exceeds the total sum that would have been payable to the Contractor if the Contract had not been terminated prior to the expiry of the Contract Period; or
  - (c) is a claim by the Contractor for loss of profit, due to early termination of the Contract.
- G4.4 Save as otherwise expressly provided in the Contract:

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- (a) termination or expiry of the Contract shall be without prejudice to any rights, remedies or obligations accrued under the Contract prior to termination or expiration and nothing in the Contract shall prejudice the right of either Party to recover any amount outstanding at such termination or expiry; and
- (b) termination of the Contract shall not affect the continuing rights, remedies or obligations of the Authority or the Contractor under Clauses B1 (Payment Terms and VAT), B2 (Recovery of Sums Due), C1 (Prevention of Corruption), D2(Data Protection Act), D3 (Official Secrets Acts 1911 to 1989, Section 182 of the Finance Act 1989, Section 18 and Section 19 Commissioners for Revenue and Customs Act 2005), D4 (Confidential Information), D5 (Freedom of Information), D8 (Intellectual Property Rights), D9 (Audit and National Audit Office), E5 (Remedies Cumulative), F1 (Liability, Indemnity and Insurance), G4 (Consequences of Expiry or Termination), G6 (Recovery upon Termination) and H1 (Governing Law and Jurisdiction).

### **G5 Disruption**

- G5.1 The Contractor shall take reasonable care to ensure that in the performance of its obligations under the Contract it does not disrupt the operations of the Authority, the Authority's employees or any other Contractor employed by the Authority.
- G5.2 The Contractor shall immediately inform the Authority of any actual or potential industrial action, whether such action is by its own employees or others, which affects or might affect its ability at any time to perform its obligations under the Contract.
- G5.3 In the event of industrial action by the Staff, the Contractor shall seek Approval to its proposals to continue to perform its obligations under the Contract.
- G5.4 If the Contractor's proposals referred to in Clause G5.3 are considered insufficient or unacceptable by the Authority acting reasonably, then the Contract may be terminated with immediate effect by the Authority by notice in writing.
- G5.5 If the Contractor is temporarily unable to fulfil the requirements of the Contract owing to disruption of normal business of the Authority, the Contractor may request a reasonable allowance of time and in addition, the Authority will reimburse any additional expense reasonably incurred by the Contractor as a direct result of such disruption.

### **G6 Recovery upon Termination**

- G6.1 At the end of the Contract Period (howsoever arising) the Contractor shall immediately deliver to the Authority upon request all Property (including all materials, documents, Information and access keys) used in the performance of its obligations under the Contract that are in its possession or under its control or in the possession or under the control of any permitted suppliers or sub-contractors and in the event the Contractor fails to do so, the Authority may recover immediate possession thereof and the Contractor hereby grants a licence to the Authority or its appointed agents to enter (for the purposes of such recovery) any Premises of the Contractor where any such items may be held.
- G6.2 At the end of the Contract Period (howsoever arising) and/or after the Contract Period the Contractor shall provide such assistance to the Authority



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and the Replacement Contractor as the Authority may reasonably require in order to ensure an effective handover of all work in progress at the material time. Where the end of the Contract Period arises due to the Contractor's Default, the Contractor shall provide such assistance free of charge otherwise the Authority shall pay the Contractor's reasonable costs of providing such assistance provided that the Contractor shall take all reasonable steps to mitigate such costs.

## **H DISPUTES AND LAW**

### **H1 Governing Law and Jurisdiction**

- H1.1 The Authority and the Contractor accept the exclusive jurisdiction of the English courts and agree that the Contract and all non-Contractual obligations and other matters arising from or connected with the Contract are to be governed and construed according to English Law.

### **H2 Dispute Resolution**

- H2.1 The Parties shall attempt in good faith to negotiate a settlement to any dispute between them arising out of or in connection with the Contract within 20 Working Days of either Party notifying the other of the dispute and such efforts shall involve the escalation of the dispute to the finance director (or equivalent) of each Party.
- H2.2 Nothing in this dispute resolution procedure shall prevent the Parties from seeking from any court of competent jurisdiction an interim order restraining the other Party from doing any act or compelling the other Party to do any act.
- H2.3 If the dispute cannot be resolved by the Parties pursuant to Clause H2.1 the Parties shall refer it to mediation pursuant to the procedure set out in Clause H2.5 unless (a) the Authority considers that the dispute is not suitable for resolution by mediation; or (b) the Contractor does not agree to mediation.
- H2.4 The obligations of the Parties under the Contract shall not cease, or be suspended or delayed by the reference of a dispute to mediation and the Contractor and the Staff shall comply fully with the requirements of the Contract at all times during the Contract Period.
- H2.5 The procedure for mediation and consequential provisions relating to mediation are as follows:
- (a) a neutral adviser or mediator (the "Mediator") shall be chosen by agreement between the Parties or, if they are unable to agree upon a Mediator within 10 Working Days after a request by one Party to the other or, if the Mediator agreed upon is unable or unwilling to act, either Party shall within 10 Working Days from the date of the proposal to appoint a Mediator or within 10 Working Days' notice to either Party that the Mediator is unable or unwilling to act, apply to the Centre for Effective Dispute Resolution ("CEDR") or other mediation provider to appoint a Mediator.
  - (b) The Parties shall within 10 Working Days of the appointment of the Mediator meet with him in order to agree a programme for the exchange of all relevant Information and the structure to be adopted for negotiations to be held. If considered appropriate, the Parties may at any stage seek assistance from the CEDR or other mediation provider to provide guidance on a suitable procedure.

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- (c) Unless otherwise agreed, all negotiations connected with the dispute and any settlement agreement relating to it shall be conducted in confidence and without prejudice to the rights of the Parties in any future proceedings.
- (d) If the Parties reach agreement on the resolution of the dispute, the agreement shall be recorded in writing and shall be binding on the Parties once it is signed by their duly authorised representatives.
- (e) Failing agreement, either of the Parties may invite the Mediator to provide a non-binding but informative written opinion. Such an opinion shall be provided on a without prejudice basis and shall not be used in evidence in any proceedings relating to the Contract without the prior written consent of both Parties.
- (f) If the Parties fail to reach agreement in the structured negotiations within 60 Working Days of the Mediator being appointed, or such longer period as may be agreed by the Parties, then any dispute or difference between them may be referred to the Courts.

## **I SUPPLY OF SERVICES**

### **I1 The Services**

- I1.1 The Contractor shall supply the Services during the Contract Period in accordance with the Authority's requirements as set out in the Specification and the provisions of the Contract in consideration of the payment of the Contract Price. The Authority may inspect and examine the manner in which the Contractor supplies the Services at the Premises during normal business hours on reasonable notice.
- I1.2 If the Authority informs the Contractor in writing that the Authority reasonably believes that any part of the Services does not meet the requirements of the Contract or differs in any way from those requirements, and this is other than as a result of a Default by the Authority, the Contractor shall at its own expense re-schedule and carry out the Services in accordance with the requirements of the Contract within such reasonable time as may be specified by the Authority.
- I1.3 Subject to the Authority providing written consent, timely supply of the Services shall be of the essence of the Contract, including in relation to commencing the supply of the Services within the time agreed or on a specified date. As specified in the Implementation Plan in Schedule A, section A33.

### **I2 Manner of Carrying Out the Services**

- I2.1 The Contractor shall at all times comply with the Service Requirements and Key Performance Indicators contained within Schedule E, and where applicable shall maintain accreditation with the relevant Quality Standards authorisation body. To the extent that the standard of Services has not been specified in the Contract, the Contractor shall agree the relevant standard of the Services with the Authority prior to the supply of the Services and, in any event, the Contractor shall perform its obligations under the Contract in accordance with the Law and Good Industry Practice.
- I2.2 The Contractor shall ensure that all Staff supplying the Services shall do so with all due skill, care and diligence and shall possess such qualifications, skills and experience as are necessary for the proper supply of the Services.

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- 12.3 Time of delivery of the Services shall be of the essence and if the Contractor fails to deliver the Services within the time promised or specified, in the Implementation Plan, the Authority may release itself from any obligation to accept and pay for the Services and/or terminate the Contract, in either case without prejudice to any other rights and remedies of the Authority.

### **I3 Remedies in the event of inadequate performance**

- 13.1 Where the Authority is concerned about the standard of Services or about the manner in which any Services have been supplied or work has been performed or about the materials or procedures used or about any other matter connected with the performance of the Contractor's obligations under the Contract or a complaint is received, then the Authority shall notify the Contractor and where considered appropriate by the Authority investigate the matter. The Authority may at its sole discretion take further action in accordance with the Key Performance Indicator Failure and Remedy Progression Scheme contained in Schedule E and/or Clause G2 (Termination on Default) of the Contract.
- 13.2 In the event that the Authority is of the reasonable opinion that there has been a material breach of the Contract by the Contractor, then the Authority may, without prejudice to its rights under Clause G2 (Termination on Default), do any of the following:
- (a) without terminating the Contract, itself supply or procure the supply of all or part of the Services until such time as the Contractor shall have demonstrated to the reasonable satisfaction of the Authority that the Contractor will once more be able to supply all or such part of the Services in accordance with the Contract;
  - (b) without terminating the whole of the Contract, terminate the Contract in respect of part of the Services only (whereupon a corresponding reduction in the Contract Price shall be made) and thereafter itself supply or procure a third Party to supply such part of the Services; and/or
  - (c) terminate, in accordance with Clause G2 (Termination on Default), the whole of the Contract.
- 13.3 Without prejudice to its right under Clause B2 (Recovery of Sums Due), the Authority may charge the Contractor for any costs reasonably incurred and any reasonable administration costs in respect of the supply of any part of the Services by the Authority or a third Party to the extent that such costs exceed the payment which would otherwise have been payable to the Contractor for such part of the Services and provided that the Authority uses its reasonable endeavours to mitigate any additional expenditure in obtaining replacement Services.
- 13.4 If the Contractor fails to supply any of the Services in accordance with the provisions of the Contract and such failure is capable of remedy, then the Authority shall instruct the Contractor to remedy the failure and the Contractor shall at its own cost and expense remedy such failure (and any damage resulting from such failure) within 10 Working Days or such other period of time as the Authority may direct.
- 13.5 In the event that:
- (a) the Contractor fails to comply with Clause 13.4 above and the failure is materially adverse to the interests of the Authority or prevents the Authority from discharging a statutory duty; or

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(b) the Contractor persistently fails to comply with Clause I3.4 above, the Authority may terminate the Contract with immediate effect by notice in writing.

### **I4 Key Personnel**

- I4.1 Key Personnel are essential to the proper provision of the Services to the Authority. Those Key Personnel shall not be released from supplying the Services without the agreement of the Authority, except by reason of long-term sickness, maternity leave, paternity leave or termination of employment and other extenuating circumstances.
- I4.2 Any replacements to the Key Personnel shall be subject to the agreement of the Authority. Such replacements shall be of at least equal status or of equivalent experience and skills to the Key Personnel being replaced and be suitable for the responsibilities of that person in relation to the Services.
- I4.3 The Authority shall not unreasonably withhold its agreement under Clause I4.2. Such agreement shall be conditional on appropriate arrangements being made by the Contractor to minimise any adverse impact on the Contract which could be caused by a change in Key Personnel.

### **I5 Offers of Employment**

- I5.1 For the duration of the Contract Period and for a period of 12 Months thereafter neither the Authority nor the Contractor shall employ or offer employment to any of the other Party's Staff who have been associated with the procurement and/or the contract management of the Services without that other Party's prior written consent.

### **I6 TUPE**

#### **Definitions and Interpretation**

- I6.1 The Contract envisages that, subsequent to the commencement of the provision of the Services by the Contractor, the identity of the provider of the Services may change (whether as a result of termination or expiry of this Contract, or part, or otherwise) resulting in Services identical or substantially similar to the Services (or any part thereof) being undertaken by the Authority or a Replacement Contractor in substitution. Such change in the identity of the supplier of such Services may be a "Relevant Transfer" within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and in such event, the Contractor, or a Replacement Contractor, could inherit liabilities in respect of the transferring employees.
- I6.2 Not later than 12 Months prior to the end of the Contract Period or if earlier within 28 days of notice being given of termination of the Contract (or any other reasonable time indicated by the Authority), the Contractor, shall fully and accurately disclose to the Authority all Information that the Authority may reasonably request in relation to the Contractor's staff including the following:
  - (a) the total number of staff whose employment/engagement shall terminate at the end of the Contract Period, save for any operation of Law;
  - (b) the age, gender, salary or other remuneration, future pay settlements and redundancy and pensions entitlements ;
  - (c) the terms and conditions of employment/engagement of the staff , their job titles and qualifications;

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- (d) details of any current disciplinary or grievance proceedings ongoing or circumstances likely to give rise to such proceedings and details of any claims current or threatened;
  - (e) a list of agency workers, agents and independent contractors engaged by the Contractor and any sub-contractor;
  - (f) details of any employees who may be regarded as a key employee in the context of the maintenance of the Services; and
  - (g) details of all collective agreements with a brief summary of the current state of negotiations with such bodies and with details of any current industrial disputes and claims for recognition by any trade union.
- I6.3 At intervals to be stipulated by the Authority (which shall not be more frequent than every 30 days) and immediately prior to the end of the Contract Period the Contractor shall deliver to the Authority a complete update of all such Information disclosed pursuant to Clause I6.2.
- I6.4 At the time of providing the Information disclosed pursuant to Clauses I6.2 and I6.3, the Contractor shall warrant the completeness and accuracy of all such Information and the Authority may assign the benefit of this warranty to any Replacement Contractor.
- I6.5 The Authority may use the Information it receives from the Contractor pursuant to Clause I6.2 and I6.3 for the purposes of TUPE and/or any re-tendering process in order to ensure an effective handover of all work in progress at the end of the Contract Period. The Contractor shall provide the Authority and/or Replacement Contractor with such assistance as it shall reasonably request and shall allow the Authority and/or Replacement Contractor to communicate and meet with the staff and/or their representatives.
- I6.6 If the Contractor becomes aware that any Information it has provided pursuant to Clause I6.2 and/or I6.3 has become untrue, inaccurate or misleading, it shall notify the Authority immediately and provide the Authority with up to date Information as soon as reasonably practicable.
- I6.7 The preceding Clause I6.6 applies during the Contract Period and indefinitely thereafter.
- I6.8 The Contractor undertakes to the Authority that during the 12 Months prior to the end of the Contract Period or, if earlier, at time after notice has been served to terminate the Contract, the Contractor shall not and shall procure that any sub-contractor shall not without the prior written consent of the Authority:
- (a) amend or vary (or purport or promise to amend or vary) the terms and conditions of employment or engagement) (including, for the avoidance of doubt, pay) of any staff (other than where such amendment or variation has previously been agreed between the Contractor and the staff in the normal course of business, and where any such amendment or variation is not in any way related to the transfer of the Services);
  - (b) terminate or give notice to terminate the employment or engagement of any staff (other than in circumstances in which the termination is for reasons of misconduct or lack of capability);
  - (c) transfer away, remove, reduce or vary the involvement of any of the staff from or in the provision of the Services (other than where such transfer or removal:

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- (i) was planned as part of the individual's career development;
  - (ii) takes place in the normal course of business; and
  - (iii) will not have any adverse impact upon the delivery of the Services by the Contractor, (provided any such transfer, removal, reduction or variation is not in anyway related to the transfer of the Services));
- (d) recruit or bring in any new or additional individuals to provide the Services who were not already involved in providing the Services prior to the relevant period.

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## OVERVIEW OF REQUIREMENTS

### A1. General Overview

- 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:  
<http://www.hmrc.gov.uk/charter/charter.pdf>
- A1.7 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.
- 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.

## 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 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).

Rates of Error & Fraud within the Tax Credits System 2003/04 to 2011/12									
	2003/0	2004/0	2005/0	2006/0	2007/0	2008/0	2009/1	2010/1	2011/1
<b>Entitlement (£billion)</b>	£12.06	£14.32	£16.04	£18.22	£19.87	£23.59	£26.44	£27.93	£29.02
<b>Error &amp; Fraud (%)</b>	9.7%	8.2%	9.6%	7.8%	9.0%	8.9%	7.8%	8.1%	7.3%
<b>Error &amp; Fraud (£billion)</b>	£1.17	£1.17	£1.52	£1.42	£1.79	£2.11	£2.06	£2.27	£2.09

- 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) front-

line 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 £790m in 2013/14 and forecasts the same for 2014/15.

- 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.

### **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.
- 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;

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- 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.

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**

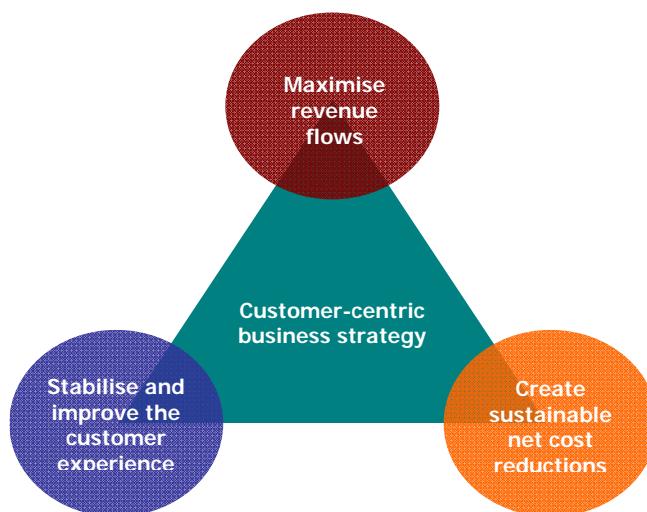
Between September 2014 and September 2017 the Authority requires the Contractor to consider up to 5.5 million tax credits awards to identify and correct in the region of 2.0 million cases that are forecast to contain tax credits error and fraud, over and above HMRC planned activity. The delivery profile, 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.

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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 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.

### **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 1, the provisions relating to audit and assurance specified in section A38

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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 contract 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.
- A6.2 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.
- A6.4 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. KPIs 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.
- A6.5 The Contractor must actively manage the resolution of KPIs 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.
- 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.

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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/cwtcredits-error.pdf>), specifically:

- **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.
- **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 non-advanced 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, schools-related) 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



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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.

### 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.
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

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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 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 –

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in-year High Risk Change of Circumstance (HRCC) and the year end checks, High Risk Renewals (HRR). Each DLG is further split into sub-groups 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.

### **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.
- 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 de-selected cases to the Authority within 2 working days following confirmation

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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**

- A12.1 The Contractor is required to undertake two overarching operational processes (High Risk Renewals and High Risk Change of Circumstance) on behalf of the Authority at different times of the year. The legislative references are to the Tax Credits Act 2002.
- A12.2 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 delivery profile and volume of compliance interventions agreed under section A10.4. High level indicative volumes, which are subject to change, are provided below and at Annex 2. Where

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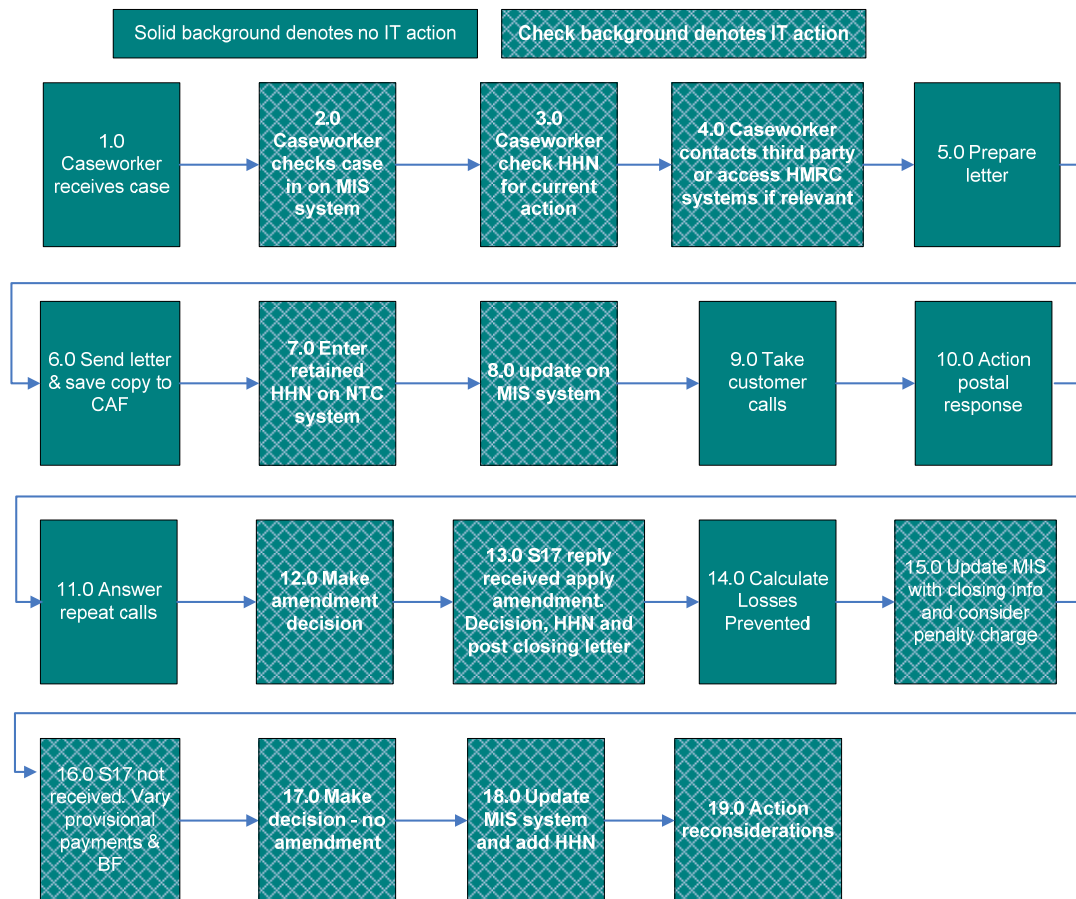
Authority outputs are provided these are for illustrative purposes only.

Estimated Annual Contractor Case Volumes 2014/15 to 2016/17						
Risk Description / Annual Volumes ('000s)	Child	Childcare	Disability*	Income	Work & Hours	Undeclared Partner
2014/15	177	253	-	383	440	235
2015/16	380	125	-	775	725	375
2016/17	190	75	-	620	280	240

\* Not currently part of Authority processes but may be included as part of overall Contractor compliance intervention requirement

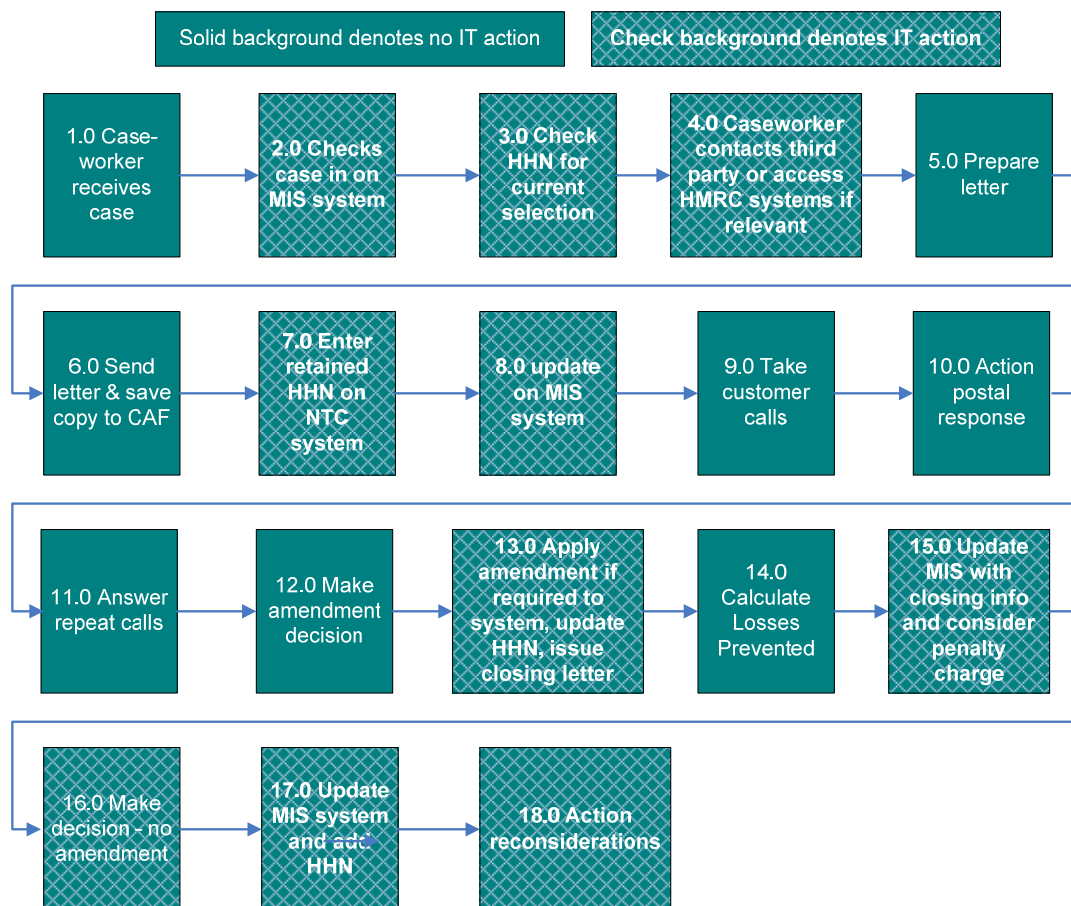
- A12.3 The service outputs will include delivery of error and fraud compliance interventions, with related customer service timeliness targets and error and fraud outcome based targets across the duration of the contract, set out in Annex 2.
- A12.4 The Authority requires that a Contractor delivery 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 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.

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- 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. 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 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,



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which are subject to change, are provided below and at Annex 2. Where Authority outputs are provided these are for illustrative purposes only.

- 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.
- 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.
- 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

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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 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

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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.

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

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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 1<sup>st</sup> Specified Date (31<sup>st</sup> 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 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

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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 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		
<b>Day 1</b>	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 –	○ ☞ ∞  •

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	<p>update management information system (5 minutes)</p> <ul style="list-style-type: none"> <li>If risk exists (not Childcare / Income) - prepare opening letter &amp; Save - Update household notes – update management information system – post letter to customer (10 minutes)</li> <li>If risk exists (childcare / Income) - call childcare provider / employer - note the call <ul style="list-style-type: none"> <li>If costs / income confirmed note case as no take up (NTU) - (5 – 10 minutes including the call)</li> <li>If cost / Income not confirmed - prepare opening letter (10 minutes)</li> </ul> </li> </ul>	
<b>Day 2</b>	<ul style="list-style-type: none"> <li>Await call back from employer / childcare provider - issue opening letter.</li> </ul>	
<b>Day 3 – 10</b>	<ul style="list-style-type: none"> <li>Customer usually receives letter (50% response rate)</li> <li>Process allows for further customer contact to progress case – outbound telephony – allow 5 – 10 minutes per call.</li> <li>Letter issue will generate inbound telephony – 50% response rate – record call discussion &amp; save against customer record.</li> <li>Average call time for undeclared partner risk 15 minutes, all other risks average call time for other risks 5 – 10 minutes</li> <li>Post replies will arrive between days 3 – 14 &amp; days 3 – 30 – response rate 50% of letters issued.</li> </ul>	
<b>Day 11 – 14</b>	<ul style="list-style-type: none"> <li>Calls &amp; replies will continue to come in during this time.</li> </ul>	
<b>Day 15</b>	<ul style="list-style-type: none"> <li>Discrepancy B/F matures - Make decision – only process if customer has returned renewal declaration</li> <li><b>If returned</b> <ul style="list-style-type: none"> <li>Amendment Required <ul style="list-style-type: none"> <li>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)</li> </ul> </li> <li>No amendment required <ul style="list-style-type: none"> <li>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)</li> </ul> </li> </ul> </li> <li><b>If not returned</b> 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).</li> </ul>	
<b>Day 16 – 30</b>	<ul style="list-style-type: none"> <li>Calls &amp; replies will continue to come in during this time.</li> </ul>	
<b>Day 31</b>	<ul style="list-style-type: none"> <li>Info Request BF matures (see Day 15</li> </ul>	

**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 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

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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.
- 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.



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- 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.
  - 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

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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).
- 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

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

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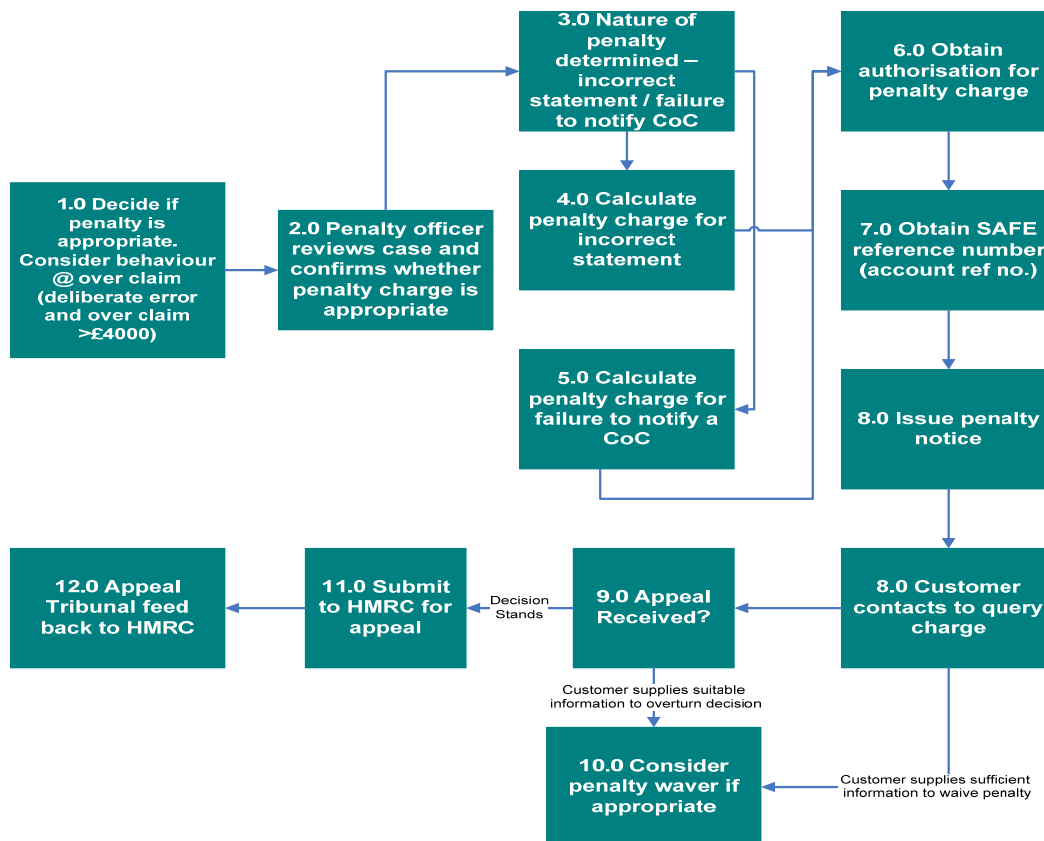
	For Undeclared Partner - suspend payments & B/F for additional 30 days - prepare / Issue payment suspend letter & Save (5-10 minutes)	
<b>Day 62</b>	<p>For Undeclared Partner Discrepancy BF matures - Make decision</p> <ul style="list-style-type: none"> <li>Amend award (all risks) - update tax credits system - prepare closing letter &amp; 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)</li> <li>No amend award (all risks) - update tax credits system - prepare closing letter &amp; 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</li> </ul>	

### **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:

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- business reply envelopes,
- 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 replacing foreign documents	Cost of replacing UK birth certificates
Jan 12 – Jan 13	£1940.83	£240.00

- 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,

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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 2<sup>nd</sup> 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 2<sup>nd</sup> 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;
  - 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:



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- 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:

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 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

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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. 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

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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 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

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

- 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.
- 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.

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- 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:
- 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.

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



**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;

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- all audio records of a conversation with the customer;
- hard copies taken.

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.

## **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 CESS 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 3<sup>rd</sup> 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.
- A31.2 The Contractor must ensure that their personnel can view relevant case data received from government systems via a suitable Case

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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.
- 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

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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.
- 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 Implementation Timeline and Key Milestones**

- A33.1 The Contractor is required to implement capabilities to handle cases for all 6 risk categories from 1 September 2014. To do this, implementation has been split into two stages, with key implementation milestones as described below. The milestones indicated assume that the Contract between the Authority and the Contractor will be signed on 6 May 2014 for the purposes of identifying the milestones. The Contractor will be required to develop and deliver capabilities aligned to each milestone. Where the contract is not signed on 6 May, implementation milestones will be reviewed and changed as appropriate.
- A33.2 The Contractor is required to provide a draft Implementation Plan to demonstrate how they will meet these milestones with their tender.
- 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,



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confirm roles, and agree the detail of Governance and Contract Management.

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

A33.7 Stage 1 Implementation milestones:

- ◆ 06 May Contract signed
- ◆ 20 May Contractor Implementation and Operational Structure in place
- ◆ 02 June Detailed Implementation Plan agreed with the Authority
- ◆ 16 June Authority led 'Train the Trainers' courses begin – duration 3 weeks
- ◆ 25 July Complete end-to-end I.T. testing with the Authority
- ◆ 08 Aug Security accreditation of Contractor systems and processes signed off
- ◆ 08 Aug Contractor Business Readiness Assessment approved
- ◆ 08 Aug Secure Electronic Transfer (SET) in place to facilitate sending of data
- ◆ 18 Aug The Authority I.T. Release Go-Live
- ◆ 25 Aug Contractor confirms cases de-selected/selected for working
- ◆ 28 Aug Contractor personnel trained and ready for Go-Live

A33.8 **Stage 2 – High-Risk Change of Circumstance Go-live** (August 14 – March 15)

The Contractor will start to intervene on High Risk Change of Circumstance (HRCC) cases in stage 2. The Contractor will be expected to have capabilities in place to receive case data, decide cases to be worked, start working cases and be able to handle the contact from customers that this will generate for all Risk categories identified in section A8. Annex 2 provides details of the volumes of cases to be sent and expectations for the number of cases to be worked and the expected return.

A33.9 Stage 2 Implementation milestones:

- ◆ 11 Aug 14 Contractor receives first caseload and data from HMRC
- ◆ 25 Aug 14 Contractor confirms cases de-selected/selected for working
- ◆ 28 Aug 14 Contractor personnel trained and ready for Go-Live
- ◆ 01 Sep 14 Contractor starts to open first HRCC cases
- ◆ 31 Mar 15 Contractor to close all HRCC cases selected

A33.10 The Contractor will be required to start planning and preparing for the High Risk Renewals (HRR) campaign during stage 2. HRR cases will be worked between April 15 and August 15 and annually thereafter. To support the Contractor to work this campaign, the Authority will work with the Contractor to provide for all Contractor trainers to be trained by the Authority, to then enable the Contractor personnel to be trained on the changes to the process for the HRR cases (duration 1 week).

A33.11 The Authority will provide a structure for onboarding the Contractor to IT arrangements during this period, including a period of testing. Plans and milestones to support this will be developed and agreed jointly between the Authority and the Contractor.

**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 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.
- 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.

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- A37.10 The Contractor must consult with the Authority in the event of adverse pre-employment 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.
- 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

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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.
- 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

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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;
  - 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:

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- 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.

- 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

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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 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



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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 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.
- A44.2 There are two variables for this model which can be altered in order to indicate the potential Contractor payment. These are:

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- The total value of the error and fraud reduced by Contractor compliance interventions; and
- The starting percentage that the Contractor would envisage as appropriate for the services they provide.

A44.3 Included within this model is incentivisation for achieving error and fraud reductions on a stepped basis, to reflect that the more that is recovered will potentially leave cases with a lower strike rate and losses prevented, so the payment for achieving these strikes will be higher to reflect this extra work. There is also a Service Level Agreement (SLA) bonus for the achievement of the KPIs/SLAs (see Schedule E).

### **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 It is the intention of HMRC to reach agreement with the Contractor after the first year of interventions for a gainshare on any results beyond that envisaged by HMRC. This will be on the basis of 60/40 in HMRC's favour. If such an agreement is reached it will be a variation of this Contract.

### **A46 Cost Schedule**

- A46.1 The remuneration for the services provided by the successful supplier is wholly based on a Payment By Results model, i.e. commission only. 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.

## Schedule B - Pricing Schedules

### **B1 Principles**

- B1.1 The Authority is seeking a Payment By Results (PBR) model where:
- Payment is based on Annually Managed Expenditure (AME) savings for Her Majesty's Government (HMG). An illustrative example of this is contained in Schedule B, Appendix A.
  - Payment is based on the Authority's cash values and these cash values are calculated from:
    - The value of overpayments prevented that year;
    - Value of debt generated from overpayments made, offset cross year against continuing awards, and;
    - The value of in-year offset debt enabled as a result of intervention prior to the renewal date.
- B1.2 These values create sums over 4 years from which the Present Value is taken at Bank of England base rate. The Authority will review and track benefits, reconsiderations, disputes and Appeals, inputting results into a review of the PBR each quarter to ensure the lag adjustment is fair for the Authority and Contractor.
- B1.3 Payment is not based on outputs but on AME savings only.
- B1.4 The model has a split value to incentivise the Contractor to provide the full coverage of cases (from within each work package) required for the Authority to meet its targets. An illustrative spreadsheet of how the split value of payments is likely to work is contained in Schedule B, Appendix B.
- B1.5 Delivery standards are underpinned by Service Level Agreements which must be adhered to by the contractor in order to ensure fair and appropriate customer service is maintained.
- B1.6 HMRC reserves the right to move to a 'Gainshare' agreement if the outcomes are significantly higher than envisaged. Such an agreement would be a variation to this contract.

### **B2 Payment By Results (PBR) Payment structure**

- B2.1 The Authority requires a 100% PBR model based upon a commission of the actual AME saving created by identifying and correcting incorrect customer entitlement and ensuring accurate payments of Tax Credits.
- B2.2 The Authority recognises scope for a different payment structure (not PBR) for the opening period of the contract (the initial five months), for example fixed monthly payments or an up front investment by the Authority. Any early stage payments to the Contractor by the Authority will be tracked by the PBR model and future Contractor payments will be adjusted by the difference between what would have been earned and what was paid, to fall back in line with the commission earned through PBR during the first twelve months of the contract.

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- B2.3 Please refer to the Cost Effectiveness Questionnaire and associated Bid Section within the Emptoris event for further details about how to submit your bid.
- B2.4 The Authority will only make Payment following an assurance and validation of the **quality** and **value** of actual AME impact in order to demonstrate Contractor benefit achieved before payment.
- B2.5 The Authority will inhibit Contractor payment until Contractor benefit is demonstrated through assurance and validation. A time-indexed process-flow of how this is likely to look is contained in Schedule B, Appendix C.

### **B3 Payment process detail**

- B3.1 Schedule B Appendix B models **indicative** commission for the Contractor based upon AME savings delivered through assured and validated reduction in error and fraud.
- B3.2 Schedule B Appendix C illustrates the preferred PBR payment model.
- B3.3 This model is predicated upon:
- 100% Payment by results.
  - Quality assurance is undertaken by the Contractor prior to transference to the Authority.
  - Quality assurance will be undertaken on a random sample basis by the Authority to assure quality and accuracy of referrals.
  - Payment is based upon the Authority's model of departmental cash benefits per £value of losses prevented. This model will be tracked and validated on a quarterly basis in order to assure the value of each intervention. This could mean the value of each intervention increasing or decreasing, depending upon the actual impact upon departmental benefits spending. This quarterly Validation process will not delay payment.
  - Decisions undertaken in good faith by the Contractor which are subsequently overturned upon reconsideration, review or Appeal will not be paid for, as they will not deliver a 'cash' saving.
  - I.T. development in the Authority's estate, when delivered, will automate the changes to the Tax Credit systems directly from Contractor input.
  - HMRC reserve the right to move to a 'Gainshare' agreement if the outcomes are significantly higher than envisaged. Such an agreement would be a variation to this contract

### **B4 PBR Key features**

- B4.1 Through EFAC delivery, the Authority aims to reduce the error and fraud in the Tax Credit system towards its annual targets.
- B4.2 In order for this to be achieved, a wide coverage of interventions is required in the caseload supplied by the Authority. It will not be sufficient for the Contractor to identify error and fraud in only the highest risk / value cases. The Contractor will be required to conduct interventions that are likely to have a reduced strike rate (i.e. need to work more cases to identify a change that will impact AME, out of which commission will be paid) and / or make

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more interventions on intervention types that hold lower value per successful strike than other interventions.

- B4.3 To incentivise the working of these cases, the PBR model contains a split payment rate whereby once a certain level of AME savings has been delivered in a financial year, the level of commission for any future AME savings increases to reflect an assumed lower strike rate and value.
- B4.4 This is designed to encourage full coverage, as full coverage across all of the intervention types will be required in order for the Contractor to achieve the level of AME savings whereby the higher rate will be earned. This will require the Contractor to work cases with lower strike rates and lower individual value, in order to generate the volume of AME impacts to reach the higher tier payment value.
- B4.5 The authority will pay a standard commission rate from the actual AME savings for all intervention types but the commission rate for all intervention types will rise to a higher rate once a specific and agreed cumulative AME savings total has been achieved.
- B4.6 Maintaining agreed Service Level Agreements throughout the year will generate an Annual SLA payment on top of commission earned (See Schedule B Appendix B).

### **B5 Key Performance Indicators**

- B5.1 The Contractor is required to meet the Authority's customer service standards. These standards are underpinned by Key Performance Indicators (KPIs) which will be Specific, measurable, attainable, realistic and time-framed. The successful delivery by the Contractor of Service to KPI standards will be remunerated at the end of each financial year by a KPI payment. This is to give the Contractor financial remuneration for activity / resources that will be required to deliver KPIs but will not otherwise attract payment via the Payment By Results model.
- B5.2 The service level agreements set out by the Authority can be found in Schedule E.

### **B6 Sharing of Contractor Innovation with the Authority**

- B6.1 The contract award process will include the provision of sharing innovation and additional data for analytics with the Authority. The **cost and value of this provision** must be included within the bid for PBR model of payment.
- B6.2 Detail on innovation can be found in Schedule A, section A23

### **B7 Contractor action to inform payment**

- B7.1 The Contractor is required to undertake interventions following the Authority standard operating procedures.
- B7.2 Upon making the change to a Tax Credit award the Contractor will make a calculation to identify the gross losses prevented which will then be presented to the Authority.

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- B7.3 The Authority will then process each gross losses prevented figure through the Authority's 'impact model' to convert to accrual cash (AME) savings. See Schedule B, Appendix A.
- B7.4 The Contractor is required to operate an open book relationship with the Authority and the detail of this conversion will be made available for clarity and transparency.
- B7.5 The converted AME savings figure is the figure from which commission will be paid. Please see Schedule B Appendix C for a time linked payment model.

### B8 Quality

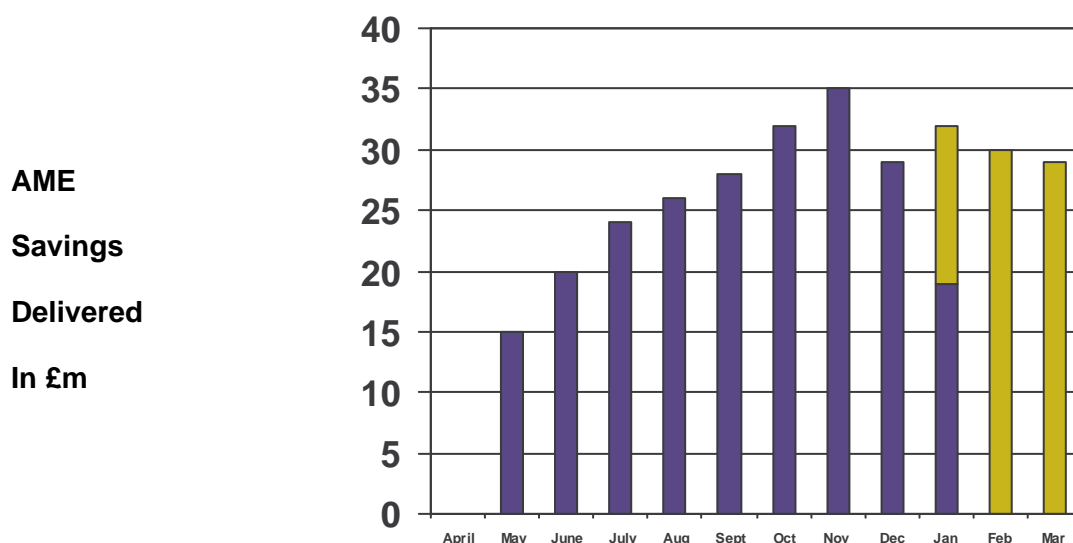
- B8.1 The Contractor will be required to perform checks on the outputs of its staff in order to ensure adherence to the standards of quality, found under Service Level Agreements in Schedule E. The process for Contractor quality assurance can be found in Schedule A, section A39.
- B8.2 The Authority will use a randomly selected sample of the Contractor's outputs of no less than 100 cases per month in order to give an in-month and year to date formal financial accuracy figure. This will give indicative in-month accuracy and statistically valid Year-end formal accuracy.
- B8.3 Accuracy at 97% and above will earn 100% commission. Accuracy below 97% will mean that commission is reduced by the percentage of accuracy being delivered. Therefore financial accuracy at 92% will only generate 92% of that month's commission being paid by the Authority.
- B8.4 Accuracy and any reduction of payment will be based on **in month** accuracy, reported to two decimal figures and rounded down.
- B8.5 At year end, if the year to date accuracy is 97% or above, then a reconciliation payment will be made to ensure that the Contractor is paid 100% of the commission earned for that financial year.

### B9 Validation

- B9.1 The Payment By Results model is dependant upon correctly identifying the **actual benefits** generated by the Contractor correcting Tax Credit customer accounts. This is complex, as many influencing factors can cut across the value and the length of impact of any corrective action.
- B9.2 The Authority have developed a model that converts the 'Gross Losses Prevented' (GLP) which is essentially the cash saving if nothing changed after the point of correction to the true cash (AME) saving that the Authority will **actually** see from that GLP figure.
- B9.3 This model is based upon historical data and has a high level of assurance. However, the Authority will continue to monitor and track cases to validate the principles of the model and update that model on a Quarterly basis.
- B9.4 This will ensure that the Authority has assurance that it is getting the benefits from the Contractor activity and that the Contractor is getting fair payment for the results that they are achieving.

## B10 Incentivisation

- B10.1 The Authority has identified the work that it will provide the Contractor each year, as per its logical (work allocation) plan. From this work allocation, the Authority has forecast the amount of AME savings that it anticipates the Contractor will be able to deliver by following the Authority's standard operating processes.
- B10.2 The work supplied to the Contractor by the Authority will be in 'pots'. These pots will be of varying intervention type and will often be linked to key calendar events, such as the Tax Credits Renewal or the start of a new School year. Some of the AME savings contained in those pots of work will be easier to identify and have a higher value per intervention than others. However, in order to achieve its targets on the overall error and fraud within its systems, the Authority requires the Contractor to extract as much error and fraud as possible before moving onto the next pot.
- B10.3 In order to incentivise the full coverage of the work available and not just the high reward cases, the commission earned by the Contractor will be split based upon the cumulative AME savings delivered through the full year.
- B10.4 Once a certain level of tracked and validated **cumulative** AME savings has been delivered by the Contractor, all other AME savings delivered from that point will include an extra commission rate. For example, if £300m AME savings are anticipated to be achieved in a financial year, then the Authority will pay the Contractor a standard rate of commission for the first £200m AME savings delivered and then a higher premium commission rate for any AME savings above this figure.
- B10.5 In order to secure the volume of AME savings that will activate these higher commission payments, the Contractor will need to secure all the AME savings possible from all the pots of work supplied available and not just from those of 'higher value'.
- B10.6 The graph below illustrates how this will work in practice:



- B10.7 The purple columns show the AME savings that will earn commission at the standard rate.



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The gold columns show the AME savings that will earn commission at the premium rate.

Based upon the successful delivery of £300m AME savings, the commission earned at the premium rate during the end of January through to the end of March will carry a similar value to the Contractor as the commission earned at the standard rate from April to mid January.

- B10.8 This emphasises the importance of delivering the high **cumulative** AME savings for the Contractor to reach the higher commission rate which will help the Authority secure the outcomes in overall error and fraud that it is striving to achieve.

### B11 Payment Process timeline

- B11.1 Appendix C illustrates the process from Contractor action through to Contractor payment for that successful action. Please note this is for illustrative purposes only and the actual dates and working days will be agreed after contract award and may differ.

- 3rd October 2014: Contractor makes intervention on a customer account resulting in a change to the award.
- 5th October 2014: Following overnight batch processing of Tax Credit system, Contractor calculates Gross Losses Prevented (GLP) using standard calculation.
- 5th October 2014: The Contractor will undertake Quality Assurance checking to ensure the high standard of work undertaken before reporting the GLP figure to the Authority.
- 5th October to 3rd November 2014: Payment lag to allow for customer to ask for a reconsideration or Appeal against the decision.
- During this period, the Authority will undertake Quality Assurance on a random sample basis to determine formal monthly and year to date contractor financial accuracy. See Schedule A, section A39.
- 4th November 2014: The Authority checks reconsiderations database and Appeals database & reveals that the decision has not been overturned.
- 4th November 2014: The Authority converts GLP into cash AME saving and determines Contractor commission from PBR model.
- 4th November 2014: Contractor payment profiled for next payment date: 1st December 2014
- 1st December 2014: Separate check against reconsiderations and Appeals databases to identify any cases from previous Contractor payments which have been already been paid as a success to the Contractor but have subsequently been overturned.
- 1st December 2014: The Authority schedule a **net payment** of payment due for the validated commission for this month **minus** any payments already paid from previous months that the decision has been overturned, negating the AME benefits for the Authority.
- 1st December 2014: Payment to Contractor made based upon the formal Contractor accuracy. See section B8.

- B11.2 Payments will be scheduled monthly for all activity that has been processed by the Contractor and have gone through a 30 day lag-period to allow for customers to submit a request for reconsideration or an Appeal. Quality assurance will be undertaken in this period. The minimum delay from submission of a successful outcome by the Contractor to the Authority

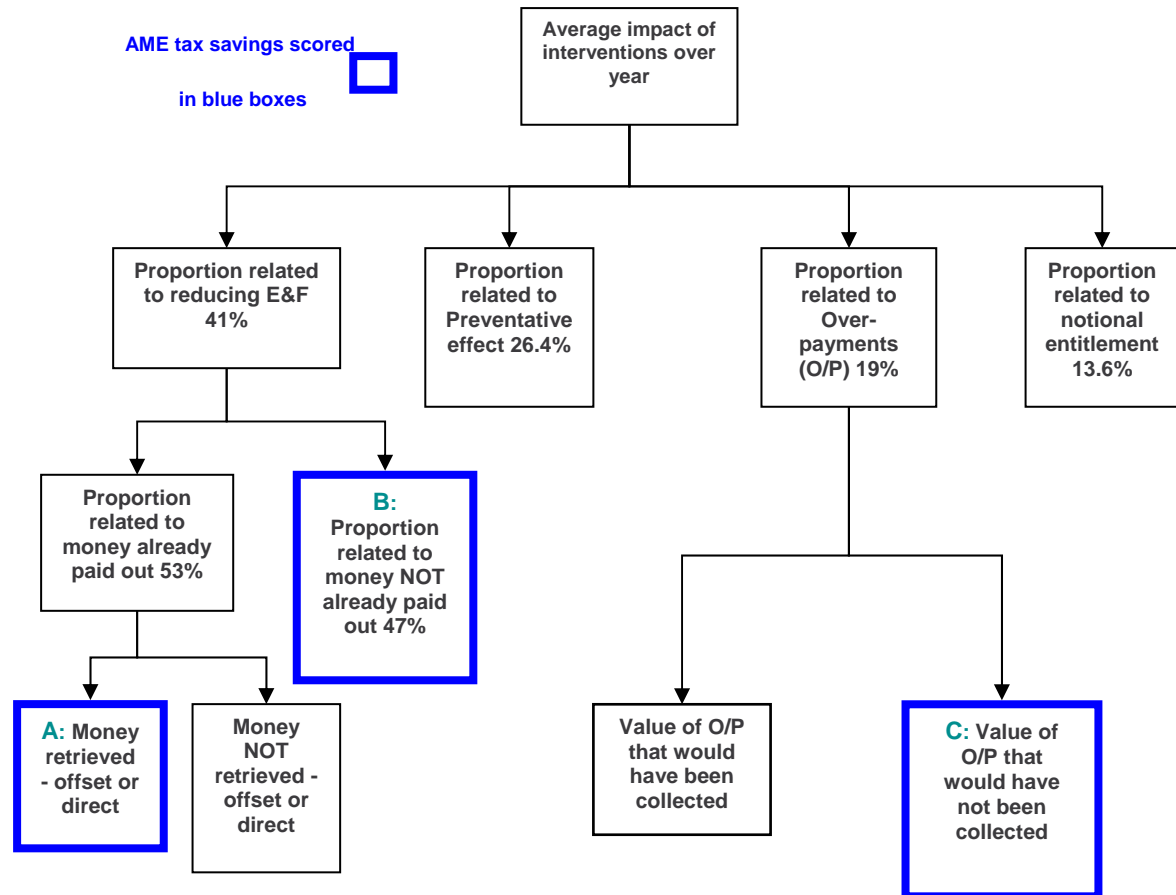
authorizing payment for that successful outcome is 31 days. The Maximum period is anticipated not to exceed 60 days with an average lag in payment of 46 days.

**B12 Variant Payment Schedule Bids**

- B12.1 The Authority's preferred payment model is a 100% payment by results model, as specified at Schedule B. All bidders are required to submit a compliant bid. However, Suppliers are invited to submit one variant bid to the payment schedules, where the alternative proposition:
- honours the principle that payment is directly related to the delivery of AME savings; and,
  - offers better value for money than the compliant bid.
- B12.2 Variants must be confined to the payment model and not to any other part of the Tax Credits Error and Fraud Compliance Intervention Service, specified in Schedules A, D, E, F and H and associated annexes, the requirements of which must be met in full.
- B12.3 In addition, the supplier's variant to the payment model detailed in Schedule B of the ITT must meet the Authority's minimum requirements, specified below:
- is based on same annual managed expenditure savings;
  - must incentivise full coverage of Authority work package;
  - has a tiered commission rate structure;
  - has provision for Gain-share should commissions be significantly higher than envisaged;
  - must include the cost of innovation;
  - the timing of payment must be no shorter than 45 days
- B12.4 The Authority shall only consider variants, which meet our minimum requirements as stated above and in Schedule A of this ITT. The variant bid must clearly lay out the differences from the compliant bid, explain why and how it is better value for money and be sufficiently detailed such that it is capable of acceptance.

## Schedule B - Appendix A

This diagram demonstrates where losses prevented converts into savings in the Authority's Annually Managed Expenditure (AME):



**Schedule B - Appendix B**

The spreadsheet below is for illustrative purposes only, in order to indicate the potential value of Contractor commission based upon two variables:

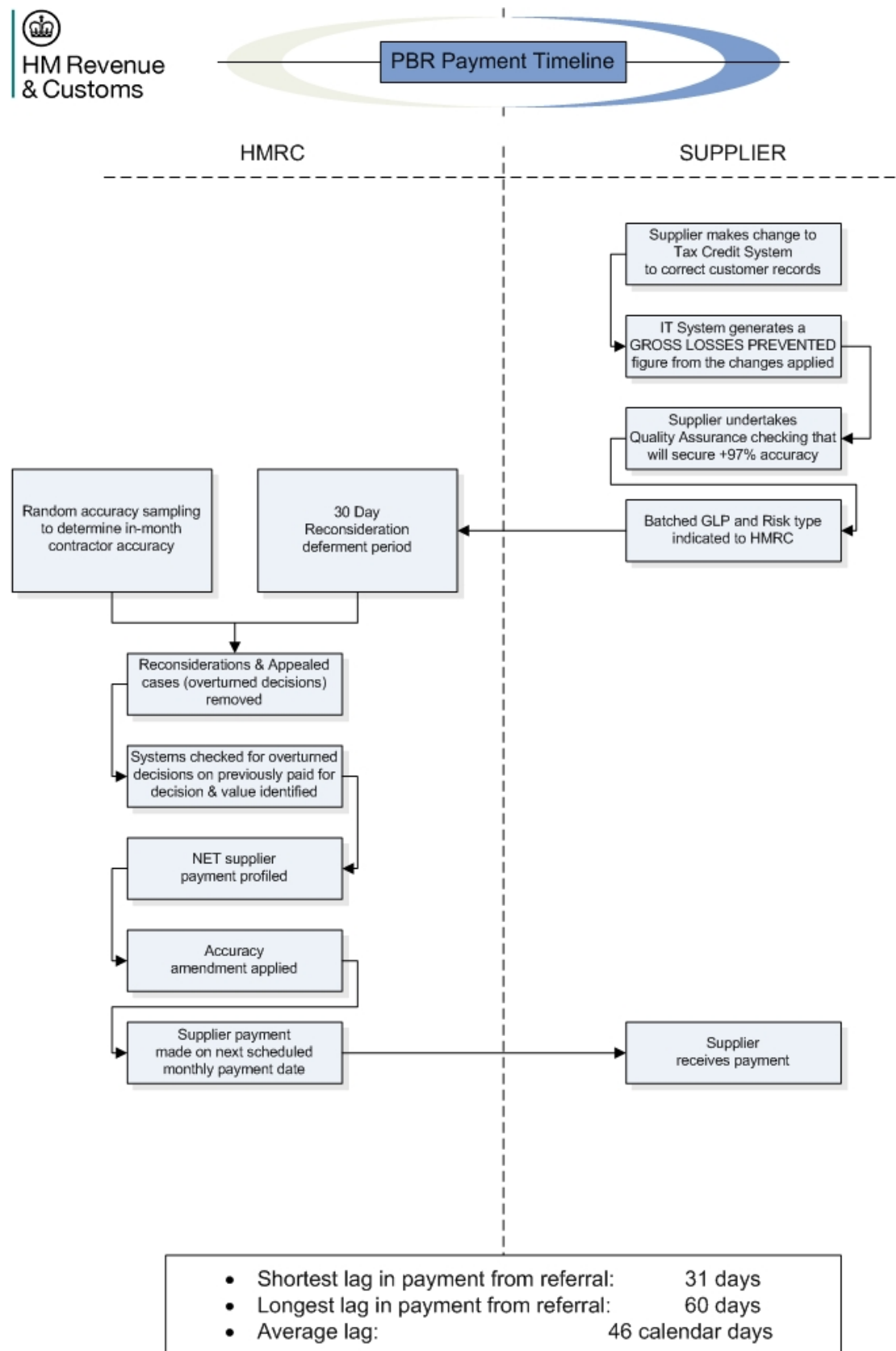
1. The total value of AME benefits delivered by the Contractor through error and fraud interventions over a 3 year period.
2. The starting percentage of commission.

The Authority viability model identifies up to £1,030m net cash savings achievable for the work that will be made available to the chosen Contractor over 3 years from September 2014.



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model.xls

Schedule B - Appendix C



## **Schedule C      Specific Responsibilities of the Parties**

### **C1 the Authority shall be responsible for:**

- C1.1 Sending all information needed by the Contractor to allow a campaign of interventions to proceed, in the agreed format and timescales.
- C1.2 Monitoring adherence to the Service Level standards and Key Performance Indicators detailed in Schedule E.
- C1.3 Agreeing the benefit achieved for the Authority through assurance and validation of the quality and value of actual losses prevented.
- C1.4 Payment of services only when the amount due has been agreed by both parties.

### **C2 the Contractor shall be responsible for:**

- C2.1 Providing the service so as to meet the specification detailed in this Contract and as per their tender response, attached to this Contract at Appendix A, and/or any subsequent agreed contract variations.
- C2.2 Providing the Management Information detailed in Schedule D.
- C2.3 Adhering to the Service Level standards and Key Performance Indicators detailed in Schedule E.
- C2.4 Demonstrating the benefit achieved to the Authority through assurance and validation of the **quality** and **value** of actual losses prevented.
- C2.5 Submitting invoices for payment of services only when the amount due has been agreed by both parties.

## **Schedule D      Contract Management**

### **D1      Reviews**

D1.1      Reviews are to take place as detailed in the Terms and Conditions.

### **D2      Variation**

D2.1      This Contract can be varied at any time by both parties mutual agreement, subject to a notice period of 30 days such agreement to be in writing and signed by the representatives of both parties using Standard Document SD 25.

D2.2      This Contract contains the option to extend for a period to be specified by the Authority at any point in writing subject to both parties mutual agreement as defined in the Contract Terms and Conditions

### **D3      HMRC Service Management – Contract Management & Service Level Agreements**

D3.1      Contractor delivery will be administered by the authority through the EFAC service management unit, which is aligned with the Authority's service delivery model.

D3.2      The EFAC service management unit will be responsible for all supplier alignment with HMRC strategy and also planning and integration with the authorities systems and processes.

D3.3      The Authority will work closely with the Contractor to document and agree a clear and concise Contract Management Plan, which focuses on outputs and a 'whole life' approach to performance.

D3.4      The Authority will manage the contract and the delivery of the service from the HMRC Tax Credits Error and Fraud Service management unit. See HMRC Target Operating Model in Schedule A Annexes, Annex 5.

D3.5      The Authority re the right to request sight of appointed personnel's CVs as outlined in Schedule A, section A37.

D3.6      Service Level Agreements and Key Performance Indicators have been provided by the Authority in Schedule E.

D3.7      The Authority reserves the right to employ a third party Contract Management Organisation to manage the contract and the contractor is obliged to work with any third party named by the Authority.

### **D4      HMRC Service Management - Governance, Reporting & Management Information**

D4.1      The Authority will work with the Contractor prior to a Go Live to establish and agree a robust Governance Framework. Communications, Contract Management, Quality and Assurance, Performance Management, Payment, Risk Management, Change Control and Reporting will be included within this framework

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- D4.2 Key Management Information (MI) is required and will be utilised by the Contract Management team. MI required is set out at D12 and will be supplied by the Contractor daily, weekly, monthly and year to date – this will include summary data and intervention by intervention.
- D4.3 The Authority and the Contractor will develop terms of reference to agree responsibilities for the error and fraud intervention service which are clear and defined within 14 days from the Contractors operational structure being in place.
- D4.4 The Authority and the Contractor agree to delivering shared messages and lines to take for the personnel of both parties concerning the progress and purpose of this contract. All staff communications - with the exception of guidance, learning and customer contact - must be agreed through the HMRC Communications Business Partner for Benefits and Credits.
- D4.5 The Contractor shall supply a named contact for the Authority to receive and escalate any communications issues; in particular the Contractor shall provide immediate escalation of reports of which there is potential reputational risk/damage for one or both parties in connection with carrying out the error and fraud intervention service.
- D4.6 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.
- D4.7 The Contractor shall not issue any public statement, promotional or otherwise, in connection with HMRC, the work of HMRC or this contract without the prior consent of the Director of Corporate Communications for the Authority.
- D4.8 The Authority and the Contractor are both committed to the principle of good communications with each other and will alert each other as soon as practicable (in confidence where appropriate) to proposals for new initiatives and changes to existing processes where there is a direct or indirect impact.
- D4.9 The Authority and the Contractor will agree all communications that reference current and historical Contractor performance.
- D4.9 The Authority will work with the Contractor to establish and agree governance for management of Contractor delivery and performance. The Contractor will be expected to agree and comply with the Authorities Governance Framework for the duration of the contract. The purpose of which will be to:
- Review the content and accuracy of Management Information and Performance reports; (D12 details the basic MI requirements). The Authority may request (without charge) Ad-hoc reports in addition to the requirements at D12 and



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- Agree what remedies need to be put in place to improve aspects of the service where the Service Level Agreements and/or Key Performance Indicators are not been achieved or are in danger of not being achieved.
- D4.10 The Authority and the Contractor will meet on a monthly basis to discuss Operational Performance.
- D4.11 The Contractor must co-operate fully with the Authority during regular Authority audit and assurance visits to:
- provide assurance to the Authority on the level of the Contractor's compliance with the requirements in the Contract.
  - enable early identification of a problem area which need to be raised with the Contractor and/or with the Authority; and
  - provide assurance that the Contractor's internal processes are working effectively and that management information provided is accurate
- D4.12 The Authority and the Contractor shall agree to adopt a consistent approach to risk management and ensure that each risk is monitored; reviewed and mitigating action is taken. Both Authority and Contractor will identify who is best placed to manage the risk and have clear responsibilities and processes.
- D4.13 The Contractor will provide the Crown Commercial Service (CCS) with information requested within 7 days. The Contractor will consent to:
- (a) storing and analysing the Management Information and producing statistics; and
  - (b) sharing the Management Information or any statistics produced using the Management Information, with any other Contracting Authority.
- D4.14 In the event that CCS shares the Management Information obtained from the Contractor or information provided under clause 3 in accordance with clause 4(b), the Contracting Authority receiving the Management Information (the recipient) shall be informed of the confidential nature of that information and shall be requested not to disclose it to anybody without the agreement of both parties (unless required to by law).
- D4.15 The Authority may make changes to the Management Information which the Contractor has supplied and shall give the Contractor at least one 1 month written notice of any changes.
- D4.16 The Contractor shall supply a named contact for the Authority to receive and escalate any security issues

## **D5 HMRC Service Management – Account Management**

- D5.1 The Authority and the Contractor will agree to regularly review the contract to ensure it meets evolving business needs of both parties, frequency to be agreed.
- D5.2 The Authority and the Contractor will follow regulatory commercial processes for the management of minor and major contract variations.

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### **D6 HMRC Service Management – Performance Management**

- D6.1 There may be instances where a dispute arises between the Authority and the Contractor. In cases where the dispute is likely to impact a large number of customers, both the Authority and the Contractor agree to make every effort to resolve the dispute within 2 working days from the time of written notification of the issue. In cases that take longer than this, the Authority Service Management Team Leader and the Contractor will be notified with an explanation of why the dispute has not been solved.
- D6.2 The Authority requires Key Performance Indicators and service levels to be monitored throughout the contract on a daily, weekly and monthly basis and to be reported as such to the Authority Service Management Team. The authority performance management team will work with the Contractor to monitor and assess performance and improve outcomes.
- D6.3 The Authority will share details of the Contractor's intervention performance by risk type with the sub-contractor (as appropriate) and other areas of HMRC to ensure that the optimum levels of error and fraud reduction are achieved.
- D6.4 The Authority reserves the right to use a third party to assist with the monitoring of the Performance Framework.

### **D7 HMRC Service Management – Assurance and Quality**

- D7.1 The Authority requires the Authority Monitoring, Assurance and Quality Framework be delivered by the Contractor as specified in Schedule A Annexes, Annex 1.

### **D8 HMRC Service Management – Change Control**

- D8.1 The Authority will specify, and agree and document a change control process This will ensure that all issues and changes which may affect the way the contract is managed and achievement of results, have been identified, assessed and either approved, rejected or deferred.

### **D9 HMRC Service Management – Planning & Workflow**

- D9.1 The Authority will work with the Contractor to develop and agree a Workflow Management process.
- D9.2 The Authority planning and workflow team will schedule the Contractor's work. The schedule will be made available to the Contractor in the form of an operational plan and the Contractor will adhere to the schedule. Any alternative delivery schedule (volumes, timelines etc) must be agreed with the Authority in advance in writing prior to any deviation.
- D9.3 The Authority will provide a Business Readiness Pack for the Contractor to administer individual work packages on a risk by risk basis as outlined in the Operational Plan.

**D10 HMRC Service Management – Payment & Payment by Results**

- D10.1 The Authority will ensure that payment mechanisms are documented, clearly understood and agreed by both parties on award of contract and when any changes are made.
- D10.2 The Authority will ensure that payment structures are well managed and appropriate checks and authorisation processes are in place for paying Contractor invoices timeously.
- D10.3 The Authority will provide the Contractor with a process and system for establishing payment from their results. This will include validating the value of Contractor completed interventions (AME savings and applied % commission), applying negative credits and disputing valuation.

**D11 Contract Management Administration**

- D11.1 The Authority and the Contractor will agree a suite of management products required for Governance, Reporting & Management Information.

**D12 List of Management Information required**

- D12.1 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.
- D12.2 The authority requires and will use the following MI to facilitate the contract management of the Error & Fraud Adding Capacity Compliance Intervention Service to include validating Key Performance Indicators and Payment by Results. The Management Information is required in a summary format and on an intervention by intervention basis. Data fields required will be specified by the Authority on award of contract.



Management  
Information

- D12.3 Quality is separated into two distinct metrics:
- Financial Accuracy refers to the data input onto the Tax Credit system and will directly affect customer entitlement. This figure will feed into the PBR model and may impact Contractor payments.
  - Non-financial Accuracy refers to the adherence to formal processes and the correct annotation of action undertaken and MIS required. This will inform potential training requirements but will not affect Contractor payment directly. It will be a key performance indicator for the Service Level Agreement payment.

**D13 Sample of a Performance Hub Slide**



Sample Hub Slides\  
Average Losses per L

**D14 Contact details**

Authority Contract Manager		Contractor's Contract Manager	
<b>Name:</b>	TBA	<b>Name:</b>	Brian James
<b>Address:</b>		<b>Address:</b>	Concentrix, 9 Lanyon Place, Belfast, BT1 3LP, N.Ireland
<b>Telephone:</b>		<b>Telephone:</b>	07973 803454
<b>email:</b>		<b>email:</b>	bjames@uk.concentrix.com

## **Schedule E      Service Requirements and Key Performance Indicators**

### **Introduction**

- E1.1      The following Schedule outlines the Authority's service requirements which the Contractor agrees to comply with during the period of the contract.
- E1.2      The Contractor is required to deliver the service detailed in Schedule A in accordance with the Terms and Conditions of the contract.

### **Error and Fraud Compliance Intervention Service**

- E1.3      The Contractor is required to deliver an Error and Fraud Compliance Intervention Service to meet HMRC Tax Credits Error and Fraud proxy losses prevented targets specified by the Authority prior to the start of the relevant financial year (2014/15, 2015/16 and 2016/17). The Contractor will be required to deliver this Service with regard to the provisions of Schedule A, section A6 and the key performance indicators specified below.
- E1.4      The Contractor is required to deliver the Error and Fraud Compliance Intervention Service provided in line with current Authority Processes, Standard Operating Procedures (SOPs) and Guidance. The Authority will provide the Contractor with a Business Readiness Pack (BRP) which will provide a supporting Training Package, Tools and Products. The Contractor shall adhere to the BRP and make no changes to the content without the Authority's agreement and approval.
- E1.5      The Contractor is required to perform the necessary functions to deal with reconsiderations, mandatory reconsiderations and tone & treatment complaints. Where a customer complaint is not related to tone and treatment the Contractor is required to record the relevant customer details on management information systems and transfer the complaint to the Authority.
- E1.6      As a component part of the Error and Fraud Compliance Intervention Service, the Contractor is required to implement functions to manage a dedicated, 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 Contractor will be required to deliver this Service with regard to the provisions of Schedule A, section A6 and A16 and the key performance indicators specified below. The post room must be used exclusively for HMRC business either on a permanent basis or within fixed schedules that will entirely mitigate any risk of cross contamination.
- E1.7      As a component part of the Error and Fraud Compliance Intervention Service, 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. The Contractor will be required to deliver this Service with regard to the provisions of Schedule A, section A6 and A17 and the key performance indicators specified below.

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- E1.8 The Authority has made specific provision for immediate corrective action to be taken by the Contractor where there is a failure to meet the specified key performance indicators (see E2).

### **Customer Service**

- E1.9 The Contractor and its staff must conduct the Authority's business consistent with the HMRC Customer Charter in the handling of cases referred to them and the way they carry out tax credits error and fraud interventions. The link provides access to the HMRC Charter - [HMRC Customer Charter](#). The Contractor will be required to conduct the Authority's business with regard to the provisions of Schedule A, section A6 and the key performance indicators specified below.

### **Delegation of Authority's Powers**

- E1.10 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 Schedule A Annexes, 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. The Contractor is required to make available all management information, including any remedial action taken to ensure ongoing compliance with the provisions of Schedule A, section A38 and A39 and Schedule A Annexes, Annex 1.

### **Security**

- E1.11 The Contractor must be able to conduct the Authority's business in a manner consistent with the HMG Security Policy Framework & Information Charter in the handling of cases referred to them & the way they may carry out tax credits error & fraud interventions. The following links provide access to the [HMRC Security Policy Framework](#) and the [HMRC Information Charter](#). A serious security incident is a loss or abuse of Authority information that causes either a number of customers to be affected; a significant impact on an individual or reputational damage to the Authority.

### **Management Information**

- E1.12 The Contractor will provide accurate and validated Management Information as specified in Schedule D, including ad-hoc requests, by the date agreed between both Parties.

### **Service Provision**

- E1.13 The Authority will provide:
- Access to any relevant management information required to comply with the delivery of the Error and Fraud Compliance Intervention Service, as detailed in Schedule A and associated Schedule A Annexes.
  - Access to appropriate Authority systems, as detailed in Schedule A and associated Schedule A Annexes.

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- Access to relevant guidance, templates, Standard Operating Process, Standard Working Instructions necessary to deliver the Error and Fraud Compliance Intervention Service
- Appropriate training as part of mobilisation, suitable mentoring as part of go-live and a the necessary support to maximise the capability of the Contractor to deliver the Error and Fraud Compliance Intervention Service

E1.14 The Authority and the Contractor will provide a Single Point of Contact for any matters or items for escalation that can not be handled through day to day contract management (Schedule D refers) activity. The respective points of contact will be agreed as part of the Contractor mobilisation.

E1.15 The Contractor will provide:

- A secure environment in which they will deliver the Error and Fraud Compliance Intervention Service with due regard to the Authority's security policy as per section E1.9.
- Ensure that all information is handled in an appropriate manner and confidentiality is maintained.

### **Service Availability**

E1.16 The Service detailed in Schedule A and provided under the Terms and Conditions of the contract must be made available to the Authority's customers, as detailed in Schedule A, Section 17. The same access to the Service must be provided in respect of Authority staff. Exceptionally, in specific circumstances to be agreed by the Authority and the Contractor, access must be provided at any other time.

### **Key Performance Indicators**

E1.17 The Authority will use the Contractors delivery against key performance indicators to assess the Contractor in implementing and sustaining the Error and Fraud Compliance Intervention Service.

E1.18 In order to ensure the successful delivery of Key Performance Indicators, as set out in section E2, the Contractor will be required to undertake some activity that will not directly contribute to the payment by results model. Accordingly the Authority has made provision for a fixed sum to be paid to the Contractor at the end of the financial year upon the satisfactory delivery of key performance indicators. This is outlined in Schedule B of the payment schedule.

E1.19 Authority Service requirements are underpinned by a set of Key Performance Indicators, detailed in section E2.

### **Key Performance Indicator failure and Remedy progression**

E1.20 If the Contractor fails to meet a KPI, the Authority will not immediately impose a payment sanction. Instead the Authority, without prejudice to its rights under the Contract, will exercise its discretion not seek to apply damages, suspension or termination of contract against failure to provide

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the Error and Fraud Compliance Intervention service unless it is shown that the Contractor has failed to take all reasonable steps to recover performance against the key indicators.

E1.21 To be satisfied that all reasonable steps to recover performance have been taken, the Authority has established a series of escalations that will determine the appropriate remedies that will be invoked, namely:

- whether or not the amount provided under Schedule B is paid in the relevant financial year;
- the application of damages
- the temporary suspension of the contract or;
- the termination of the contract.

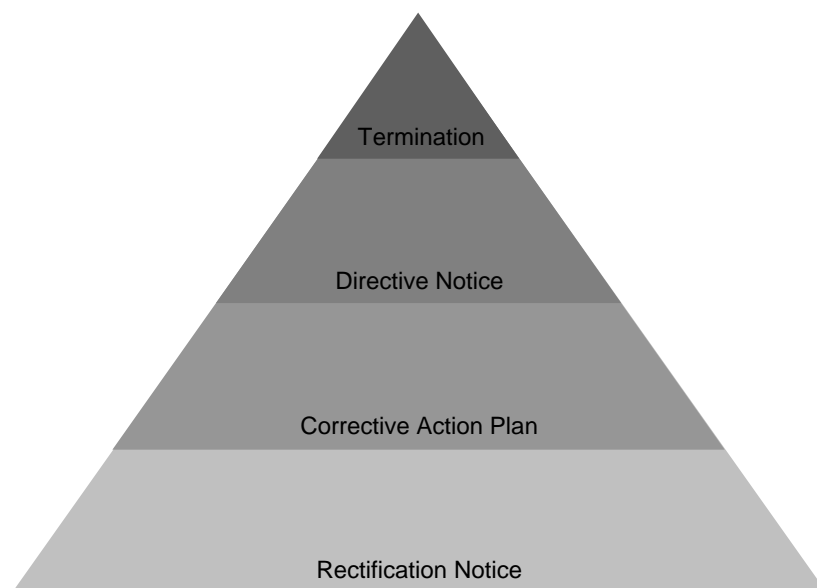
E1.22 The escalations will apply individually to specific key performance indicators and comprise:

- **Level 1** – Establish point of failure - The Authority will offer the Contractor the opportunity to investigate the reasons for failing to meet the KPI and prepare an assessment of the steps to be taken to recover the position. The Contractor and the Authority shall agree an action plan to remedy the failure.
- **Level 2** – subsequent failure of key performance indicator after implementation of action plan drawn up in level 1. The Contractor is required to make a further assessment of the failure, against all known contributors and agree with the Authority a more robust action plan to ensure that the failure is remedied.
- **Level 3** – On a subsequent failure of the key performance indicator, the Authority reserves the right not to pay the amount provided for satisfactory performance, taking into account the severity of the failure to, any previous failures and the steps taken to recover the position. The Authority may impose any additional actions upon the Contractor to remedy the situation, making a claim for any reasonable costs incurred by the Authority in doing so. The Authority is not required to provide the Contractor with written notice of each breach
- **Level 4** – in the event of a further failure, or non-compliance with Authority conditions, the Authority reserves the right to suspend the contract at nil cost to the Authority until the Contractor can demonstrate that it can perform to the prescribed levels. If the Contractor does not demonstrate that it can perform to the prescribed levels, the Authority reserves the right to terminate the contract and impose any liabilities provided by the contract.

Number of KPI failures	Number of occurrences of the same KPI failure in a rolling 3 month period			
	1	2	3	More
1	Level 1	Level 2	Level 3	Level 4
2	Level 1	Level 2	Level 3	Level 4
3	Level 2	Level 3	Level 4	Level 4
More	Level 3	Level 4	Level 4	Level 4



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- E1.23 The Authority reserves the right not to pay the amount provided for satisfactory performance, outlined in Schedule B, in cases where the Contractor fails to meet over 50% of all key performance indicators in any monthly reporting period.

## E2 Key Performance Indicators

Error and Fraud Compliance Intervention	
1	The Contractor will meet HMRC Tax Credits Error and Fraud proxy losses prevented targets specified by the Authority, as part of the Authority planning process, prior to the start of the relevant financial year (2014/15, 2015/16, 2016/17 & 2017/18).
2	The Contractor will at all times deploy resources to that planned necessary to meet the targets and key performance indicators of the Error and Fraud Compliance Intervention Service specified in Schedule A and Schedule E.
3	The Contractor will apply data matching and analytics to agreed work packages within 10 working days of receipt.
4	The Contractor will return 100% of de-selected cases to the Authority within 2 working days of applying data matching and analytics.
5	The Contractor will meet the minimum strike rate for the detection of tax credits error and fraud specified by the Authority as part of the relevant work package.
6	The Contractor will meet the minimum average losses prevented per case specified by the Authority as part of the relevant work package.
7	The Contractor will open 97% of tax credits error and fraud interventions referred to in Schedule A, section A12 and A13 by the date specified by the Authority as part of the relevant work package.

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8	The Contractor shall ensure that 100% of tax credits customer details are correct on outbound letters.
9	The Contractor shall ensure that the specified factsheets have been included in 100% of tax credits outbound customer letters.
10	The Contractor shall ensure that 100% of opened tax credits interventions are closed within an average of 75 days (excluding reconsiderations).
11	The Contractor shall ensure that 100% of documents received in respect of Schedule A, section A16 receive the appropriate verification check.
12	The Contractor shall ensure that 97% of S16, S18 and S24 of the Tax Credits Act 2002 decisions made by Contractor Personnel are accurate measured against HMRC quality criteria.
13	The Contractor shall ensure that 97% of S31 and S32 penalty determinations applied by Contractor Personnel are accurate measured against HMRC quality criteria.
14	The Contractor shall ensure that 97% of reconsideration decisions made by Contractor Personnel are accurate measured against HMRC quality criteria.
15	Defined and agreed data on Contractor intervention to be supplied at least once a month to the Authority in order to assure the payment by results model and inform analytics.
<b>Outbound &amp; Inbound Post Facility</b>	
16	The Contractor will ensure that 95% of customer correspondence is registered as received and scanned within 2 working days of receipt. The remaining 5% will be registered as received and scanned within 4 working days of receipt.
17	The Contractor will ensure that 100% of customer correspondence to be retained is scanned and allocated to the appropriate customer record in line with agreed data retention policies within 3 working days.
18	The Contractor will ensure that 100% of original identification documents (e.g. passport, birth certificates (list not exhaustive) are dispatched by post back to the customer within 3 working days of receipt.
19	The Contractor will ensure that 80% of post is subject to appropriate action by reference to the intervention, reconsideration or complaints process with within 15 working days to 97% accuracy measured against HMRC quality criteria. The Contractor should ensure that the remaining 20% is subject to appropriate action by reference to the intervention, reconsideration or complaints process with within 40 working days to 97% accuracy measured against HMRC quality criteria.
<b>Telephony Service</b>	
20	The Contractor will ensure that 90% of customer calls are answered in less than 5 minutes (inc Interactive Voice Response functionality) to 97% accuracy measured against HMRC quality criteria.

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21	Ensure that 97% of live customer contacts by phone are accurate and in adherence with the <a href="#">HMRC Customer Charter</a> .
22	Ensure that 97% of recorded customer contacts by phone are accurate and in adherence with the <a href="#">HMRC Customer Charter</a> .
23	The Contractor shall ensure that 100% of the Authority caller authentication procedure is adhered to.
<b>Tone &amp; Treatment Complaints</b>	
24	The Contractor will ensure that 95% of tone and treatment complaints are registered on the customer record as received and scanned within 2 working days of receipt by the Contractor. The remaining 5% will be registered as received and scanned within 4 working days of receipt.
25	The Contractor will ensure that 80% of tone & treatment complaints are actioned and a response sent to the customer within 15 working days to 97% accuracy measured against HMRC quality criteria. The Contractor should ensure that the remaining 20% of tone and treatment complaints are actioned and a response sent to the customer within 40 working days to 97% accuracy measured against HMRC quality criteria.
26	The Contractor will ensure that the number of tone and treatment complaints upheld does not exceed 1% of tone and treatment complaints received.
<b>External Scrutiny</b>	
27	The Contractor shall ensure that all cases where there is a known media or parliamentary interest (as advised by the Authority) are sent to the Authority within 24 hours, including weekends via a named contact.
28	Upon request by the Authority, the Contractor shall provide a report, in a format to be agreed, of the facts of the cases giving rise to the interest and, where appropriate, an assessment of any remedial action to be taken to resolve by the next working day.
<b>Data Security</b>	
29	The Contractor will keep 100% of tax credits customers data safe on transfer and receipt. The Contractor shall have no instance of serious data loss.
30	The Contractor will report 100% of security incidents to the Authority's Security Incident Management Team (DST) within 2 working days of identification.
31	The Contractor and its personnel should cause no instance of serious security incidents involving the loss or compromise of Authority and / or customer information.
32	The Contractor shall ensure that 100% Contractor Personnel conform to agreed HMRC management security checks.

## **Schedule F      Exit Strategy for Error and Fraud Adding Capacity Compliance Interventions Service**

### **F1      Overview**

- F1.1 This Schedule provides a detailed description of the roles and responsibilities of the Authority and Contractor on expiry of the Contract or on earlier termination of part or all of the Service.
- F1.2 In line with section G3.1 of the formal Contract, the Authority shall have the right to terminate the Contract and revoke delegation or to terminate a provision of any part of the Contract and revoke delegation at any time by giving 3 months' written notice to the Contractor.
- F1.3 The Authority shall terminate the Contract and revoke delegation where it considers that there is no fiscal, political, reputational benefit in continuing with the Tax Credits Error and Fraud Compliance Intervention Service. This may include but is not limited to:
- Change in Government;
  - Change in Government policy;
  - Machinery of Government changes to HMRC;
  - Levels of underlying tax credits error and fraud, as published annually in the Child and Working Tax Credits Error and Fraud Statistics, reducing to a point where H M Revenue and Customs operational delivery can bridge the shortfall to the existing HMRC aim.

### **F2      Policies, Procedures and Standards**

- F2.1 The Contractor and the Authority are responsible for continuing to meet their obligations under this Contract, including in relation to the standards, policies and procedures of the Authority, throughout any exit or transfer activity.

### **F3.      Termination of Service**

- F3.1 In the event of a termination of the provision of Service and/or on expiry of this Contract the procedures below shall be invoked.

### **F4.      Termination Procedure**

- F4.1 Upon termination, the Contractor will, unless otherwise directed by the Authority, cease any work that is in progress and return all cases as specified in the EFAC Exit Strategy Plan outlined at F14. The Contractor will also return all materials provided by the Authority or created by the Contractor prior to and during the performance of the Service. The Contractor shall complete transition of the Service being terminated from the Contractor and any subcontractors without adverse impact on the Service or tax credits customers' experience.
- F4.2 The Contractor shall co-operate with the Authority and promptly take all steps reasonably required to assist the Authority in effecting the exit.
- F4.3 The Contractor and the Authority, respectively, shall provide to each other all information regarding the Service needed for exit, including subcontracts,

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data, documentation, assets and any other elements specified in the Exit Plan that the Authority requires to be assigned or novated to the Authority to continue the provisions of exiting the service.

F4.4 The Contractor shall provide for the prompt and orderly conclusion of all work, as the Authority may reasonably direct, including completion or partial completion of work in progress, and other measures to assure an orderly transition to the Authority.

F4.5 The Contractor's obligation to provide the Service being exited shall not cease until a satisfactory transfer to the Authority including all asset transfers and other obligations of the Contractor provided in this Contract have been completed.

F4.6 Following such notice of termination of this Contract and in the event of exit from the Contract, the Contractor will not, without the Authority's prior written consent:

- terminate, enter into or vary any subcontract; or
- terminate, enter into or vary any licence for software in connection with the Service.

### **F5 Development, Review and Refinement of the Exit Plan**

F5.1 The Contractor shall prepare an Exit Plan during the Implementation Phase and submit it to the Authority for approval. The Exit Plan shall provide for the standards of service for the exit including, but not limited to, timing, knowledge transfer, resources, accommodation and all areas set out in this Exit Strategy.

F5.2 The Contractor shall, on a six-monthly basis starting at the Go-Live date and at any other time the Authority or Contractor deems necessary throughout the term of the Contract:

- Review and revise the Exit Plan to take into account changing technologies and any changes to the scope or nature of the Service; and
- Agree with the Authority the scope and detail of any necessary revisions to the Exit Plan and promptly submit such revised plan to the Authority for approval.

F5.3 The Contractor shall promptly develop and refine the Exit Plan upon any of the following "trigger dates":

- If requested by the Authority; or
- If a notice of termination or partial termination is served by either Party in respect of the Contract; or
- At the point where there is six (6) months of the Term remaining.

F5.4 The refined Exit Plan should envisage either the hand-over of the Service to the Authority or the winding-down of the Service (as the case may be) as instructed by the Authority, and be submitted to the Authority for its review and approval within 30 working days of the relevant trigger date.

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F5.5 In the case of contract expiry, the Contractor shall establish a detailed plan and management structure for all activities required for exit of the Contractor to enable a smooth and orderly transition of the Service, including roles, responsibilities, assets and documentation, by the expiration date.

F5.6 Production, revision and updating of the Exit Plan shall be at the Contractor's cost and expense.

### **F6 Service Levels during Exit**

F6.1 During the exit the Service will be provided at no detriment to the Service Levels and Key Performance Indicators, save to the extent that the parties agree otherwise. Where the Contractor demonstrates to the Authority's reasonable satisfaction that the exit of the Service will have a material, unavoidable adverse effect on the Contractor's ability to meet a particular Service Level(s) or KPI, the parties shall vary the relevant Service Level(s) / KPIs and/or the applicable Service Credits to take account of such adverse effect.

### **F7 Transferring Contracts**

F7.1 Where the Contract is terminated and the Authority is intending to use another provider to fulfil the Service, the Contractor shall, upon instruction by the Authority, make all reasonable endeavours to transfer all or any contracts necessary to ensure business continuity.

### **F8 Contractor responsibilities upon termination of this Contract**

F8.1 Upon any notice of termination as anticipated in the Contract, the Contractor will provide to the Authority, or at the Authority's request to its nominated designee, any and all reasonable assistance requested by the Authority to allow the Service to continue without interruption or adverse effect and to facilitate the orderly transition of the Service to the Authority or its nominated designee.

F8.2 The assistance described in this section shall also apply to other transition or transfer events, in cases where Contractor specific Service is not otherwise described.

F8.3 Such assistance shall include the following:

- Providing a reasonable amount of training to reasonable numbers of appropriately skilled Authority designated personnel to enable those personnel to perform replacement Service, where the Service is materially different to that of the Authority.
- Providing the Authority with all information necessary to transfer the Service back to the Authority, and providing such information regarding the Service as necessary for the Authority or its nominated designee to assume responsibility for continued performance of the Service in an orderly manner, so as to minimise disruption to the operations of the Authority. This will include key support contacts (names and phone numbers) of the Contractor personnel during the transition.
- Providing the Authority with a complete inventory and documentation including technical specifications and all other materials and user

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documentation which could be reasonably expected for each item of software and/or Service that the Contractor is licensed or otherwise authorised to use, and other similar information necessary for the Authority to run such software and/or Service on and from the effective date of termination.

- Reasonable due diligence access to the Service partially or wholly provided by the Contractor and/or its subcontractors or agents.
- All necessary work to formalise and give effect to the Intellectual Property Rights ownership provisions of Clause D8 and to ensure that licences granted under Clause D8 subsist past expiry and that they allow the Authority to use, modify, copy, enhance and otherwise deal with all items produced or delivered under this Contract and/or necessary for the provision of the Service.

### **F9 Access to Systems Information**

F9.1 In ending the Contract, the Contractor shall provide the Authority and/or its nominated designee reasonable access to, and use of, equipment, software, personnel, third parties, and other resources used by the Contractor to provide the Service and also provide to the Authority reasonable information as necessary for the transition. Where such assistance may adversely affect the provision of the Service, this assistance will be subject to the Change Control Procedure.

### **F10 Exit Assistance Service**

F10.1 The Contractor shall include in the Exit Plan details of their responsibilities, including schedules, resource commitments and the timetable for the transfer of Service.

F10.2 The Contractor shall provide to the Authority documentation used by the Contractor to provide the Service, including up to date operating processes and procedures, back up and technical documentation including a comprehensive list of all known defects and known error logs (including workarounds).

F10.3 The Contractor shall perform a formal handover of any operations procedure manuals used to perform technical Service to the Authority or its nominated designee.

F10.4 The Contractor shall provide the Authority with details of all work in progress; its status and completeness and knowledge transfer on the Service. The Contractor shall contact any tax credits customers subject to an ongoing intervention at the time the Service is to be transferred providing full details of the changes to the Service and providing suitable provision for assistance.

F10.5 The Contractor shall identify and explain naming conventions.

F10.6 The Contractor shall assist the Authority in its analysis of the space required for software and data file libraries.

F10.7 The Contractor shall provide copies of all Contractor and third party software manuals and other documentation within the possession or control of the Contractor that are required by the Authority and that are relevant to the Service.

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- F10.8 The Contractor shall deliver all Authority data files with back up copies to the Authority or its nominated designee using the Secure Electronic Transfer mechanism, as described in Annex 4, Schedule A.
- F10.9 The Contractor shall assist the Authority by supplying an overview of the skills and experience required, in the opinion of Contractor, to deliver the Service being transferred.
- F10.10 The Contractor shall provide active support to the Authority in the conduct of transition testing.
- F10.11 The Contractor shall, in conjunction with the Authority, conduct a rehearsal of the migration prior to cutover at such time as is reasonably acceptable to the parties.
- F10.12 The Contractor shall carry out parallel operation and testing as appropriate.

### **F11 Post Transfer Service**

- F11.1 The Contractor shall return to the Authority, at the Authority's request and at no additional charge, any remaining property of the Authority in its possession or under its control, including any remaining reports, data files and confidential information. Data files must be returned to the Authority using the format and method described in Annex 4, Schedule A.

### **F12 Transfer of Authority Owned Equipment**

- F12.1 At the request of the Authority the Contractor will un-install and make available for return all the Authority owned assets and equipment located at the Contractor's sites.

### **F13 Charges and Costs**

- F13.1 All activities under this Schedule and plans under it shall be provided without additional charge, save for:
- any asset or similar acquisition which this Schedule specified as being chargeable; and
  - the activities in relation to which the Contractor may charge for its costs necessarily and reasonably incurred (and pre-approved by the Authority).
- F13.2 All proposed additional costs will be minimised as far as possible by the utilisation of personnel and resources during the disentanglement that would otherwise have been committed in the provision of Service being terminated and any spare resource under the Resource Plan.

### **F14 EFAC Exit Strategy Transfer Plan**

- F14.1 Upon termination of the Contract the Authority shall specify the provisions of this schedule, plus any requirements arising from the successful operation of the Service in respect of Authority data, in writing to the Contractor in order to facilitate orderly exit.



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F14.2 The Contractor will return open cases to the Authority via Secure Electronic Transfer (SET). To complete this action the Contractor will provide the Authority with a full extract from the Contractor's IT Solution including:

- References on a case by case basis which can be identified in bulk and filtered to format a work list.
- An Indicative Red/Amber/Green (RAG) status.
- Quality Assurance (QA) failures that the Contractor has been unable to rectify.
- The Contractor will transfer the cases to the Authority by an agreed date and time. A file name and file size will be provided by the Contractor. The Contractor will transfer the cases through SET.

F14.3 The Contractor will return No Take Up (NTU) cases to the Authority via SET as detailed in Annex 4, Schedule A. To complete this action the Contractor will provide the Authority with a full extract of the appropriate customer record referred to in Schedule A, including:

- References on a case by case basis which can be identified in bulk and filtered to format a work list.
- An Indicative RAG status.
- The Contractor will transfer the cases to the Authority by an agreed date and time. A file name and file size will be provided by the Contractor. The Contractor will transfer the cases through SET as detailed in Annex 4, Schedule A.

F14.4 The Contractor will return closed cases to the Authority via SET as detailed in Annex 4, Schedule A. To complete this action the Contractor will provide the Authority with a full extract of the appropriate customer record referred to in Schedule A, including:

- References on a case by case basis which can be identified in bulk and filtered to format a work list.
- The Contractor will transfer the cases to the Authority by an agreed date and time. A file name and file size will be provided by the Contractor. The Contractor will transfer the cases through SET as detailed in Annex 4, Schedule A.

F14.5 The Contractor will return un-worked cases to the Authority via SET as detailed in Annex 4, Schedule A. To complete this action the Contractor will provide the Authority with a full extract of the appropriate customer record referred to in Schedule A, including:

- References on a case by case basis which can be identified in bulk and filtered to format a work list.
- These cases will include NTU, suppressions and closed (processed decisions from the Authority).
- The Contractor will transfer the cases to the Authority by an agreed date and time. A file name and file size will be provided by the Contractor.

F14.6 The Contractor will return suppressions to the Authority via SET as detailed in Annex 4, Schedule A. To complete this action the Contractor will provide the Authority with:

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- Confirmation of the Applicant ID of all cases with a reason code for suppression for the Authority's count in / count out process.

F14.7 The Contractor will ensure "a count in count out" process is in place between the Authority and the Contractor.

F14.8 The Contractor will provide the Authority with required Management Information (MI) in order to assure the exit process. The MI will be emailed to a person specified by the Authority by an agreed date and time.

F14.9 The Contractor will provide the Authority with a full assurance report.

- The report will include a full breakdown of Contractor assurance checks.
- Expired B/Fs will not form part of Contractor quality checks.
- To be sent by email on the agreed date to the specified person.

F14.10 The Contractor will return details of all call recordings to the Authority. The Contractor will:

- Return all call recordings to the Authority by the agreed date and format.
- Provide a file name and file size prior to sending.
- Send the call recordings via SET as detailed in Annex 4, Schedule A, in a specified format.

F14.11 The Contractor will be responsible for ensuring that the telephony solution can no longer be used for the purposes of the Service.

- From a specified time and date the Contractor's dialler will be closed and an Interactive Voice Response (IVR) message will be set to play for 3 months. An IVR message will be provided by the Contractor and agreed by the Authority.
- The Contractor will signpost customers to an HMRC contact number once the Contractor phone lines are closed.

F14.12 All data transferred from Contractor to Authority will be sanitised from all systems and data sources including back up sources, in line with HMG Information Assurance (IA) Standard IS5. The Contractor will:

- Sanitise all data transferred to the Authority once the Authority provides confirmation of receipt.
- Provide the Authority Data Guardian (DG) with assurance when this activity has been completed.

F14.13 Sanitise all data transferred to the remote folder from the source (scanner / photocopier / other electronic device), in line with HMG IA Standard IS5. The Contractor will:

- Sanitise all data transferred to the remote folder from the scanner / photocopier / other electronic device.
- Provide the Authority DG with assurance when this activity has been completed.

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F14.14 Sanitise the Contractor's telephony solution; the Contractor will:

- Sanitise the data on the Contractor telephony solution and delete all associated Authority call scripts, in line with HMG IA Standard IS5.
- Provide the Authority DG with assurance when this activity has been completed.

F14.15 Sanitise desktop documents; the Contractor will:

- Sanitise the data on Contractor desktops, in line with HMG IA Standard IS5.
- Provide the Authority DG with assurance when this activity has been completed.

F14.16 Cleansing of whiteboards and walls; the Contractor will:

- Ensure that all Contractor whiteboards and walls are clear of customer and Authority data.
- Provide the Authority DG with assurance when this activity has been completed.

F14.17 The Contractor will ensure that the Authority has access to all data as a contingency for the Authority to upload Losses Prevented (LP), allowing decisions to be processed and recorded.

F14.18 Losses prevented MI; the Contractor will:

- Provide the Authority with a weekly file of LP results including the Contractor's IT solution reference and LP in a spreadsheet.
- Forward data to the Authority in a password protected email.

F14.19 Return of unused Authority fact sheets; the Contractor will:

- Return all unused fact sheets back to the Authority.
- Provide the Authority DG with assurance when this activity has been completed.

F14.20 Management of Authority documents; the Contractor will:

- Securely destroy any physical Authority documents including security booklets, guidance and help-cards.
- Provide the Authority DG with assurance when this activity has been completed.

F14.21 Contractor websites and literature; the Contractor will:

- Update their websites and literature to remove any reference to contact telephone numbers etc.
- Provide the Authority DG with assurance when this activity has been completed.

F14.22 Authority website; the Authority will:

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- Update their website to remove any reference to the Contractor and provide relevant contact numbers or addresses for customer information.
- Provide the Authority DG with assurance when this activity has been completed.

F14.23 Contractor and Authority communication; Contractor and Authority to provide:

- Co-ordinated communications to their personnel regarding the current position of the project.

F14.24 Authority stakeholders; the Authority will:

- Ensure that all relevant Authority stakeholders are informed of exit and where relevant the Exit Strategy.

F14.25 Return of un-scanned inbound mail; the Contractor will:

- Ensure there is a secure process in place for the return of all un-scanned documents to the Authority.
- Provide the Authority DG with assurance when this activity has been completed.

F14.26 Redirection of outstanding correspondence; the Contractor will:

- Ensure a secure process is in place for the redirection of any correspondence addressed to the Contractor to be sent to the Authority postal address.
- Provide the Authority DG with assurance when this activity has been completed.

F14.27 Clear desk policy; the Contractor will:

- Ensure a secure process is in place to remove all customer data from desks, drawers, manual recording systems, operational areas and the post room by the agreed date, and is either securely destroyed or returned securely to the Authority.
- Provide the Authority DG with assurance when this activity has been completed.

F14.28 Contractor e-mail; the Contractor will:

- Implement a process to ensure all customer data is cleansed from their personnel e-mails.
- Provide the Authority DG with assurance when this activity has been completed.

F14.29 Assurance sweep; the Authority DG will:

- Complete an assurance sweep of the Contractor's office to ensure that all customer data has been removed from desks, drawers, electronic and manual recording systems, servers, operational areas and the post room on the agreed date. The Contractor must make these areas available for inspection.

## **Schedule G      Certificates and additional Information**

(Insert copies of any certificates requested from the Contractor as part of the requirement e.g. ISO accreditation etc. if relevant, and any other Information not included elsewhere that will form part of the Contract)

## **Schedule H Contractor Security Plan**

### **H1 Background**

- H1.1 The Contractor is required to prepare a Security Plan pursuant to Clause D6.2 of the Contract and in accordance with the Authority's Security Policy.
- H1.2 The Authority has developed a standard set of requirements and questions, contained within the e-Sourcing event questionnaire, to facilitate the formulation of the plan and to ensure consistency across relevant contracts.
- H1.3 In providing a response to the questions the Contractor is required to provide responses in the 'Security' questionnaire provided within the e-sourcing event as part of a formal tender exercise.
- H1.4 The Contractor must agree the content of the Security Plan with the Authority by ensuring that the plan is agreed during a formal tender process and included in the signed version of the formal contract, or to be held by the Authority's Contract Manager where the plan is agreed as a Contract variation.

### **H2. Transfer of Authority Data**

- H2.1 Any proposed transfer of Authority data must be approved by the Authority's appropriate Data Guardian in writing. If the Contractor is unsure whether the necessary approval has been obtained the data transfer must not proceed.
- H2.2 Where data transfers are necessary in the performance of the Contract, they should be made via Secure Electronic Transfer (SET) as detailed in Schedule A, Annex 4.
- H2.3 Whenever possible, putting data on to removable media should be avoided. Where this is unavoidable, Prior approval for the use of moveable media must be sought from and given by the Authority's Data Guardian:
- hard drives and personal digital assistants must not be used except in the circumstances set out in the Authority's Data Security booklet; and
  - CD-ROM/DVD/floppy/USB sticks are only to be used after discussion and agreement with the Authority in advance of any such transfer.
  - If the use of removable media is approved, data must be written to them in a secure, centralised environment and be encrypted to HMRC standards.

Where used, all moveable media devices must be sanitised after use in line with HMG Information Assurance Standard IS5.