



HM Revenue
& Customs

Delivering our Vision

Business Plan 2010-11



Contents

4	HMRC Purpose, Vision and Way
5	Foreword by Lesley Strathie, Chief Executive
6	Highlights of 2009-10
8	Strategic objectives: our priorities for 2010-11
24	Key programmes supporting our strategic objectives 2010-11
26	How we run HMRC
28	Getting value for money: how we will use our resources
30	HMRC as a sustainable organisation: our progress
31	In summary

HMRC Purpose, Vision and Way

In November 2008, we launched our Purpose, Vision and Way to make it clear to everyone what the Department is here to do, where it is going and how we will deal with customers and each other.

Our Purpose

- We make sure that the money is available to fund the UK's public services
- We also help families and individuals with targeted financial support

Our Vision

- We will close the tax gap, our customers will feel that the tax system is simple for them and even-handed, and we will be seen as a highly professional and efficient organisation

Our Way

- We understand our customers and their needs
- We make it easy for our customers to get things right
- We believe that most of our customers are honest and we treat everyone with respect
- We are passionate in helping those who need it and relentless in pursuing those who bend or break the rules
- We recognise that we have privileged access to information and we will protect it
- We behave professionally and with integrity
- We do our own jobs well and take pride in helping our colleagues to succeed
- We develop the skills and tools we need to do our jobs well
- We drive continuous improvement in everything we do

Foreword



The next financial year is going to be a tough one for HMRC as we continue responding to changing demands which impact the way we collect tax and make the payments which people are entitled to.

I am confident we will rise to these challenges as we continue to focus on closing the tax gap. Although we still need to reduce the size of our workforce, I want our people to feel that HMRC is an exciting place to work. We have talented and hard-working people who meet these challenges head on, but as we become smaller we need a more highly skilled workforce if we are to deliver what is expected of us by government and our customers. This means we will support and develop those who want to stay and for our people who need to move to another role we will also help them redeploy to another HMRC post, another government department or life beyond the civil service. Key to this success is a

constructive dialogue with our trade unions based on the financial realities the entire public sector faces over the next three years. If we are to reward our people through pay and performance, savings have to be made in order to fund them.

The way we approach all our work will ultimately be guided by our customer-led business strategy, which is how we will deliver our Purpose, Vision and Way. Our strategy is based on understanding our many different groups of customers, their behaviours and the journeys they undertake when they deal with us – from the individual filing a tax return to the needs of big business. Our PaceSetter programme, which uses a simple set of principles, tools and techniques to improve performance, is central to achieving this goal and we have already seen productivity rising by as much as 30% in parts of the Department. We must tackle attendance management head on and improve engagement with our people. As senior leaders, we are fully aware of the low engagement, and the latest people survey results have shown we have a long way to go. However, it is important the efforts made by frontline managers and our people are not ignored.

I am proud of our many achievements. Three-quarters of all Self Assessment tax returns are now sent to us via the internet – up from 5.8 million to 6.4 million in what was another record year for online filing and despite the economic conditions which generated £6 billion more new debt last year, we still managed to reduce our overall debt balance. Of course, there are times when things don't go as smoothly as we would like, with the recent issuing of PAYE Coding Notices showing there will always be challenges to overcome. Crucially for HMRC, we are committed to overcome them and move forward better equipped to deliver for our customers.

Central to improving the way we work is acting on the findings of our Capability Review, which highlight what we do well – and not so well. Our re-review found we were making steady overall progress, but needed to do a lot more in developing our leadership capability, engaging with our people and managing change better.

Looking ahead, we need to make sure our people both understand why HMRC needs to change and the importance of everyone playing their part in making it a reality. We know what we need to do as a Department and I am optimistic about what we can achieve in the future.

A handwritten signature in black ink, appearing to read 'Lesley Strathie', written over a light grey background.

Lesley Strathie
Chief Executive and Permanent Secretary

Highlights of 2009-10



This year an estimated 75%, over 6.4 million of all Self Assessment returns submitted, were filed online by the 31 January deadline - an 11.6% increase on the previous year.

To give customers easier access to our online services we made Self Assessment (SA), Construction Industry Scheme (CIS) and Pay As You Earn (PAYE) available through Business Link & Directgov websites.



As part of our crackdown on illegal operations, we seized 120 million cigarettes in a joint HMRC and Irish Revenue Commissioners operation.

We've renegotiated our agreement with our IT partners and are implementing more streamlined services - saving around £110 million a year from 2011-12.



To explain to our customers their rights and obligations we launched 'Your Charter' in November 2009.



Our delivery of online business tax services such as online filing won the best Business Awards IT category in 2009.

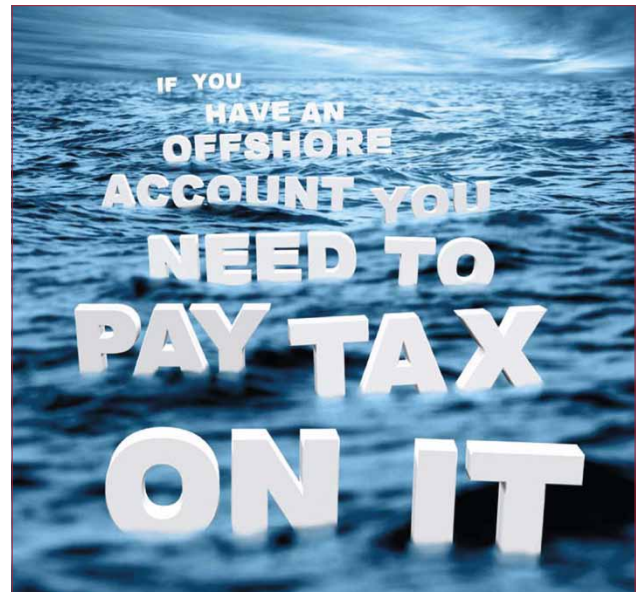


We want customers to understand what they are entitled to. We run outreach events in local supermarkets and in other communities to explain Tax Credits and Child Benefits.



From April to December 2009 we collected £322.3 billion of revenue to pay for the UK's public services.

HMRC was awarded platinum status in the Business in the Community (BiTC) Corporate Responsibility Index which demonstrates our commitment to being a responsible employer.



We launched a New Disclosure Opportunity offshore campaign with 300 banks now providing us with information on their offshore account customers. The campaign is expected to bring in £500 million over the next five years.

HMRC published Budget material on our internet and intranet within 11 minutes of the end of the Chancellor's Budget 2009 speech so our people and external stakeholders knew immediately how the changes affected them.

HMRC's Grant in Aid programme has enabled the voluntary sector to train approximately 15,000 of their advisors so they can provide advice and support to 2.5 million HMRC customers who wouldn't necessarily get the benefits they are entitled to.

Strategic objectives: our priorities for 2010-11

Objective 1: Improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled.

The majority of our customers want to pay the right tax and receive the right entitlements at the right time. With the continuing difficult economic climate it remains important that HMRC helps and supports customers fulfil these obligations while relentlessly pursuing those who bend or break the rules. Our objective is to reduce tax losses by an additional £4 billion in 2010-11 and tax credit losses by £1 billion by 31 March 2011.

What we are going to do

1. Improve support for those who are willing and able to pay the tax due and claim what they are entitled to
2. Improve support for those who are willing but need help
3. Improve prevention of fraud
4. Improve our relationship-managed service for our largest customers
5. Tackle deliberate non-compliance
6. Improve our approach to dealing with avoidance cases
7. Improve our management of debt while helping those in temporary difficulties

How we are going to do it

1. Improve support for those who are willing and able to pay the tax due and claim what they are entitled to
We will improve the clarity of advice provided through telephone, online and face-to-face channels to support those who want to get their tax and benefits right. One of our key commitments is to improve online advice, enabling intermediaries to better access the information customers need to improve their level of service. We have just revised our advice on Self Assessment, VAT, PAYE and Corporation Tax

filing and will now do this for excise taxes. We will continue our work to align Child Benefit and tax credits so that customers can increasingly contact us once for both. We will provide targeted help to customers renewing their tax credits claims and we will be contacting a proportion of them to check their claims are correct before the renewal is processed. Dedicated resources will be allocated to process unreconciled employer PAYE and National Insurance Contribution cases. We will also target unreconciled PAYE cases for employees and pensioners so we can refund overpaid tax from previous years as the next phase of our plan to address all outstanding 'open cases'.

2. Improve support for those who are willing but need help

We want to simplify our requirements and processes so they are readily understood by our customers, thereby reducing the scope for error and enabling our customers to get it right first time. This includes changes to the Child Benefit claim form making it shorter and simpler to complete. We will continue to help customers to get it right first time by making improvements to forms and re-assessing the way we work to support our most vulnerable customers. We are developing an improved process for VAT registration. We will develop our relationships with the Third Sector and explore how they may be able to provide information to our customers to help educate

“We are passionate in helping those who need it and relentless in pursuing those who bend or break the rules.”

them about benefits to which they are entitled. We will also introduce new products for agents and put in place a network of agent account managers to help minimise the opportunities for error. By working with professional advisers, we can help them develop their understanding of how errors can be eliminated. Working closely with partners in local government, high street banks and further education colleges, we will ensure customers are aware of their responsibilities, helping businesses to get it right first time.

3. Improve prevention of fraud

In line with our developing strategy, we will tackle problems at the earliest possible point in the system. To that end we are strengthening our systems to reduce vulnerability to fraud and making increasing use of our data tools to detect attempted fraud. In addition, we are strongly committed to tackling and deterring attacks on our systems by disrupting and dismantling criminal organisations, recovering assets gained as a result of those attacks, and prosecuting those responsible.

4. Improve our relationship-managed service for our largest customers

By using better ways of working to drive improvements in the way we identify, assess and tackle large business risks, we will focus our greatest resource on issues of highest tax risk. We will continue to reduce the number of older cases by resolving tax issues that have been open for more than 18 months and seeking to resolve most new issues within 18 months. This will enable us, increasingly, to work with our customers on tax issues in real time. We will also work with the largest companies to ensure they have processes in place to calculate their tax liabilities correctly. Our further development of the High Net Worth Unit will continue to provide a focused customer relationship managed service to all wealthy customers by 2011. We will continue to work closely with our customers to ensure their tax accounts are accurate and up to date.

5. Tackle deliberate non-compliance

By further improving the way we assess levels of risk and target compliance we will ensure those seeking to evade tax are subject to robust and effective civil

and criminal action. This will increase the deterrent effect of our work and make it harder to evade paying taxes. We now have powers which cut across all taxes allowing us to carry out checks on current records of all businesses, and in the most serious cases visit business premises without giving advance notice. The proposed penalty regime incorporates a tax-g geared system to be imposed on those who fail to give notification as required. This is in addition to tax-g geared penalties for making an inaccurate return. Together, these measures significantly alter the risk versus reward ratio of offshore evasion, and we will introduce powers to charge penalties for late payments of in-year PAYE.

We will continue to target the hidden economy by working with other government departments and enforcement agencies to identify and tackle ‘ghosts’ who do not declare any of their income or ‘moonlights’ who only declare part of their income. Members of the public will also be able to report those suspected of working in the hidden economy. In addition, the Hidden Economy Advisory Group, which consists of external experts together with senior members of HMRC, will examine the tax system and advise on practical and immediate steps we can take to increase the number of people moving out of the hidden economy. We are working closely with the UK Border Agency (UKBA) to tackle alcohol fraud and tobacco smuggling. We will introduce a new electronic system for the movement of excise goods to help identify risk and counter fraud. We also work together to make a vital contribution on counter-proliferation.

We will extend our use of a ‘check now, then pay’ approach to our tax credit, Child Benefit and Health in Pregnancy Grant (HiPG) claims without compromising our commitment to timeliness of payment. Through the development of our relationships with other government departments and external organisations such as the Department for Work and Pensions (DWP) we will make the most effective use of customer information. When customers contact us by phone we will increasingly tailor our approach to the individual’s circumstances to ensure they provide all the information we need. We will continue to streamline our processes and

increase productivity to tackle cases where customers fail to tell us about changes in their circumstances and those who deliberately attempt to defraud the tax system through non-compliance.

6. Improve our approach to dealing with avoidance cases

We will use the Disclosure of Tax Avoidance Schemes (DOTAS) regime and other intelligence to monitor emerging avoidance risks, identify users and inform our strategic choices about how to address the risks. We will deliver improvements to the DOTAS regime, including tougher penalties, earlier information about schemes and users and bring in a wider range of schemes. From 1 April 2010, we will extend the regime to broaden the coverage of Stamp Duty Land Tax avoidance. We will tackle avoidance risks through policy and legislative design, designing out opportunities for avoidance and continuing to develop principles-based legislation which strengthens defences against innovative avoidance schemes. Where avoidance does occur, we will detect it early and tackle it through effective legislative change and/or well-targeted challenge, litigating where necessary. We will collaborate with other countries to tackle cross-border avoidance, through the Joint International Tax Shelter Information Centre and other international groups.

7. Improve our management of debt while helping those in temporary difficulties

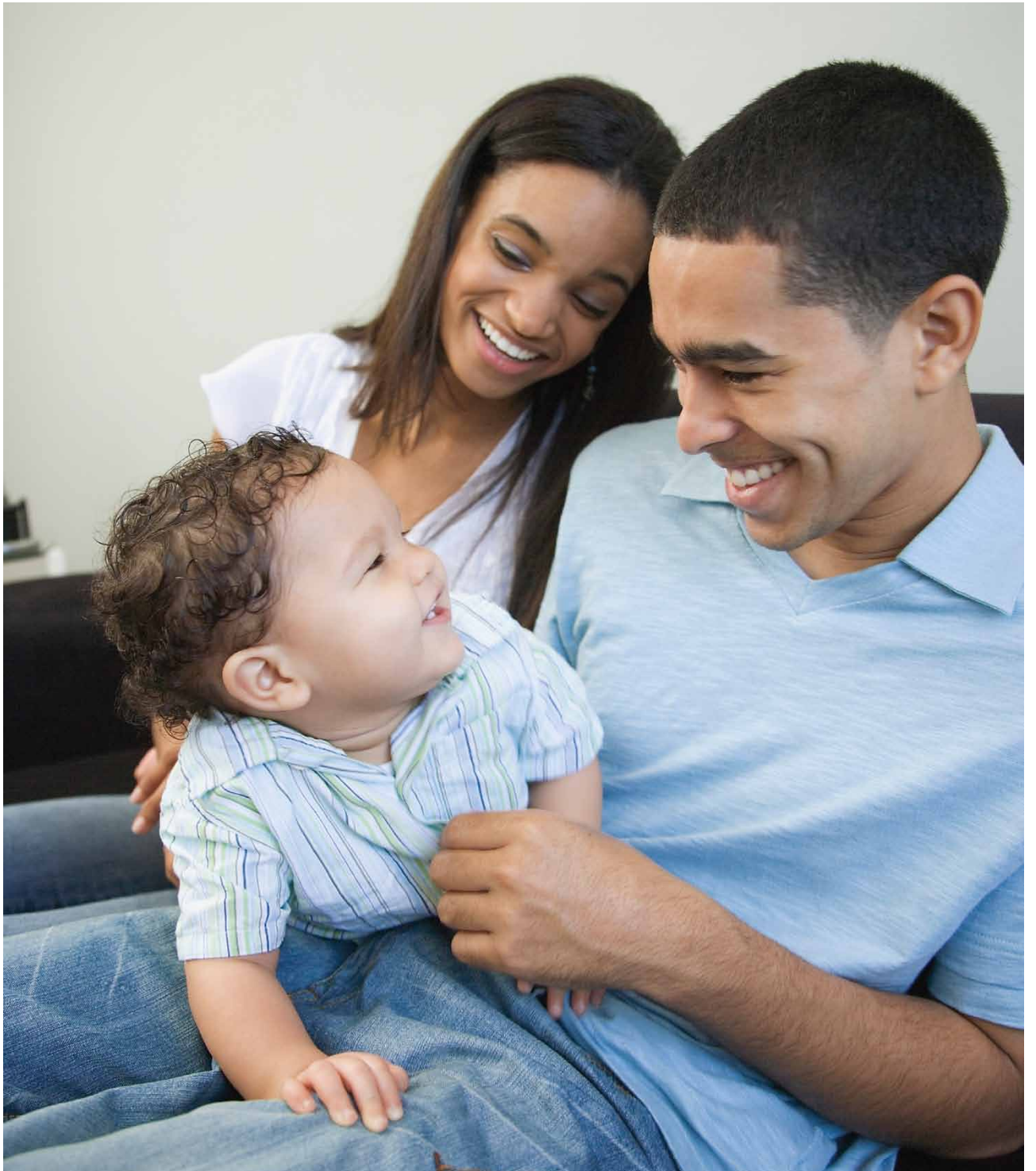
'Time to pay' arrangements for those in financial difficulty will continue to help those in genuine short-term difficulties to meet their tax obligations. We will continue to provide the Business Payment Support Service (BPSS) for as long as it is needed. Through BPSS we have so far helped 200,000 businesses to spread payments of tax worth over £5.2 billion, of which over £4 billion has already been paid. Payment plans which are currently in operation are also delivering more than 90% of what was agreed between customers and HMRC. From April 2010, we will introduce a new requirement for businesses applying for 'time to pay' a debt of £1 million or more by instalments. Unless the facts are straightforward, we will require the business at its own expense to engage a suitably qualified

professional adviser to carry out an independent business review (IBR) in support of its request. This will enable us to make informed judgements and speed up the decision-making process in this small number of complex cases. We will take effective action against those who incur debts and fail to engage with us by introducing new penalties for late payment of in-year PAYE and by targeting our interventions according to past behaviour and risk. We will stabilise and reduce the level of tax credit debt through a range of actions including changes to our debt recovery approach.

How we will measure success

We will measure our contribution to an overall reduction in tax losses amounting to at least £4 billion in 2010-11 and reduce the level of tax credit error and fraud by £1 billion by 31 March 2011 to enable us to achieve the 5% target in 2010-11 and by £1.4 billion by 30 June 2011. The reduction in tax losses will take into account the contribution made by each of the taxes we administer. As part of this we will measure the contribution of our compliance check results.

We will use these measures to develop a clear view of long-term trends so we can put resources where the greatest risk has been identified. We will become the first tax administration in the world to measure tax debt performance by tracking the speed at which we clear cases at 30-day intervals. This 'roll rate' system is widely used in the debt industry in which any debt not cleared within a 30-day period is then 'rolled' into the next. The 2010-11 target is to reduce the debt remaining at 30 days by 8% and at 90 days by 13%.



Objective 2: Improve customers' experience of HMRC and contribute to improving the UK business environment.

We have about 28 million individual customers and 4.8 million small and medium sized business customers who are 'active' taxpayers. We pay benefits and credits to millions of customers to help achieve the government's objective of halving the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020. Approximately eight million customers use agents to help manage their tax affairs, of which 50% are businesses. Large businesses are a relatively small but highly significant group of customers.

What we are going to do

1. Make our individual and small and medium enterprises (SME) customers feel it has become simpler for them to do business with us
2. Work more closely with agents, employers and other intermediaries
3. Continue to build effective relationships with large business
4. Continuously improve the service we provide to our customers
5. Reduce administrative burdens on businesses
6. Improve the UK business environment

How we are going to do it

1. Make our individual and small and medium enterprises (SME) customers feel it has become simpler for them to do business with us

By using what we know about customers and how they deal with us, we can design our delivery plans to ensure a coherent and consistent approach. We are also developing our business education service for customers who need help in relation to major events in their lives such as bereavement, starting a new business or taking on an employee. We are continuing to improve access for businesses to

government services through the Businesslink.gov.uk website, which brings together the information from 20 government departments. Recently, we have put online services such as VAT, Self Assessment, PAYE and Corporation Tax returns onto Business Link plus information for those taxes. We aim to bring together 95% of government websites by March 2011. We will continue simplifying forms and guidance, making more available online. Our marketing activity will concentrate on specific audiences agreed with business areas, such as new mothers, students, small businesses and agents.

2. Work more closely with agents, employers and other intermediaries

We will extend the use of agent account managers to provide a strong link between the agent community and the Department. This will help us identify how we can redesign our processes, such as VAT registration, Self Assessment returns completed on behalf of clients and provide a point of accountability within HMRC for cases where there is mistake or difficulty in resolving them. Additionally, we will extend the reach of 'joint learning' between tax agents and our people to achieve a mutual appreciation of compliance powers and penalties and reduce overall time and costs in intervention activity. For employers and other intermediaries we will tailor our service so it is relevant, timely and focused on improving

“We want all our customers to feel that the tax system is simple for them and even-handed.”

compliance and reducing cost. This will include the re-engineering of a range of basic services such as VAT registration to make them ‘online friendly’. We are working with organisations such as the Low Incomes Tax Reform Group (LITRG) to improve our service delivery to vulnerable customers and developing a website with them to provide advice and support on benefits.

3. Continue to build effective relationships with large business

We will expand our system of intensive relationship management by introducing Customer Coordinators for the remaining 80% of large business customers that do not have a Customer Relationship Manager. This will enable us to better understand business needs, ensure we focus on the biggest tax risks and resolve them more quickly. We will also be better placed to respond quickly to businesses who want our view on the possible tax implications of large business transactions. We will continue to work through our customer forums to consult on all key legislative proposals which affect large business and will work with them to develop guidance on new legislation.

4. Continuously improve the service we provide to our customers

Using the HMRC Charter will help us to improve relationships with our customers so we provide a consistent level of service, help and support and protect their information. The implementation of the new National Insurance and PAYE Service (NPS) system has brought major changes to the way we deal with our customers and process PAYE, which has also involved major training to equip our people to use the new technology. We will use the system to remodel our front and back office working to develop the most effective processes. We will also increase efficiency and cost effectiveness through PaceSetter ways of working. Getting everyone involved in finding ways to do things better we will improve our quality and eliminate processes which fail to add customer value. Our guidance and products will be easy for both customers and our people, reducing customer contact, improving our service and enhancing the Department’s reputation. We will develop online support to enable our customers to make claims to

tax credits, Child Benefit and Health in Pregnancy Grant more easily and accurately.

5. Reduce administrative burdens on businesses

Lowering the cost to business of dealing with us is one of our highest priorities. We will continue taking action through improved self-serve guidance, product and process changes and movement to more online services so we can reduce overall cost to business by 10% from 2005 levels by March 2011. We have made good progress towards the target which becomes more challenging because of new regulatory burdens. We are now working to ensure those new burdens are offset by making further simplifications.

6. Improve the UK business environment

We will support Treasury officials and ministers in the development, maintenance, and implementation of high-quality tax policy so it delivers its objectives and meets the needs of Government and our customers. We will play a significant role within Europe and globally to help position the UK as a good place to do business in an increasingly competitive global trading environment. We will maintain and develop the UK’s network of tax treaties to ensure the international tax framework meets the UK’s strategic needs. We will continue the transformation of our customs service by reducing the regulatory burden on international trade to positively influence the development of customs legislation for UK business.

How we will measure success

Alongside customer complaints data we will use customer surveys to find out what customers think about our service. For example, whether the customers find it easy to understand what they need to do and to contact us. We will also measure how well customers feel we provide a service designed with their needs in mind. For large business the target will be a 1% year on year improvement in customer satisfaction, with improvements measured by the annual survey. For administrative burdens we will continue to measure our progress against targets which calculate the financial impact of our processes on UK business.

Objective 3: Improve our professionalism in dealing with: the security of our customers' information; our stakeholders; and our external impact.

HMRC wants to be – and be seen – as a highly professional and efficient organisation which prides itself on excellent public sector delivery. Improving our professionalism is essential to achieving this goal.

What we are going to do

1. Develop the skills of our key professionals in tax, policy and operational delivery
2. Develop a culture which drives down the number of data security incidents and reduces the volume of customer data lost or inappropriately disclosed to third parties
3. Substantially reduce cases of customer data misuse
4. Achieve the highest levels of social and community responsibility

How we are going to do it

1. Develop the skills of our key professionals in tax, policy and operational delivery

We will continue to develop and design externally accredited tax professional qualifications, linking standards and qualifications to job roles and building a tax professional career path which will identify the appropriate skills and knowledge our tax professionals need. We will ensure tax professionals undertake the required continuous professional development to raise and maintain their skills.

We will continue to invest in our policy skills learning programme to raise and maintain the skills of our policy professionals and ensure career pathways recognise the need for policy skills and experience alongside operational skills in senior leaders. Our professionals in the area of operational delivery will receive clear information about the knowledge, skills and professional competences

needed to carry out their jobs. They will benefit from new learning plans, a professional career path and the first of a suite of qualifications in public service in the area of debt management. All the key professions will contribute to succession planning to sustain and build capability, ensuring we identify the numbers and types of professional people needed to successfully deliver our business, including graduate talent.

2. Develop a culture which drives down the number of data security incidents and reduces the volume of customer data lost or inappropriately disclosed to third parties

We have increased awareness of the need for data security and have made progress in reducing the number of serious data security incidents. We will continue to substantially reduce the amount of customer data lost and cases of data misuse. We will develop a culture, system and processes to drive down the number of incidents reportable to the Information Commissioner towards zero.

3. Substantially reduce cases of customer data misuse

We will continue to reduce the volume of customer data lost and risks associated with misusing customer data. In instances of deliberate misuse we will act quickly, taking appropriate criminal and disciplinary action.

We are also focusing on the causes of staff misuse in order to implement appropriate ways of stopping misuse. We will reduce the number of recorded cases involving staff misuse of customers' personal data,

“We will behave professionally and with integrity.”

including access to customer data on IT systems, by at least 75% between 2009 and 2012.

4. Achieve the highest levels of social and community responsibility

We will make responsible business thinking an integral part of our PaceSetter ways of working throughout the Department. This will encourage managers to be more proactive in assessing the impact of their teams' work on customers, employees, local communities and the environment. More specifically, we will continue to raise awareness of the environment in our change programmes, policies and procedures and in doing so meet the government's challenging milestones set for the end of 2010-11 to reduce carbon emissions from our estate and business travel, cut back on our waste and increase recycling. In line with government targets, we plan to cut carbon emissions from our business travel by at least 10% a year. We will broaden our ongoing commitment to take part in community activity such as working with voluntary sector organisations and taking on school governor and magistrate roles. We will also establish a new initiative to measure the environmental benefits and impact for all our investment and change programmes including major programmes contained in our Departmental Transformation Programme (DTP).

How we will measure success

We will continue improving the skills and knowledge of our tax professionals and an annual survey will measure whether they believe they have the right skills. We will also ensure the Department has the tax talent it requires to deliver its business through annual development programmes. For policy professionals, an increase in their skill levels will be measured by the annual policy skills survey, as well as continued evaluation of the policy skills learning programme and assessments on delivery of products. In the area of Operational Delivery, we will implement job profiles for everyone in the profession, publish career paths illustrating how people can move within and across the professions and deliver induction training. The first operational delivery professionals will start the new Level 2 qualification in debt management this

year. For data security, our aim is to have no incidents serious enough to be reported to the Information Commissioner and any loss of data reported to Security & Business Continuity Directorate within two working days of the loss being discovered. We will reduce the volume of customer data lost or inappropriately made available by 40% in 2010-11, monitoring progress by line of business. We also aim to reduce the number of cases of deliberate misuse of customer data by 30%.

Our success in social and community responsibility will be measured by retaining platinum level in the Business in the Community's Corporate Responsibility Index. We will give 5,000 days of employee time in support of voluntary activity that benefits our customers and their communities. In line with the Government's 10:10 Commitment to reduce carbon emissions by 10% in 2010, we plan to reduce carbon emissions from business travel by a further 10% for rail and 20% for air travel. We will also reduce carbon emissions from offices by 12%, increase energy efficiency per square metre by 10% and increase recycling to 60%.

Objective 4: Deliver an affordable and sustainable cost base providing value for money for the taxpayer.

HMRC's financial settlement within the 2007 Comprehensive Spending Review commits us to make a 5% reduction in our expenditure in real terms each year through genuine and lasting efficiency measures. At the same time, we will still strive to deliver excellent customer service and continue our essential work of making sure that money is available to fund the UK's public services and help families and individuals with targeted financial support. We remain on target to deliver £754 million of savings between 2008 and 2011.

What we are going to do

1. Make further efficiency and value for money savings
2. Continue to reduce our property estate in line with business need
3. Raise productivity and quality through leadership and new ways of working
4. Drive better value for money from our suppliers and ensure budgets are spent wisely
5. Increase the effectiveness and efficiency of our central and support functions
6. Learn from and share best practice with other government departments and tax authorities

How we are going to do it

1. Make further efficiency and value for money savings

We will do this through use of technology, streamlining our processes and continuing to reduce in size. For instance, our work to reduce the cost of paying benefits and credits by using direct payment rather than cash or cheque aims to save £13 million in 2010-11; and a new programme to streamline our excise and customs processes is expected to save £3 million in 2010-11, £8 million in 2011-12 and £11 million in 2012-13.

2. Continue to reduce our property estate in line with business need

We have already announced plans to cease business during the coming year in 130 offices and work continues to tailor our property estate around customer requirements to reflect falling numbers of customers visiting our offices. Work continues to take cost out of our property estate as part of our Workforce Change programme. We plan to make 112 full and 16 partial closures of property during 2010-11, while retaining face-to-face services at, or near, all present locations for our customers who need them.

3. Raise productivity and quality through leadership and new ways of working

We will continue to use PaceSetter ways of working to improve performance, providing a more consistent and efficient service to customers. Building on the 30% rises in productivity already seen in PaceSetter areas, we will track our performance in yield, customer service, financial savings and employee engagement. We will continue to reduce our reliance on external consultants to deliver leadership programmes, using our own home-grown PaceSetter practitioners.

4. Drive better value for money from our suppliers and ensure budgets are spent wisely

We will continue to look for ways to further reduce costs, for instance in IT where we have negotiated £110 million per year savings for the future through

“We will be seen as a highly professional and efficient organisation.”

simplifying and streamlining the way our services are delivered. We are also equipping our managers with the information and techniques they need to help them manage demand, while our wide-ranging programme of financial skills and awareness courses will continue to train our business managers to get maximum value from the money they spend. These build on the classes we delivered to around 1,000 of our people in 2009-10.

5. Increase the effectiveness and efficiency of our central and support functions

We will continue to review the way we organise our central and support functions in order to increase productivity as well as create more simple structures for delivery. We will focus a greater proportion of our financial and human resources on frontline, customer-facing activity. For instance, we plan to make efficiency savings in our People Function spending next year – by reducing its size and its reliance on external consultants, by consolidating services with other government departments and improving our online guidance to enable self-service for the majority of HR issues.

6. Learn from and share best practice with other government departments and tax authorities

We are comparing our back office cost and performance across government as well as working with tax authorities in other countries. We are developing a series of benchmarks for our frontline delivery work which will guide the way we measure our performance. Decisions around our organisational design will be guided by comparing the shape of HMRC with other similar organisations.

How we will measure success

We will closely monitor reduction of costs whilst ensuring we can respond to challenges and strive to deliver excellent customer service. In addition, we will look specifically at the cost reductions we achieve in non-customer facing activities. For example, the ratio of HR people to employees will reduce from 1:43 to 1:77 by 2012-13. We also want to be in the top quartile of developed tax authorities when assessed for cost and value by 2012.

Objective 5: Create a working environment which motivates and develops our people to give of their best and take pride in working for HMRC in order to contribute to the transformation of our business.

We are committed to developing our people so that they can do their jobs to the highest standard. We want them to take pride in helping their colleagues succeed and drive continuous improvement throughout the Department.

What we are going to do

1. Deliver great performance by clarifying individual responsibilities and involving everyone in deciding how we will improve performance
2. Create a modern workforce which has the right skills and delivers results through excellent customer service
3. Build a diverse workforce which has the right number of people, at the right level and is focused on HMRC priorities
4. Provide a comprehensive approach to developing our leaders and managers so they can achieve the highest performance and engagement from our people
5. Introduce PaceSetter ways of working throughout the whole of HMRC

How we are going to do it

1. Deliver great performance by clarifying individual responsibilities and involving everyone in deciding how we will improve performance

Our team of Senior Civil Servants have agreed performance contracts and are aware of what they are accountable for. Through the way in which we assess personal performance we will ensure our people understand the contribution they make to the delivery of our objectives and how they are

accountable at an individual level. We will continue to use our PaceSetter techniques to include our people in identifying business improvement and to encourage decision-making at the right level.

We will seek feedback directly from our people and involve them in how we implement changes which affect them. We will use simple and targeted communications so all our people can have direct contact with senior managers as well as those managers who support them on a day-to-day basis.

2. Create a modern workforce which has the right skills and delivers results through excellent customer service

We will create a flexible workforce which responds to changing customer demand. We will prioritise policies which raise our performance such as managing attendance, redeployment of our skilled people and the development of those with high potential.

We will develop an approach to each of our professions within the Department, including identifying career paths, development options and learning approaches. Investment will be directed to those areas of highest priority to deliver our business objectives for 2010-11.

We will continue to improve the customer service skills of our people by using PaceSetter tools. In areas which will implement PaceSetter over the next year, they will improve work practices from the perspective of the customer.

“We do our own jobs well and take pride in helping our colleagues to succeed.”

3. Build a diverse workforce which has the right number of people, at the right level which is focussed on HMRC priorities

We will develop a plan which will match the demand for resources in terms of numbers, locations, levels and skills, with people management policies and tools. We will right-size the organisation, reducing the overall full-time headcount equivalent of 69,500 to 64,000 by the end of March 2011. We will review our senior posts to achieve a reduction of at least 5% in the Senior Civil Service (SCS) as the first phase of our 20% reduction in the cost of the SCS by 2014. We will create a new Workforce Management programme, which will bring together our estates and people requirements to deliver the right resource to meet our business needs. We will become more efficient by using redeployment, natural wastage and compensated exits to reduce staffing levels where appropriate. At the same time, we will identify the skills we need to retain so we can continue to create and engage with the workforce we need. We will keep our people informed of the changes which affect the way they work and the opportunities available to them so they can make their own decisions about their careers. To show our commitment to valuing the diversity of our people we will give more prominence to our diversity staff networks, support managers through a new programme of diversity awareness training and investigate the potential barriers which different diversity groups face in progressing to senior levels.

4. Provide a comprehensive approach to developing our leaders and managers so they can achieve the highest performance and engagement from our people

Building leadership capability at every level is our biggest challenge and is fundamental to driving the performance and engagement of our people. We will align what we expect from our leaders with the set of behaviours outlined in our PaceSetter ways of working. We will continue to roll out our Developing Confident Managers Programme and will implement a middle and senior manager leadership programme, which will equip our leaders with the skills to take our people through changes we need to make as an

organisation. We will introduce new recognition and reward incentives to encourage the right behaviours among our people and provide leaders with the tools to reward people for the contribution they make. We will simplify the performance management process so there is a strong focus on developing and recognising good performance and will require managers to identify and tackle poor performance on every occasion. We will require our leaders to sign up to a ‘Leadership Deal’ in which they will all be expected to shape our culture and support our people in owning our Vision.

5. Introduce PaceSetter ways of working into all parts of the Department

We will continue to implement PaceSetter in the areas of Debt Management & Banking, Enforcement & Compliance, Benefits & Credits, Business Tax and Customer Contact throughout the year. Harnessing the knowledge and experience of our staff, PaceSetter will improve the quality of service to our customers. We are already seeing first-hand these benefits – productivity gains of up to 30% in some cases and we are committed to extending PaceSetter into other areas of the business over the next three years. As outlined in our PaceSetter Strategy, by April 2013, we are aiming for 95% of HMRC to be operating in a PaceSetter environment. Of this, 60% will be using PaceSetter in their day-to-day operational activities; 30% working at the highest levels and the remaining 5% in the early stages of implementation.

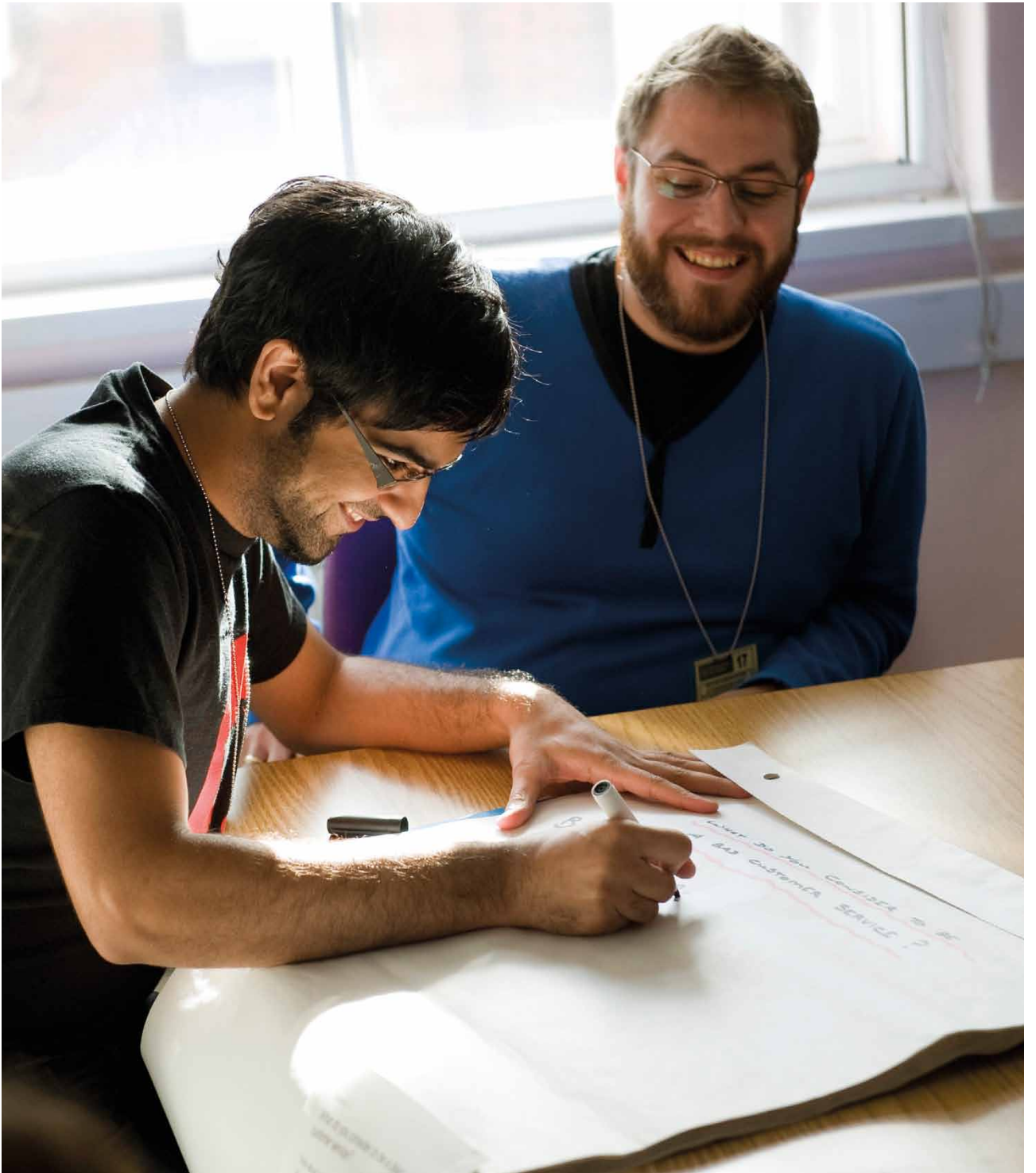
How we will measure success

We will achieve measurable success by using as a guiding principle the belief that the contribution made by our people is at the heart of our success and we can do more to meet customer needs if we fully release their potential. This can only happen if our people are genuinely engaged and committed to the vision we have created. We will continue to take part in the cross-government People Survey, which is an important way of measuring whether our workforce is engaged and provides a comparison against all other organisations across the Civil Service.

We want the voluntary participation rate in the survey to rise to 70% by 2012. By March 2011 we

want our engagement score for the SCS to be at least 70% and by March 2012 the score for the whole of HMRC to be 60%. We also want to increase the engagement score by 2014 so we are above average compared to the rest of the Civil Service. The results will enable us to identify strengths and areas for improvement to support employee engagement and review plans in our lines of business. There will be greater emphasis on tackling poor performance through a range of measures including supporting managers in improving how they actively manage

poor performance and dismissing people where appropriate. We will also reduce the number of average working days lost through sickness absence from the 2009-10 level of 10.5 days to 9.0 days. We are working towards the Cabinet Office's 2013 diversity targets for the Senior Civil Service (SCS) of 39% women, 5% Black and Minority Ethnic (BAME) staff and 5% staff with disabilities. This year we aim to achieve 35% women represented and to exceed the BAME and people with disability targets with representation levels of 5.1% and 8.6%.



Objective 6: Transform the performance of the Department through the exploitation of information and technology services.

HMRC is heavily dependent on being able to access and use secure information at the right time. The Department's IT infrastructure is one of the largest in the UK, supporting over 650 business critical applications.

What we are going to do

1. **Improve our compliance activity through better use of information and intelligence**
2. **Improve the resilience of IT and information systems**
3. **Support an increase in the number of customers using online services**
4. **Improve the customer experience of contact centres by increasing the use of automated handling service for certain types of calls**
5. **Review how we deliver IT services and implement ways to reduce the cost of maintaining and developing IT systems**
6. **Exploit the opportunities provided by National Insurance and PAYE Service (NPS)**

How we are going to do it

1. Improve our compliance activity through better use of information and intelligence

Throughout 2010-11, we will continue with our programme to refine and improve IT risk-based technology across the business. We will also improve by 10% the number of cases which identify a potential risk of underpayment referred to frontline compliance teams. Our Connect system will reduce the amount of time taken to search and interpret data, and the rollout of our new Caseflow system will provide us with consistent case management information. We will build on the success of online filing to enhance our ability to analyse returns

submitted electronically, allowing us to work with greater speed and efficiency. For our customers, this will eliminate unnecessary enquiries for information and reduce costs for compliant customers whilst targeting those who try to break the rules. We will continue to build on the work we have started to authenticate customer identities in their dealings with us and maximise the benefits realised from this.

2. Improve the resilience of IT and information systems

Our information systems are available more than 99% of the time, but the size and scale of our operation means that every time our systems are down or running slowly there is a significant impact on productivity and customer service. We will reduce the number of user hours lost by 10% from 2009-10 levels by continuing to invest in improving the stability of our main systems and infrastructure and improving the way we manage the introduction of IT changes. We will also introduce a new managed service which will deliver more reliable and better supported desktop computers for our people, again reducing the time lost due to desktop failures by 10%.

3. Support an increase in the number of customers using online services

This year, over 6.4 million Self Assessment returns were filed online by the 31 January deadline, representing 75% of all returns – up from 53% the previous year. We also recorded a significant increase in Stamp Duty Land Tax (SDLT) returns filed online to over 84% of total submissions. We will build on these successes with other taxes and systems including VAT, PAYE and Corporation Tax and the continued

“We make it easy for our customers to get things right.”

development of the e-portal for customer claims starting with Tax Credit renewals in April 2011, enabling better electronic filing and the take up of services. We will also refine our web content so it is readily accessible and easy to understand, raising awareness through tools such as Interactive Voice Response (IVR) technology and targeted marketing including agents’ toolkits. We will introduce new electronic systems for the movement of excise goods and for management of imports and exports, replace current paper based requirements, improve the customer experience, reduce burdens for compliant business and enhance our controls.

4. Improve the customer experience of contact centres by increasing the use of automated handling service for certain types of calls

We now have IVR messaging systems for all major contact centre lines of business. We will expand and enhance these in 2010-11 to make further productivity improvements, reduce customer waiting times and handle customer queries efficiently and consistently.

5. Review how we deliver IT services and implement ways to reduce the cost of maintaining and developing IT systems

We have been working with our suppliers to reduce the cost of IT and, in 2010-11, we will continue to work closely with our IT partners to implement the plans through a combination of standardising and simplifying our IT estate. This investment will support the Smarter Government white paper which sets out how Government will make further efficiencies and increase online services over the next few years. As an example, we will reduce our IT costs by around £110 million per annum from 2011-12 onwards. We will apply these principles in our new IT Strategy, such as shared IT and the re-use of existing assets, in order to help us make the best use of the IT already available. We will meet increased demands while living within our IT budget by continuing to challenge and manage our costs down so we spend money on the IT services and projects which most effectively support our people and customers. We will do this by improving our understanding of the costs of the IT we use and

encouraging our people to reduce costs by charging for the services and systems we provide. We will control change rigorously and improve the way we manage the delivery of the benefits by improving the quality of project management.

6. Exploit the opportunities provided by National Insurance and PAYE Service (NPS)

We will make full use of the opportunities provided by NPS to transform how we deliver our PAYE business, improve our quality and the integrity of our data and deliver paybill savings. This will include remodelling our front and back office working, centralising some types of work and looking at how NPS supports different approaches to processing, which improves accuracy and reduce the need for customers to contact us.

How we will measure success

We will use a range of measures, including industry-standard comparisons with other organisations to determine how well we are delivering IT services to meet the needs of our customers and our people, including the percentage of calls answered. We will increase the percentage of total transactions handled electronically to 77% for Self Assessment, 50% of VAT returns, 85% of in-year PAYE such as P45s and P46s, 35% of Corporation Tax returns and 85% of Stamp Duty transactions.

Key programmes supporting our strategic objectives 2010-11

This year we will continue to invest in major change and transformation programmes designed to improve performance, drive efficiencies and deliver legislative and ministerial commitments.

Known collectively as the Departmental Transformation Programme (DTP), in 2010-11 we estimate these programmes will deliver additional revenue of around £2.5 billion; save running costs in the region of £50 million; and enable efficiencies equivalent to approximately 2,600 staff.

In addition, our work will broaden to include other change initiatives such as Value for Money projects (see page 28). This will ensure we have a comprehensive view of the full range of change activity taking place across the Department. Our new Investment Committee, chaired by the Chief Finance Officer, will enable us to make well-informed investment decisions based on a complete picture of activity. Our new Change Delivery Committee, chaired by the Chief Information Officer, will allow us to:

- track all change activity through a consistent and robust reporting mechanism; and
- fully realise the benefits from the programmes through good governance and by applying programme and project management best practice.

This year we will invest in the following programmes: **Aurora** – This programme will manage the implementation of the contractual changes recently agreed with our IT supplier to enable cost savings and support long term transformation of our technology.

Businesslink.gov – The businesslink.gov programme is on track to become the government's primary online channel for business, providing a single website where UK businesses can access all government services.

Carter – This programme was developed in response to recommendations made in Lord Carter's Review of our online services. The review called for the increased take-up of online services for customers filing Self Assessment, PAYE, VAT and Corporation Tax returns. The aim is for all businesses and IT literate individuals to file returns online by 2012.

Compliance & Enforcement – This programme is delivering new tools and processes with PaceSetter to help us improve the way we work. The programme focuses on improving the way we analyse risk and manage our cases, and introduces new ways of working to help reduce the tax gap and improve customers' experience of dealing with us.

Customs Service Transformation – To ensure the UK complies with EU legislative commitments through the development of a fully electronic customs service. This will make freight transactions much easier and faster to process and will enable more effective risk assessment.

Data Security – To improve data security by implementing recommendations from the Poynter Review, following the loss of customer data in 2007.

Debt Management and Banking – To improve how we manage debt through new analysis tools which will help us assess risk and target collection strategies more effectively. This will also help us measure the proportion of debt settled within 30 and 90 days.

Estate Consolidation – An initiative to rationalise the number of office locations and develop a more strategic property estate to meet customer service and operational needs.

Government Banking – This programme will deliver retail banking services for all government departments and agencies.

Method of Payment Reform – Working across government to deliver secure direct payments to customers, greater access to banking facilities for low income groups and better value for money to taxpayers.

PaceSetter – PaceSetter is our way of driving continuous improvement in everything we do. It will help increase productivity, staff engagement and improve customer service.

“We drive continuous improvement in everything we do.”

PAYE (Modernising PAYE Processes for Customers - MPPC) – We launched the new National Insurance and PAYE Service (NPS) in June 2009, bringing together an individual’s PAYE details into a single record. The final phase will be rolled out in 2010.

Policy Delivery Portfolio – To deliver a wide range of government and ministerial initiatives. For example, the Saving Gateway is a new cash savings scheme for working age people on lower incomes and in receipt of certain benefits or tax credits.

Benefits & Credits Transformation Programme – By tailoring the service to customer needs this programme will simplify our processes and reduce our overall costs by allowing customers to use new self service channels for certain transactions in the future. We will also reduce customer error by helping customers to ‘get it right first time’ by providing additional support for those customers who need it.

Workforce Management – A new programme integrating work on office consolidations, workforce change, management restructuring and office relocations.



How we run HMRC

Lesley Strathie is Chief Executive and Permanent Secretary of HMRC. The Chief Executive and the Executive Committee are responsible for running HMRC. Mike Clasper is the Non-Executive Chairman of HMRC. The Chairman and the Board are responsible for the effective governance of HMRC.

There are very clear accountabilities for the Chairman and the Chief Executive. Setting the strategic direction and ensuring the highest standards of governance lies with the Chairman. The responsibility for delivery and expenditure lies with the Chief Executive.

The top team is further strengthened by a Permanent Secretary for Tax, Dave Hartnett who is the senior tax professional in HMRC. He is also the Deputy Chief Executive.

The Executive Committee (ExCom)

Chaired by the Chief Executive, ExCom is the executive decision making body for HMRC. It oversees the Department's overall work and is responsible for driving forward continuous improvement and change agendas.



ExCom members and their roles

Back row left to right: Mike Falvey (Chief People Officer), Anthony Inglese (General Counsel and Solicitor), Mike Eland (Director General, Enforcement & Compliance), Simon Bowles (Chief Finance Officer), Steve Lamey (Director General, Benefits and Credits).

Front row left to right: Dave Hartnett (Permanent Secretary for Tax), Bernadette Kenny (Director General, Personal Tax), Lesley Strathie (Chief Executive and Permanent Secretary), Phil Pavitt (Chief Information Officer), Simon MacDowall (Director, Communications and Marketing), Melanie Dawes (Director General, Business Tax).

The Board

The HMRC Board consists of members of ExCom and HMRC's Non-Executive Directors, who are senior business leaders from outside the Department providing expert advice.

The Board's main role is to develop and approve HMRC's overall strategy linked to business areas and their functions, approve final business plans, including the annual financial plan, and advise the Chief Executive on key appointments. It also performs an assurance role and advises on best practice.

HMRC Non-Executive Chairman and the Non-Executive Directors



Mike Clasper,
Non-Executive Chairman



Colin Cobain



Mark Haysom



Philippa Hird



Phil Hodkinson



John Spence



Dame Sue Street

Getting value for money: how we will use our resources

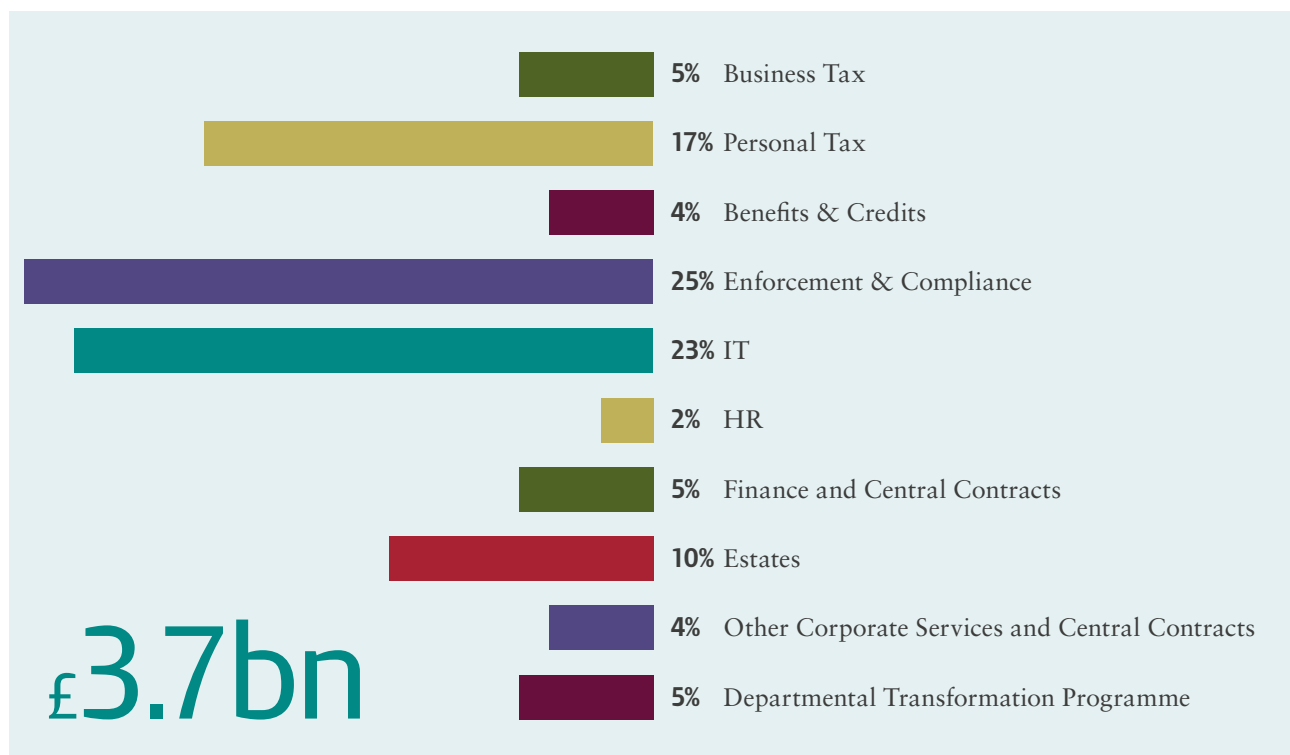
Our 2007 Comprehensive Spending Review (2007 CSR) settlement represented a 5% year-on-year real terms reduction in our underlying funding between 2008-09 and 2010-11. This committed us to achieving sustainable Value for Money (VfM) savings of £674 million by the end of the period.

In addition, Budget 2009 announced an increase in our VfM savings target to £754 million, including £80 million recyclable savings to frontline activities, to be achieved by 31 March 2011. This is a challenging target, and we remain fully committed to realising efficiency savings wherever possible and to improving the effectiveness of all of the services we deliver to our customers.

We have already made significant VfM savings over the past two years, which place us on track to deliver our overall 2007 CSR target. We are driving down our business costs while still delivering our key objectives of making sure that money is available to fund the UK's public services and help families and individuals with targeted financial support.

Significant savings are being realised through our Departmental Transformation Programmes. Further savings are made through other initiatives and activities, for example, prioritising and re-engineering working practices to ensure performance levels are maintained while reducing staffing levels, making efficiencies in IT and other central and corporate services, and ensuring best value from the procurement of goods and services.

VfM savings plans have been set as part of the 2010-11 business planning round. To achieve the overall 2007 CSR savings target, we need to make savings of over £300 million in 2010-11, taking into account the recycling of £80 million to support delivery of our Departmental Strategic Objectives and frontline activities, focusing particularly on maintaining tax yield and increasing compliance. We will monitor these plans on a regular basis.





HMRC as a sustainable organisation: our progress

We are committed to supporting the UK government's sustainable development plan, Securing the Future, and to take action on its four key priorities:

- sustainable consumption and production;
- climate change and energy reduction;
- natural resource protection; and
- sustainable communities.

Our actions for 2010-11 include:

Community activity – going out and speaking to our customers in their communities to support them in their understanding of tax issues, National Insurance and Child Trust Funds and their entitlements to tax credits and Child Benefit.

Energy monitoring – using recently installed automatic meter reading equipment, funded by the Low Carbon Innovation Fund, to improve the accuracy and frequency of data relating to our gas and electricity usage.

Energy management fund – reinvesting savings from energy efficient projects into initiatives which support an improved programme of carbon reduction.

Environmental Taxes – managing three environmental taxes and a number of tax incentives aimed at encouraging individuals and businesses to reduce their carbon emissions and protect the environment.

Estates consolidation – evaluating the carbon impact of the sites we plan to retain.

Grant-in-Aid – using our Grant-in-Aid programme to support voluntary sector projects which provide help and advice to specific groups of our customers, often those who are in 'hard to reach' communities.

Green IT – reducing printer numbers and replacing them with energy efficient multifunction devices. Optimising servers at data centres and improving the efficiency of cooling systems.

Green volunteers – expanding our employee network of green volunteers to cover our fifty largest sites.

Government environment targets – consolidating our position for meeting the 2010-11 milestones set for reducing emissions from road travel, reducing waste and increasing recycling. Engaging the Carbon Trust to conduct surveys of our top 40 buildings to identify efficiency measures which will put us on track to meet the 2010-11 requirement for energy savings across the HMRC estate.

International communities – supporting government initiatives led by the Department for International Development and the Foreign and Commonwealth Office by helping administrations in other countries to improve the governance of their tax systems.

Investment appraisal – building a 'green gateway' into the decision making process for allocating financial resource to new policy development and change programmes.

PaceSetter – introducing environment and community considerations into PaceSetter tools and techniques to manage business performance.

Paper alternatives – saving on printed forms and associated postage and storage costs by encouraging more customers to use their computers to complete PAYE, VAT and Corporation Tax returns.

Paper usage – moving to a 'closed loop' paper supply, whereby our copier and printer paper is produced from our recycled waste paper.

Sustainable procurement – engaging our suppliers in a low carbon supply chain.

Travel alternatives – extending telephone and video conference facilities to make them available for the majority of meetings.

Vehicles – improving the carbon efficiency of our fleet by replacing older, high polluting cars with low carbon, energy efficient models.

In summary

Objective 1

Improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled.

What we are going to do

1. Improve support for those who are willing and able to pay the tax due and claim what they are entitled to
2. Improve support for those who are willing but need help
3. Improve prevention of fraud
4. Improve our relationship-managed service for our largest customers
5. Tackle deliberate non-compliance
6. Improve our approach to dealing with avoidance cases
7. Improve our management of debt while helping those in temporary difficulties

Objective 2

Improve customers' experience of HMRC and contribute to improving the UK business environment.

What we are going to do

1. Make our individual and small and medium enterprises (SME) customers feel it has become simpler for them to do business with us
2. Work more closely with agents, employers and other intermediaries
3. Continue to build effective relationships with large business
4. Continuously improve the service we provide to our customers
5. Reduce administrative burdens on businesses
6. Improve the UK business environment

Objective 3

Improve our professionalism in dealing with: the security of our customers' information; our stakeholders; and our external impact.

What we are going to do

1. Develop the skills of our key professionals in tax, policy and operational delivery
2. Develop a culture which drives down the number of data security incidents and reduces the volume of customer data lost or inappropriately disclosed to third parties
3. Substantially reduce cases of customer data misuse
4. Achieve the highest levels of social and community responsibility

Objective 4

Deliver an affordable and sustainable cost base providing value for money for the taxpayer.

What we are going to do

1. Make further efficiency and value for money savings
2. Continue to reduce our property estate in line with business need
3. Raise productivity and quality through leadership and new ways of working
4. Drive better value for money from our suppliers and ensure budgets are spent wisely
5. Increase the effectiveness and efficiency of our central and support functions
6. Learn from and share best practice with other government departments and tax authorities

Objective 5

Create a working environment which motivates and develops our people to give of their best and take pride in working for HMRC in order to contribute to the transformation of our business.

What we are going to do

1. Deliver great performance by clarifying individual responsibilities and involving everyone in deciding how we will improve performance
2. Create a modern workforce which has the right skills and delivers results through excellent customer service
3. Build a diverse workforce which has the right number of people, at the right level and is focussed on HMRC priorities
4. Provide a comprehensive approach to developing our leaders and managers so they can achieve the highest performance and engagement from our people
5. Introduce PaceSetter ways of working throughout the whole of HMRC

Objective 6

Transform the performance of the Department through the exploitation of information and technology services.

What we are going to do

1. Improve our compliance activity through better use of information and intelligence
2. Improve the resilience of IT and information systems
3. Support an increase in the number of customers using online services
4. Improve the customer experience of contact centres by increasing the use of automated handling service for certain types of calls
5. Review how we deliver IT services and implement ways to reduce the cost of maintaining and developing IT systems
6. Exploit the opportunities provided by National Insurance and PAYE Service (NPS)

Your feedback

Improving our Publications

HMRC is committed to making the information in our publications as clear and simple as possible. We would like your feedback on whether we've achieved this with the Business Plan 2010-11.

- Was the information in this report clear and easy to understand?
- Did we provide you with enough detail?
- Do you have any other comments you'd like to give us?

Please email us at communications.cam@hmrc.gsi.gov.uk and tell us what you think.

Please note we cannot guarantee the security of emails you send to us or we send to you over the internet. Information sent by email over the internet is not secure and is at risk of being intercepted and read by people other than those it was intended for. Any information you send to us by email is at your own risk. If you would like us to reply by email, please confirm in your message that you understand and accept the risks involved. However, if our response to you contains any personal or confidential information we will only reply to you by letter or telephone.

