



HM Revenue  
& Customs

# Mid-Year Report to Parliament

April to September 2014

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Our achievements so far in 2014-15

# £243.6bn

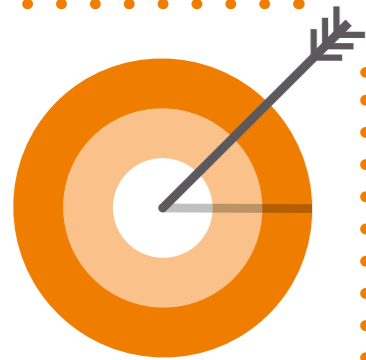
Total tax revenues we've brought in so far this year – £7 billion more than in the first half of last year



Testing new personalised online tax accounts for individuals and businesses, which bring all their tax and entitlements together in one place, similar to online banking



Launched new online web chat service for businesses, new Twitter help service for all customers, new tax credits online renewal service, new intelligent voice-recognition telephony



On track to meet the Government's 2010 Spending Review and Autumn Statement revenue targets

**£8.8bn**  
Additional revenues we brought in from our compliance work

**410,000**  
Number of tax credits customers who renewed online, using the new digital service

**6,841**  
The number of customer appointments attended by our mobile Needs Enhanced Support advisers

**47,738**  
The number of customer calls resolved by our new Needs Enhanced Support phone service

**£250m+**  
The amount of disputed tax that tax avoidance scheme users are required to pay up front this year under new Accelerated Payments powers

**89%**  
The percentage of calls we handled on July 31 tax credits renewals deadline, compared to just 16% last year

**57,000**  
Number of tax credits customers who renewed using new voice recognition telephony

**Call 03**  
All customer helplines now use 03 numbers, which are cheaper for most of our customers

**£75m+**  
The amount of cost efficiencies we've made so far this year

# Executive summary

HMRC's key objectives, set by the Government, are to:

- Maximise revenues
- Improve the service that we give our customers
- Make sustainable cost savings.

Our performance should also be judged on the pace of our innovation in changing the services we offer to our customers. This report explains how we've performed between April and September 2014.

We've had some notable successes in the first half of the year, including tax credits renewals and introducing new digital ways of working, as well as some significant challenges. We have some stretching targets to achieve another record year for collecting additional compliance revenues, while we implement some significant changes in how we serve our customers.

During the first half of the year, we rolled out a new tailored service across the UK for customers who need extra help and created a new online tax credits renewals service.

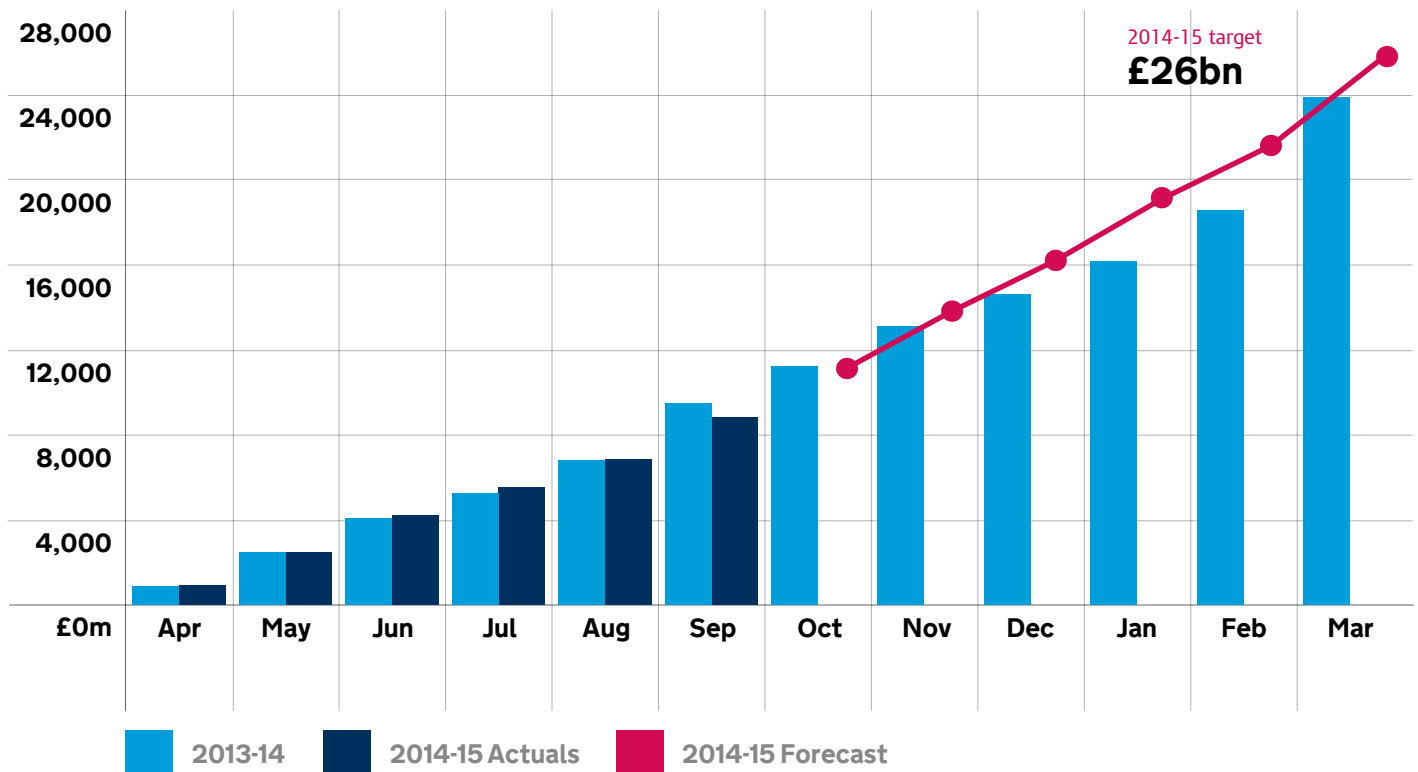
We have also launched the biggest exercise in face-to-face staff engagement in HMRC's history, by starting an ongoing conversation about our vision for our long-term future. By 2021 we will be a smaller, more highly-skilled, increasingly digital organisation based in fewer locations.

## Maximise revenues

We brought in total tax revenues of £243.6 billion in the first half of the year – this is about £7 billion more than we brought in at the same point last year.

Our compliance activity secured £8.8 billion in compliance revenues during the same period. We're confident of achieving our updated year-end target of £26 billion announced at the Government's 2014 Autumn Statement, since the profile for our compliance revenues is generally much higher in the second half of the year than the first. We expect to secure more than £110 billion in compliance revenues between 2011-12 and 2015-16.

Figure 1:  
Additional revenues brought in  
through compliance work



# Improving our service to customers

## Calls to our customer helplines

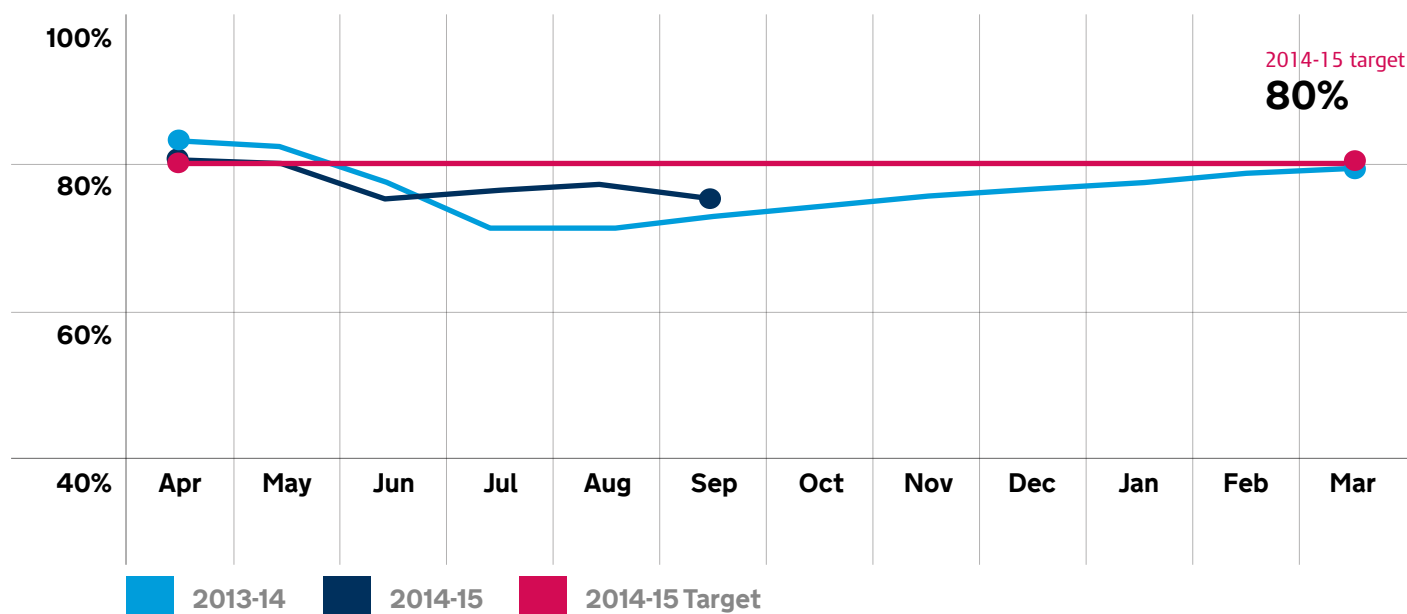
We increased the number of calls we handled to our customer helplines over the first half of the year by 1.8 per cent to 74.5 per cent, compared to the same point last year. This compared to just 48 per cent of calls in 2010-11. We expect to achieve a more consistent performance throughout 2014-15, although we expect our average performance for the year to be slightly lower than in 2013-14 (79 per cent).

We want our performance in dealing with customer phone calls and post to be more consistent by moving staff flexibly between these areas. We have been largely successful in achieving this for telephony – answering 89 per cent of tax credits renewals calls on 31 July compared to just 16 per cent last year – but in August and September call volumes remained high, delaying the return of some staff to dealing with customer post.

Customers also benefited from better self-service options on the phone, with the introduction of voice recognition through Intelligent Telephone Automation (ITA), which drew mostly positive feedback from customers. Customers get the information they need automatically, or are routed to an adviser able to deal with their specific enquiry. So far this year our ITA service has handled 7.4 million calls.

To continue making the cost of getting in touch with us cheaper for most customers, we introduced 03 telephone numbers to our helpline services last year, which the vast majority of customers are now using. All our forms and leaflets will have been updated with 03 telephone numbers, and in December we withdrew the last of all 0845 numbers.

Figure 2:  
April to September 2014-15:  
Call attempts handled

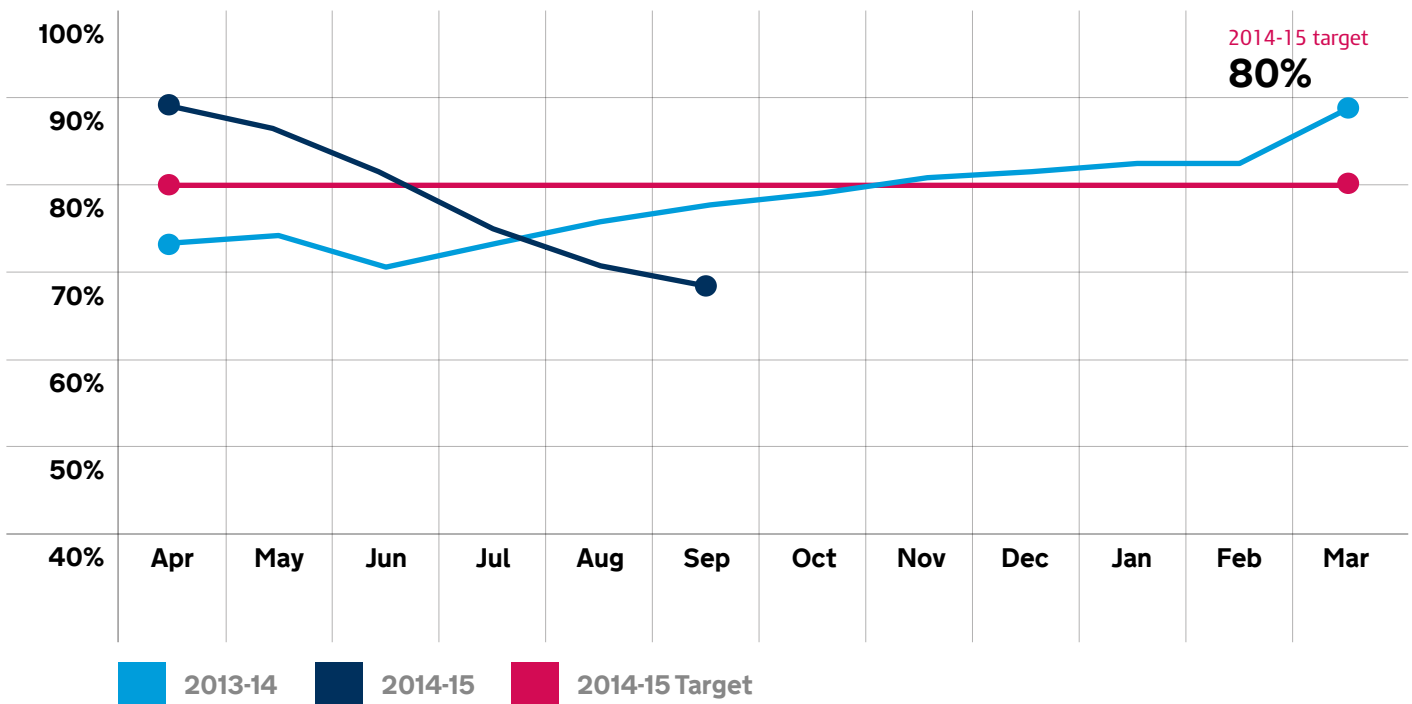


## Post

We cleared 69 per cent of post within 15 working days, compared to 77.3 per cent at the same point last year. The lower performance was because we diverted some staff dealing with customer post to support tax credits renewals, when we traditionally experience high customer demand. Improved call handling and our desire to resolve queries using a 'once and done' approach means we continue to receive less customer post year on year. We've also started to introduce digital post scanning, so we can answer post more promptly and prevent delays caused by paper being moved by post between different offices.

We expect to see monthly improvements in how quickly we clear post for the rest of the year, with particular priority given to this area ahead of the Self Assessment peak in January. Because we have not cleared as much post in recent months as we had expected to, we will not now meet our target of clearing 80 per cent of post within 15 working days this year.

Figure 3:  
Post handled in 15  
working days, year to date



We have made cost efficiency savings of more than £75 million so far this year, and more than £850 million<sup>1</sup> since 2010

## Tax credits and child benefit claims

We cleared UK tax credits and child benefit claims and changes of circumstance in an average of 15 days (well within our target of 22 days) and cleared international claims and changes of circumstance in 80.3 days, well ahead of the 92-day target.

## Make sustainable cost savings

The Government asked HMRC to make sustainable cost savings to our budget of 25 per cent between 2010 and 2015, with an additional five per cent saving in 2015-16.

We have made cost efficiency savings of more than £75 million so far this year, and more than £850 million<sup>1</sup> since 2010. That puts us well on track to deliver our target of just under £1.2 billion in savings by 2015-16.

The finance section reflects our dual role in contributing to deficit reduction – reducing expenditure by becoming more efficient, while also collecting additional revenues as outlined in the executive summary.

## Debt

The vast majority of taxpayers pay their taxes in full and on time. Individuals and businesses need to pay the tax that is due, or return a tax credits overpayment, otherwise it is unfair on the honest majority. We estimate that about ten per cent of money legitimately owed in tax revenue is not paid on time and has to be pursued using our debt pursuit and enforcement powers.

At the end of March 2014, total debt was £16.7 billion. We are stepping up efforts to tackle tax avoidance and reduce error and fraud and this activity is resulting in additional tax revenues that are due sooner, and a proportion of these will add to the debt balance. We expect our 2015 year end debt position to be higher than last year, because we have identified more debt owed to HMRC through better and more efficient compliance activity.

<sup>1</sup> Subject to assurance



## Major Projects

Further information about work managed under the Major Projects Authority is available here: [www.gov.uk/government/collections/major-projects-data](http://www.gov.uk/government/collections/major-projects-data)

## People

We're transforming our size and shape, how we work and how we're organised. The HMRC of the future will be smaller and more highly professional, with fewer people working across a smaller number of locations.

When HMRC was created in April 2005, we had 105,000 people (97,000 FTE) and more than 600 offices in 300 towns and cities. By the end of September 2014 we had 64,706 people (57,454 FTE). By the end of 2014-15 we expect to have around 57,000 FTE, based in 180 offices in just 99 towns and cities.

Our long-term aim is to reduce our workforce as our investment in data and digital services reduces the number of manual processing roles and increases productivity.

# 1. Performance

Table 1.1: Maximising revenue collection

	Q1 & Q2 2013-14	Q1 & Q2 2014-15
Cash collected from compliance	£3.6bn	£3.2bn
Revenue loss prevented	£2.9bn	£3.4bn
Future revenue benefit	£2.1bn	£2bn
Product and process improvement	£0.9bn	£0.2bn
<b>Total revenue raised</b>	<b>£9.5bn<sup>1</sup></b>	<b>£8.8bn</b>
	<b>Q2 2013-14</b>	<b>Q2 2014-15</b>
Payment on time – proportion of businesses and individuals who pay tax on time – using VAT as lead indicator	86.9%	87.2%
	<b>2011-12</b>	<b>2012-13</b>
Tax gap – difference between all the tax theoretically due and actually collected	£33bn (6.6%)	£34bn (6.8%)
Tax credits error and fraud – amount of tax credits money claimed by people who are not entitled to it (percentage of total tax credits payments in brackets)	£2.1bn (7.3%)	£2bn (7.0%)

Table 1.2: Stabilising and improving customer service

	Q1 & Q2 2013-14	Q1 & Q2 2014-15
Percentage of post received by HMRC that has been cleared within 15 working days of receipt	77%	69%
Percentage of post received by HMRC that has been cleared within 40 working days of receipt	96%	94%
Percentage of post cleared within 15 working days of receipt that has passed HMRC quality standards	90.9%	92.9%
Percentage of post cleared within 40 working days of receipt that has passed HMRC quality standards	91%	93.1%
Percentage of calls attempt handled by our Contact Centres	72.7%	74.5%
Percentage of return transactions carried out online (12 months to quarter end E>Returns, SA, PAYE, VAT, CT and Stamp Duty Land Tax)	94.1%	97.3%
	<b>Q2 2013-14</b>	<b>Q2 2014-15</b>
The increase/decrease (-) in cost for customers dealing with us (since April 2011)	+14.6m	+40.2m
The increase/decrease (-) in cost for business customers dealing with us (since April 2011) <sup>2</sup>	+43.59m	+69.19m
Customers find us straightforward to deal with – all customers rolling annual score out of 100 (margin for error in brackets)	73.4 (± 2.6)	72.4 (± 2.5)

1 In-year figures contained in this briefing are initial management information to provide an indication of our performance. They are subject to revision and audit, e.g. in last year's report the 2013-14 compliance yield outturn was £8.8 billion. However this has moved to £9.5 billion as a result of post-quarter adjustments. Final full-year performance figures will be made available in our annual reports.

2 Costs for our business customers have increased by a total of £69 million since April 2011. A significant element of this increase is the result of policy measures announced by the Government at the Budget and Autumn Statement – for example, restrictions to pensions tax relief (£80 million) and Bank Levy (£20 million) – which directly support fiscal consolidation. Further cost increases are as a result of the introduction of the patent box (£26 million), a measure welcomed by business and which contributes to economic growth. These increases have been partly offset by savings from digital and process improvements. HMRC is on track to reduce customer costs and meet the £250 million business customer cost reduction target with further cost reductions from new processes and digital services which we expect to be scored later in 2014-15.

Table 1.3: Creating sustainable net cost reductions

<b>Unit costs (per £ collected/paid out)</b>	<b>Q2 2013-14</b>	<b>Q2 2014-15</b>
Total cost of collecting income tax (Self Assessment and Pay As You Earn) (Pence per £ collected)	0.96	0.88
Total cost of collecting Corporation Tax (Pence per £ collected)	0.78	0.73
Total cost of collecting National Insurance Contributions (Pence per £ collected)	0.26	0.26
Total cost of collecting VAT (Pence per £ collected)	0.64	0.63
Total cost of administering tax credits (Pence per £ of tax credit paid out)	1.4	1.4
Total cost of administering Child Benefit (Pence per £ of Child Benefit paid out)	0.56	0.55

We regularly publish more detailed information on our performance on our website – [www.gov.uk/government/publications/business-plan-indicators](http://www.gov.uk/government/publications/business-plan-indicators)

## 2. Finance

Table 2.1\*

£,000s	2013-14			2014-15		
	FY budget (Main Estimate)	Actual spend (Apr-Sept)	% Spend to Budget	FY budget (Main Estimate)	Actual spend (Apr-Sept)	% Spend to Budget
Total DEL Voted	3,396,571	1,629,317	47.97%	3,352,423	1,553,937	46.35%
<i>Admin</i>	809,484	424,325	52.42%	761,354	357,976	47.02%
<i>Prog</i>	2,587,087	1,204,992	46.58%	2,591,069	1,195,961	46.16%
Total DEL Non Voted	313,613	152,028	48.48%	302,104	166,901	55.25%
<i>Admin</i>	70,487	28,251	40.08%	67,289	35,982	53.47%
<i>Prog</i>	243,126	123,777	50.91%	234,815	130,919	55.75%
<b>Total RDEL</b>	<b>3,710,184</b>	<b>1,781,345</b>	<b>48.01%</b>	<b>3,654,527</b>	<b>1,720,838</b>	<b>47.09%</b>
Total AME Voted	11,966,224	5,798,042	48.45%	11,945,946	5,933,268	49.67%
<i>Social benefits &amp; grants</i>	11,792,000	5,718,779	48.50%	11,702,800	5,848,712	49.98%
<i>Other</i>	174,224	79,263	45.49%	243,146	84,556	34.78%
Total AME Non Voted	31,687,984	16,000,429	50.49%	31,608,972	16,103,839	50.95%
Personal Tax Credits	30,027,000	15,203,111	50.63%	29,695,400	15,141,516	50.99%
Other	1,660,984	797,318	48.00%	1,913,572	962,323	50.29%
<b>Total AME</b>	<b>43,654,208</b>	<b>21,798,471</b>	<b>49.93%</b>	<b>43,554,918</b>	<b>22,037,107</b>	<b>50.60%</b>
DEL Capital	185,570	92,259	49.72%	173,100	108,672	62.78%
AME Capital	2,000	117	5.85%	1,000	5	0.50%
<b>Total Capital</b>	<b>187,570</b>	<b>92,376</b>	<b>49.25%</b>	<b>174,100</b>	<b>108,677</b>	<b>62.42%</b>
<b>Total DEL, AME &amp; Capital</b>	<b>47,551,962</b>	<b>23,672,192</b>	<b>49.78%</b>	<b>47,383,545</b>	<b>23,866,622</b>	<b>50.37%</b>

\* An explanation for the financial terms used on this page are available here:  
<https://www.gov.uk/government/publications/how-to-understand-public-sector-spending/how-to-understand-public-sector-spending>

### Changes in the supplementary estimate

We plan to request a budget cover switch from Resource DEL to Capital DEL to meet our capital investment plans.

## Trend analysis by graphs<sup>1</sup>

Chart 2.1: Total RDEL expenditure 2010-11 – 2015-16

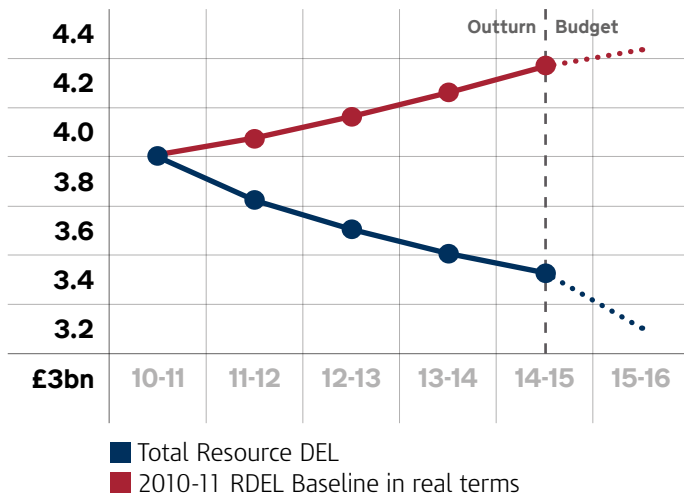


Chart 2.2: Analysis of Resource DEL by expenditure type 2008-09 – 2013-14



Chart 2.3: Total AME expenditure 2010-11 – 2015-16

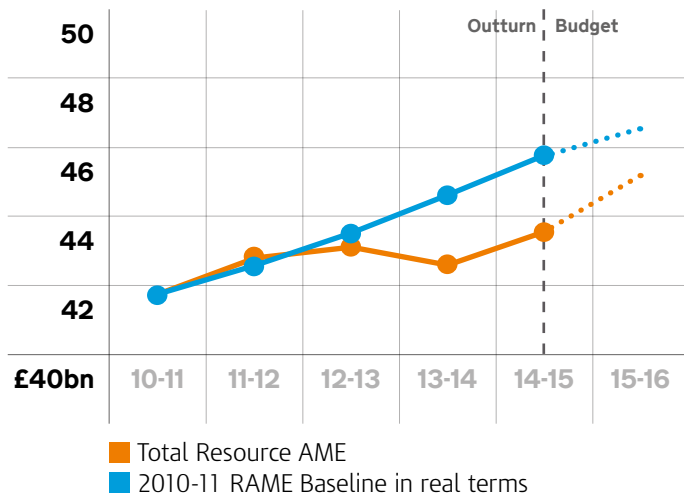


Chart 2.4: Analysis of Resource AME by expenditure type 2008-09 – 2013-14

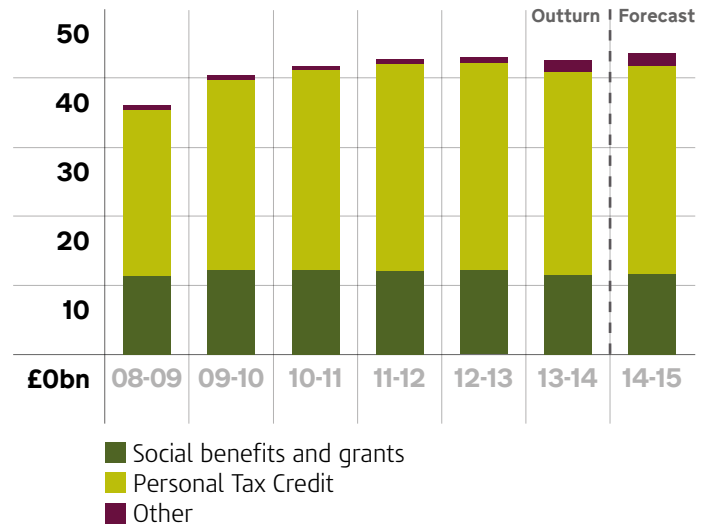
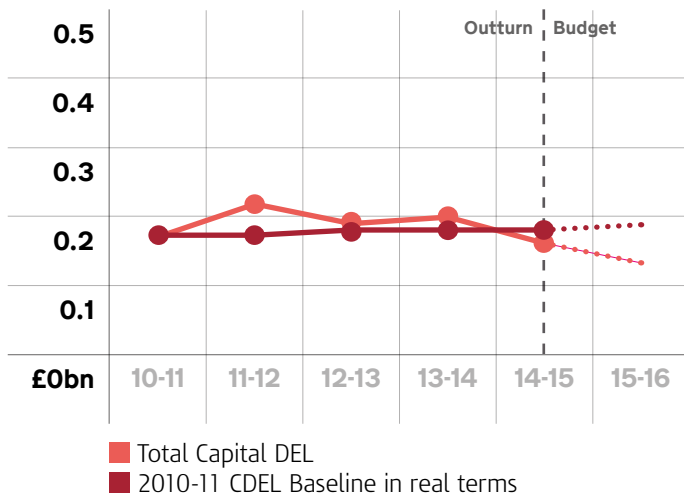


Chart 2.5: Total CDEL<sup>2</sup> expenditure 2010-11 – 2015-16



<sup>1</sup> An explanation for the financial terms used on this page are available here: <https://www.gov.uk/government/publications/how-to-understand-public-sector-spending/how-to-understand-public-sector-spending>

<sup>2</sup> Capital Departmental Expenditure Limit (CDEL) – Capital spending is money that is spent on investment and things that will create growth in the future

# 3. People

Table 3.1: Workforce dynamics

	September 12	September 13	September 14
<b>Payroll (HMRC and Valuation Office Agency (VOA))</b>			
HMRC total payroll FTE	64,573	62,693	57,454
VOA total payroll	3,480	3,531	3,409
<b>HMRC only (VOA data not available)</b>			
Average payroll costs	£32,190	£32,717	£35,419
Annual turnover rate*	6.2%	6.6%	9.5%
Sickness absence**	7.4%	7.5%	7.5%

\* Annual turnover rate calculated as combined natural and 'managed' wastage (e.g. exits) in 12 month period.

\*\* Average working days lost per person – rolling 12 months.

Average payroll costs have risen in the last 12 months due to the annual pay award and the exit of a large number of staff graded at AA and AO, which has altered the overall grade profile of the department.

Figure 1.1: HMRC Total Payroll FTE by grade

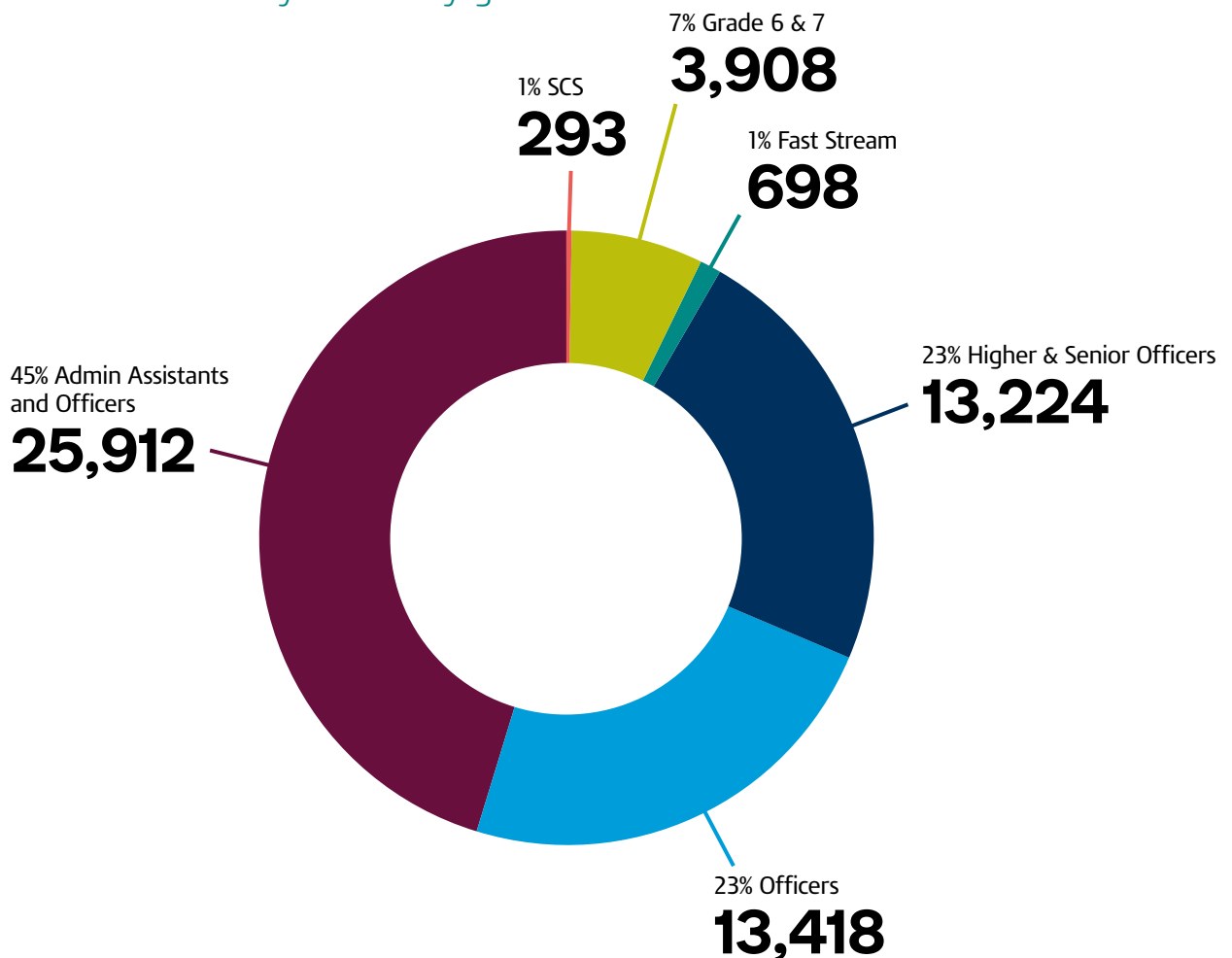


Table 3.2: Diversity (HMRC only) table

Workforce Diversity		September 12	September 13	September 14
All grades	Black and Minority Ethnic	8.1%	8.3%	8.4%
	Women	58.6%	58.5%	58.2%
	Disabled	16.4%	16.4%	16.4%
Senior Civil Service only	Black and Minority Ethnic	2.6%	2.7%	3.2%
	Women	36.2%	38.5%	39.1%
	Women (top management posts)	30.9%	31%	35%
	Disabled	6.6%	5.2%	5%

Table 3.3: People Survey table

People Survey (HMRC only)		October 12	October 13	October 14
Engagement index		41%	44%	43%
Theme scores	Leadership and managing change	24%	29%	28%
	My work	57%	65%	64%
	My line manager	62%	66%	64%
	Organisational objectives and purpose	74%	79%	78%



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