



HM Revenue
& Customs

Annual Report and Accounts 2014-15 Executive Summary



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Our achievements in 2014-15

Maximise revenues

 **£517.7bn**

£11.9 billion more than in 2013-14.

In 2014-15, total revenue increased by £11.9 billion, or 2.4 per cent, to £517.7 billion as a result of growth in the UK economy and increased compliance activity by HMRC to tackle tax evasion and avoidance, fraud, error and debt.

Achieving more...

£26.6 billion
Record compliance revenues

£768 million
Compliance revenue from new Accelerated Payments legislation

£9.79 billion
Tax protected through successful litigation

£469 million
Tax credits error and fraud losses identified and prevented

1,289
Prosecutions for tax offences following our investigations

Make sustainable cost savings

 **£210m**

Sustainable cost efficiencies.

We made a further £210 million in sustainable cost savings last year, exceeding the target the government set us. We have continued to reshape our workforce and have reduced the cost of our administration, estate, and the goods and services we buy.

with less...

170
HMRC offices, compared to 539 in 2005

19 million
Fewer sheets of paper we printed

8 out of 10
Of our workforce located in our 16 key centres

16 million
Work items we now process electronically that keep people's records up-to-date

£17 million
Savings made to our estates running costs

Improve the service that we give our customers

 **10.2m**

Self Assessment returns submitted by midnight on 31 January 2015.

We improved our handling of the peaks in demand during the January Self Assessment and July tax credits deadlines, but we missed our phone and post targets overall. We continue to invest in digital services for customers.

and delivering...

71,727
Customers helped by our new Needs Extra Support service; one in four of them through face-to-face visits by mobile advisers

2.4 million
Businesses subscribed to Your Tax Account

211,405
Customs checks cleared within agreed targets (95 per cent) to facilitate UK trade

£335 million
Net customer cost reductions for all customers since April 2011

410,000
Tax credits customers who renewed their claims online

Include and involve our people

 **1,404**

The number of events our employees attended during Phase 1 and 2 of Building our Future.

The increasing expectations placed on us from customers requires new ways of working and digital services that are more focused on customers. Building our Future will ensure that we have the right people, skills and locations to deliver this.

with our people

5.96
Average number of days our employees were involved in learning activities

4,500
Of our people were promoted

50
Joined our first-ever tax apprenticeship programme

77
Of our people serve as reserves in the Armed Forces

£908,000
Donations made by our people to good causes through payroll giving

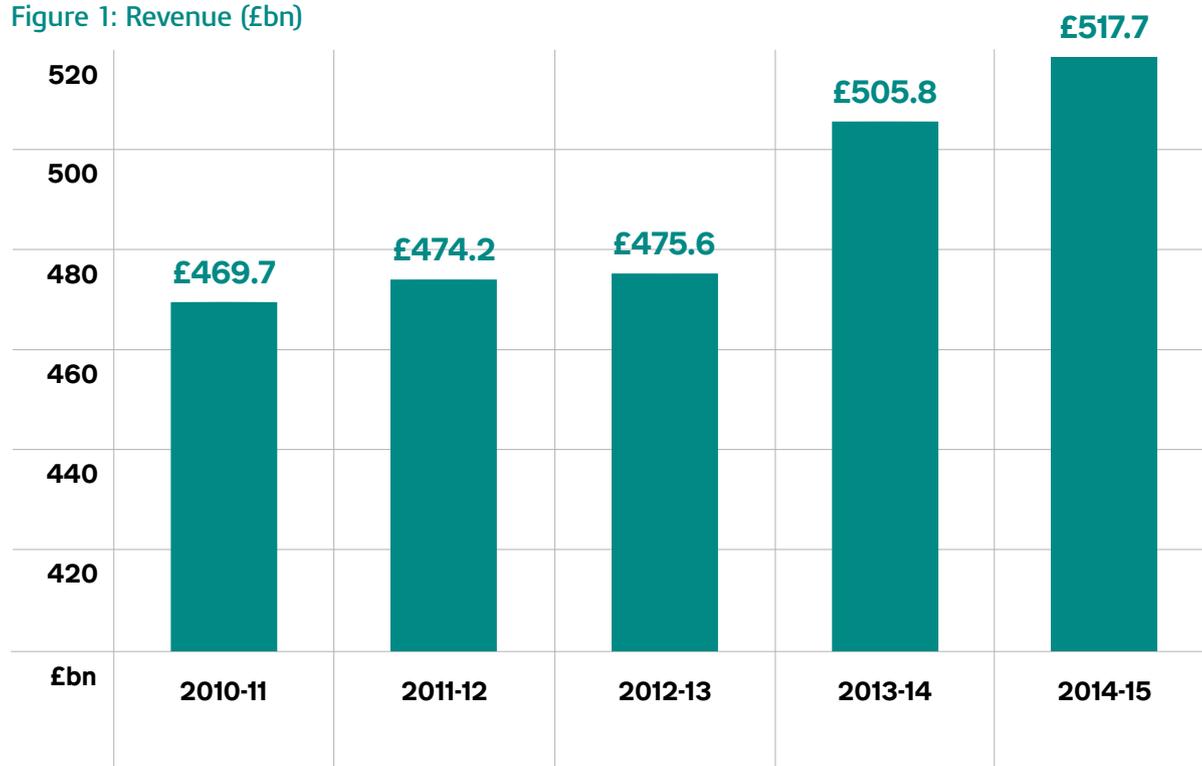
A snapshot of our performance in 2014-15

Maximising revenues

In 2014-15, total revenue increased by £11.9 billion, or 2.4 per cent, to £517.7 billion as a result of the widely-reported growth in the UK economy and increased compliance activity by HMRC.

Our strong performance in increasing compliance yield this financial year, and over the Spending Review period since 2010, is a result of continuing to help customers get their tax and payments affairs right. We tailor our approach according to risk and customer behaviours, making the most of new technology, intelligence and analytics.

Figure 1: Revenue (£bn)



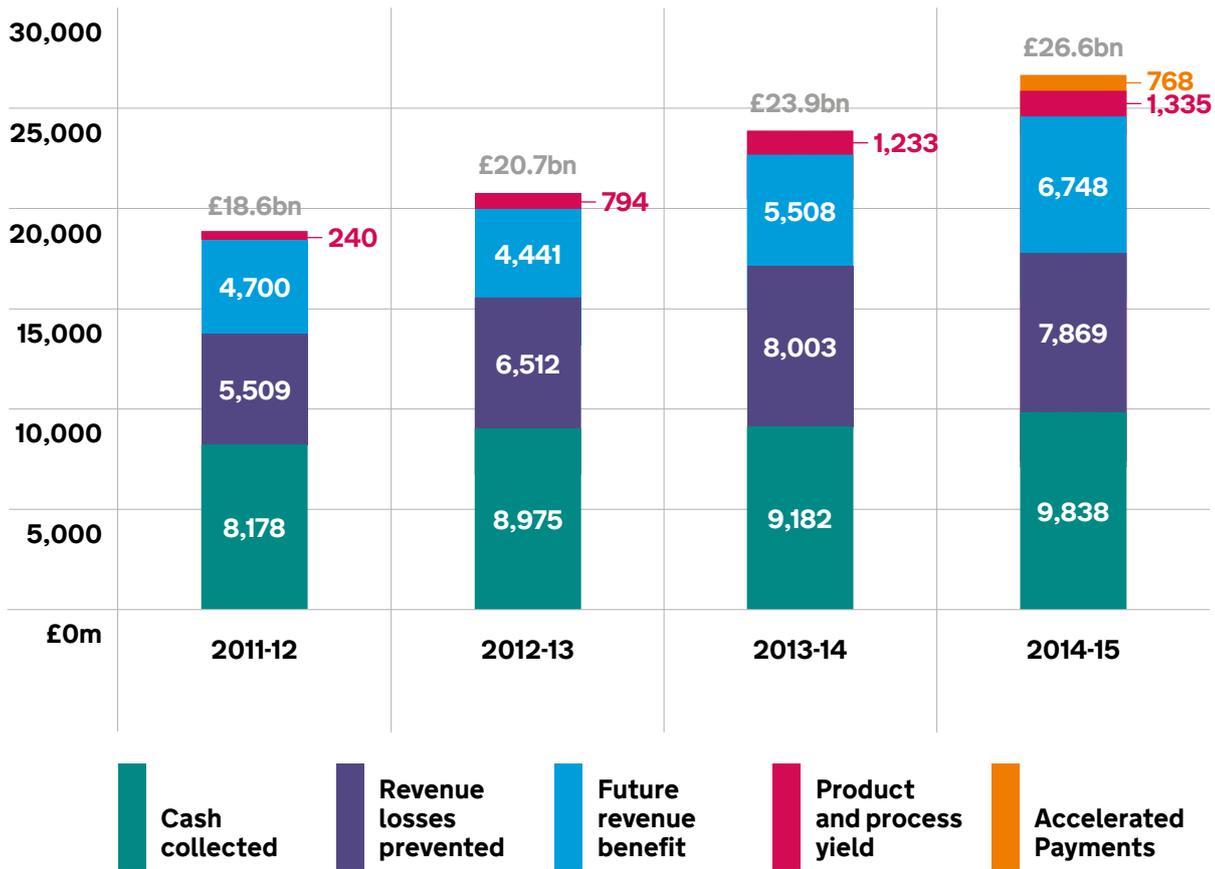
Compliance yield – 2014-15 performance

While the vast majority of individuals and businesses pay what they owe, we also need to work very hard each year to make sure that those who try to cheat the system also pay what they should. We refer to the amount of revenue that we either collect or protect from our compliance activities as 'compliance yield'.

Our compliance yield amounts to billions of pounds that would have otherwise been lost to the UK through tax avoidance and evasion. We have strengthened our grip on those who deliberately cheat the system through fraud, avoidance and evasion and by refusing to pay what they owe. We apply the most appropriate civil and criminal sanctions against this dishonest minority.

During the last year we collected and secured £26.6 billion from our compliance work. Our calculation of the full impact of our compliance activity is based on a well-established methodology, which is designed to capture the impacts of the wide range of compliance work we undertake.

Figure 2: Total compliance revenue (£m)



Accelerated Payments

At a glance...

We demand that some individuals and businesses who use tax avoidance schemes pay us the disputed tax before their case is resolved. This stops them from holding on to the money for considerable lengths of time, even years in some instances. We do this by issuing them with Accelerated Payments notices, which demands payment within 90 days.

One of the most significant tools that we now have to tackle avoidance by individuals and companies is the 'Accelerated Payments' legislation introduced last summer. This means those who have entered tax avoidance schemes which are under investigation are now required to pay the disputed tax upfront within three months. Last year we issued 10,000 notices, worth £1.7 billion in tax that we protected.

We expect around 64,000 individuals and businesses involved in avoidance schemes currently under dispute with HMRC to receive payment notices. Some cases involve wealthy individuals who are trying to avoid more than £10 million of tax through the use of avoidance schemes.

We win around 80 per cent of avoidance cases that taxpayers take to court, and many more settle with us before it reaches litigation. Where a customer disagrees with a follower notice, they have the right to an independent review. We received 824 requests for review and the amount included on a notice was reduced in 13 per cent of those cases settled.

Reducing costs and providing value for money

At a glance...

We made a further £210 million in sustainable cost savings last year, exceeding the target the government set us. During the last four years we collected record tax revenues while reducing and reshaping our workforce, so we have the right people, with the right skills in place as we move to more digital ways of working. We reduced the cost of our administration, estate, and the goods and services we buy.

Figure 3: HMRC expenditure 2008-09 to 2015-16

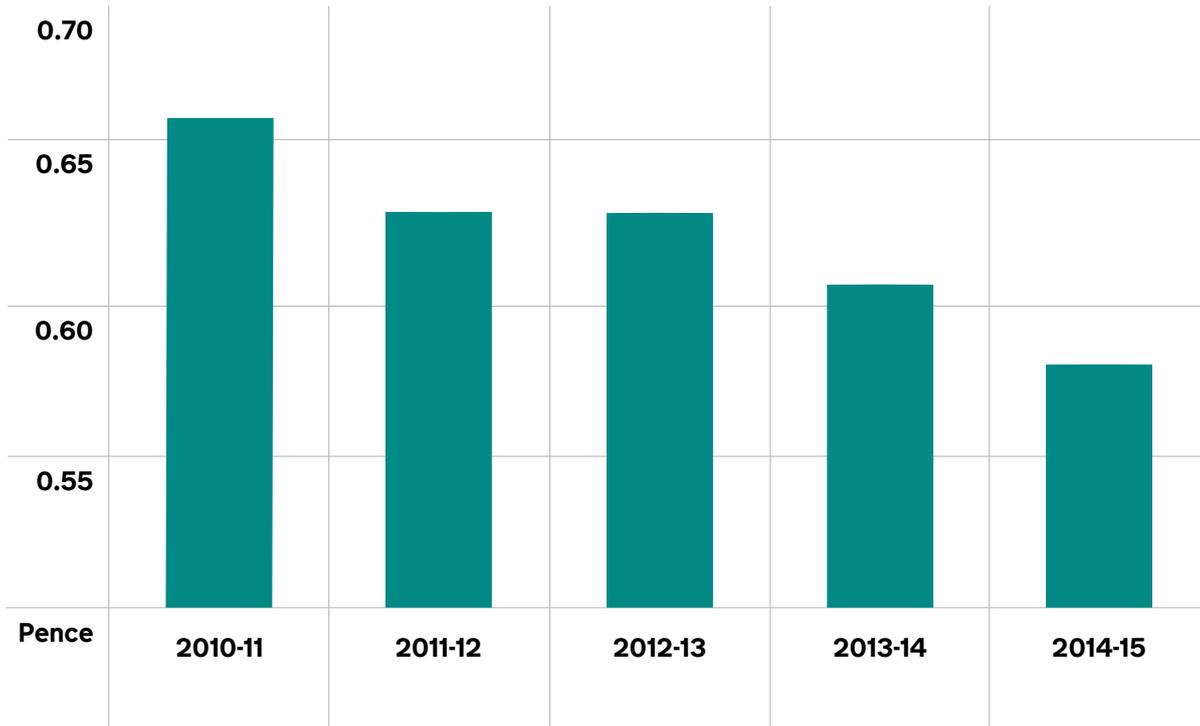


Notes

¹ Resource outturn after changes from Budget and Autumn Statement. 2015-16 is resource budget. As part of Spending Review 2010 HMRC received additional funding to tackle non-compliance in the tax system. This additional funding was added to HMRC's existing funding in 2015-16. Includes depreciation.

Compared to the total revenues we collect, our administration costs are very low. The efficiencies we have delivered, together with increasing revenues, mean that the cost of collecting tax in the UK dropped from 0.66 pence per pound in 2010-11 to 0.58 pence in 2014-15.

Figure 4: Overall cost of collection (pence per £ collected)



Improving customer services

At a glance...

While we improved customer service during some of our busiest times of the year, overall we did not meet our targets for call handling or dealing with post. We know that we have more to do to deliver the consistent level of service that customers expect from us.

Our efforts to improve the way we dealt with the Self Assessment and tax credits deadlines in particular, benefited millions of customers. For example, 85.5 per cent of the 10.2 million Self Assessment returns we received were submitted online. And, on deadline day, we answered 99.9 per cent of phone calls, compared to just 53 per cent in 2009, the last time the deadline fell on a Saturday.

And, by the 31 July tax credits renewals deadline, we received more than three million applications, including 410,000 through our new online renewals service. During the last week before the deadline, we received 1.2 million applications and answered 96 per cent of calls.

While we did improve significantly the level of service we provided during these peak times, overall we missed our targets for answering calls and dealing with post.

Figure 5: Post handled within 15 working days (per cent)

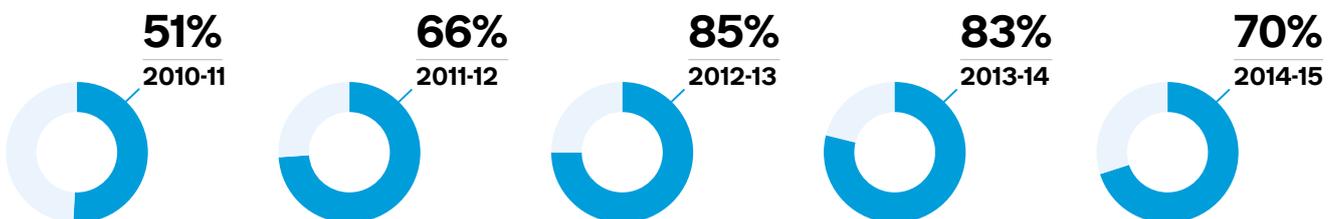
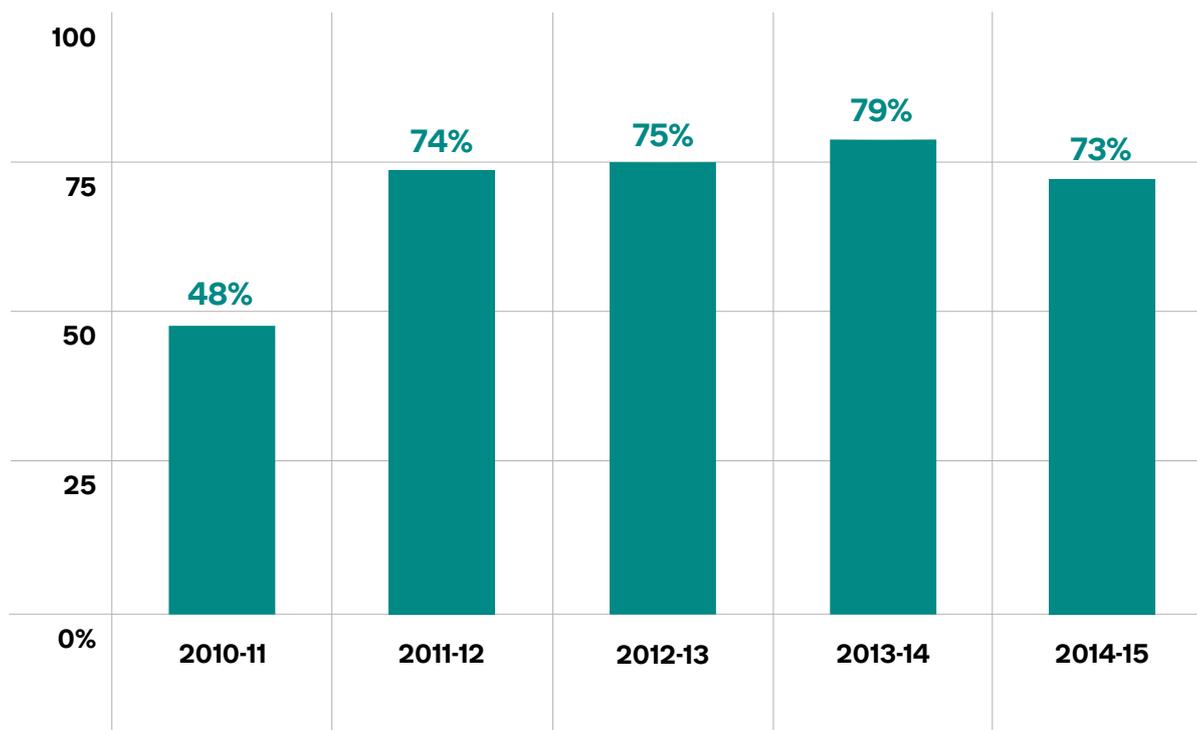


Figure 6: Call attempts handled (per cent)



During the year, we made many changes to our processes to improve the service that we give our customers.

Some of the improvements we made included:

- introducing a new telephone system, which enables us to put more people on our helplines at busy times and to build new services for the future, such as webchat
- introducing a new system of scanning the post we receive, so we can deal with our customers' letters more quickly and securely online, rather than moving them around our offices
- replacing our Enquiry Centre network with a new service of mobile face-to-face advisers and specialist help over the phone for our most vulnerable customers. The new Needs Enhanced Support service helped 71,727 customers in 2014-15, 17,371 of them in person
- rolling out a 'once and done' approach to dealing with customers to 250 of our advisers, and adopting 137 of the ideas they have tested to improve our service in 2014-15
- introducing an online tax credits renewals service, which saw 410,000 people renew online in 2014, with a 94 per cent satisfaction rate
- expanding our online seminars for businesses to cover more of the topics they tell us they need. More than 352,000 small businesses viewed our advice and signposting videos on YouTube, and our e-learning modules had more than 155,000 customer views. We also sent more than 50 million support and advice emails. Our involvement in the cross-departmental Support to Growth Agenda has resulted in more than 356,000 clicks-through to growth guidance.

The risks to our performance: what they are and how we deal with them

The most significant risks faced by HMRC which could impact on the delivery of our strategic objectives, together with key mitigating actions, are outlined below.

Figure 7: The risks to our performance: what they are and how we deal with them

Principal risks	Key mitigating actions
Raising revenue	
As the country's tax, payments and customs authority, our key risk is to collect revenue in a demonstrably fair and balanced way and maximise the flow of money to the Exchequer to help pay for essential public services.	<ul style="list-style-type: none"> linking the pattern of receipts with risks to tax collection understanding how tax receipts forecasts affect our picture of risk changing tax products to support compliance activities.
Serving our customers	
Our customers are at the heart of the service we aim to provide. One of our challenges is to meet our customers' needs and expectations now and in the future. We must deliver services in a seamless, joined-up way that helps the honest majority to get their tax right and makes it hard for the dishonest minority to cheat the system.	<ul style="list-style-type: none"> listening to our customers and acting on customer feedback to improve the way we handle interactions continuing to deploy flexible resource from across HMRC to meet peaks in customer demand beginning an ambitious programme of digital tax services, including accelerating delivery of the personal digital tax account implementing integrated product and process changes.
Developing our leadership and management	
Leaders and managers are critical to successful delivery of business performance and plans. We face the continuing challenge to develop our leaders' innovation, resilience and flexibility to ensure we are able to deliver the department of the future.	<ul style="list-style-type: none"> engaging our leaders in our national conversation on Building our Future about how we will transform over the coming years and building staff engagement using a suite of metrics (including the People Survey and feedback from the Building our Future events) to track the effectiveness of our actions developing talent management, including the use of positive action programmes, and succession planning for key leadership roles across our organisation planning the launch of a Leadership Academy in May 2015
Managing our cyber security	
The protection of our IT systems and customer data is our most significant ongoing risk. As we build our future, we must maintain and safeguard the availability, resilience and security of our systems to enable and protect the integrity of our customers' tax and benefits information.	<ul style="list-style-type: none"> investing in the new Cyber Security Command Centre continued investment in maintaining and enhancing existing controls improving defences against direct hacks, malware and detecting anomalies and criminal behaviour identity assurance work which, once completed, will vastly improve defences against unauthorised access and provide us with a solid foundation for building up transaction and user monitoring early campaign work, which has begun to address some of the insider risks and threats identified in the new cyber strategy.
Building our Future	
Building our Future is central to the delivery of all our plans. Our challenge is to join up our transformation activities, ensuring they align to our blueprint and build our digital capability and capacity. Otherwise the risk will be that we cannot support our customers or future ways of working.	<ul style="list-style-type: none"> consulted widely on the role of the Building our Future national conversation and used the feedback to strengthen and inform our plans implemented an interactive intranet website to aid the two-way conversation detailed the capabilities required for delivery of the HMRC Blueprint and developed the HMRC Transformation Roadmap and investment proposition developed a business readiness model to aid change implementation.

People

Building our Future, HMRC's transformation programme, has our customers and our people at its heart.

The increasing expectations and demands placed on us from customers and from ministers require new ways of working and Building our Future will ensure that we have the right people, with the right skills in the right places to deliver.

Over the past year we have continued our recent record of delivering more with less, bringing in record revenues and enhancing customer service, while making further sustainable cost reductions.

As we shift to new technologies and new ways of working, the shape of our organisation is changing too. For example, we moved around 1,400 people into new roles and promoted more than 4,500 people over the course of 2014-15.

In Personal Tax, we are recruiting 3,000 people in permanent and temporary roles to help us meet a range of customer demands where we don't already have the right skills in the right locations to do new work.

It is also important for us to keep developing future pipelines of talent. Through our Tax Academy, we are one of the biggest recruiters of graduate talent in the Civil Service – and this year we are aiming for a further 250 graduates and internal colleagues to join our Grade 7 programme. Last autumn, we also welcomed around 50 people to join our first-ever tax apprenticeship programme.

Involving and investing in our people means transforming the style of leadership in HMRC. The Civil Service Leadership Statement, which was published in February, sets out the expectations of, and standards for, leaders in the Civil Service, with a focus on the themes of inspiring, confident, and empowering.

One of the ways we will do this is through a new Leadership Academy – which went live at the beginning of May 2015 and represents a major, long-term investment in our leaders.

The principal focus will be people leadership, complemented by specific strategic leadership priorities, such as digital and commercial.

The Leadership Academy will offer a mixture of flexible options – face-to-face, workplace activity, Action Learning Groups, masterclasses, shadowing and coaching.



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