HM Revenue & Customs

Departmental Report 2009

Departmental Report 2009
HM Revenue & Customs

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This is part of a series of departmental reports which, along with the Main Estimates 2009-10, the document *Public Expenditure: Statistical Analyses 2009*, and the Supply Estimates 2009-10: Supplementary Budgetary Information, present the Government's outturn and planned expenditure for 2009-10 and 2010-11. This Departmental Report is the first part of a two-part publication on HM Revenue & Customs. Along with the HMRC 2008-09 Accounts (HC 674), this combined set of documents presents a full account of the activity, performance and expenditure of HMRC.

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Chairman's statement

When I was appointed as HMRC's first ever Non-Executive Chairman last August I was struck by the importance and breadth of the Department's remit. This included: tackling the tax gap; improving the experience of dealing with the Department for all our customers; and improving our professionalism. Focusing on the Remit and these key challenges was already at the heart of Acting Chairman Dave Hartnett's leadership and has been both my own and HMRC's focus throughout the year.

My immediate priority was to establish a new way of working and governing HMRC. The key principle of this new way of working, for which there are few precedents across central Government was the formation of a non-executive led Board with clear terms of reference to: provide strategic direction to the Department; and perform the governance function for HMRC. The new Board was formed in January 2009 following the recruitment through open competition of four additional Non-Executive Directors and is now fully discharging its role.

There was also an immediate need to strengthen and stabilise the Executive Committee. There have been a series of key appointments including Lesley Strathie, Chief Executive and Permanent Secretary and Dave Hartnett, Permanent Secretary for Tax and

Deputy Chief Executive, both of whom were appointed in November. Lesley has subsequently appointed Cathy Wilcher, Chief People Officer; Simon Bowles, Chief Finance Officer; Melanie Dawes, Director General Business Tax; and Phil Pavitt, Chief Information Officer.

These are challenging economic times for everyone and HMRC has the additional pressure, as have all Government Departments, of being required to deliver the Chancellor's Remit efficiently. It is important to tens of millions of people in this country who rely on vital public services. During a recession it is important for us to review: the way we do our work; how we deploy our resources; how we increase our efficiency; and how we improve customer service.

HMRC has repeatedly demonstrated its ability to respond to such pressures, for example by setting up a VAT helpline and launching the Business Payment Support Service which was designed specifically to meet the needs of businesses affected by the current economic conditions. I am convinced that we will continue to rise to such challenges. But to do so, we need to continue our work to better understand the needs and behaviours of our customers and to respond to these in order to close the tax gap and deliver services in ways that make our customers feel that the tax system is simple for them and even-handed.

I have every confidence that HMRC's Chief Executive, Lesley Strathie and her newly formed Executive Committee will meet these challenges with energy and skill, maximising the potential of our people and technologies and by making best use of the information and intelligence that HMRC is privileged to hold.

I should like to record my thanks to Dave Hartnett for his leadership period which was fully recognised when he was promoted to become our first ever Permanent Secretary for Tax. As second Permanent Secretary to HMRC Dave is also Deputy Chief Executive.

I am impressed by the way that Lesley has brought her operational skills and inspirational leadership to bear in HMRC. I want to thank my Board colleagues for their support, and I also have appreciated the insights and help from people throughout HMRC.

Mike Clasper
Non-Executive Chairman

Chief Executive's review

The last year has been one of great change for HM Revenue & Customs as we continue to deal with the challenges posed by the current economic climate and respond to the needs of our customers. The prospect of a sustained global economic downturn meant we had to fundamentally review the way we delivered our core functions.

We have put in place a new governance structure and strengthened the Department's leadership. Mike Clasper, our first ever Non-Executive Chairman, leads a strong HMRC Board which includes in its membership six outstanding Non-Executive Directors. I want to take this opportunity on behalf of HMRC to thank Dave Hartnett for leading the Department through a difficult 12 months as Acting Chairman and for the support he has given me since I took up post last November.

The degree of change we face does present significant challenges, but we must also remember it has been a year of achievement and recognition of our many successes.

One of our key priorities is to close the tax gap and in 2008-09 we collected over £435 billion in revenue. In the difficult economic circumstances it is more important than ever we help and support customers fulfil their obligations while relentlessly pursuing those who bend or break the rules.

We achieved a record 5.8 million self-assessment returns filed online, winning awards for our services and our marketing campaign to encourage customers to file via the internet.

The launch of the Business Payment Support Service has also been a great success in helping thousands of businesses cope with the current economic climate. It has received over 246,000 calls from businesses and we have made more than 158,000 'Time to Pay' agreements worth £2.74 billion.

We also continue to make good progress against our Capability Review carried out in 2007 which recommended a number of changes to the way we work. We have set a clear direction with the launch of our Vision, supported by six strategic objectives and the 2009-10 Business Plan which is available to read on our website www.hmrc.gov.uk.

The Departmental Transformation Programme in 2008-09 has already delivered 2,677 headcount savings, £25.1 million non-paybill savings and £784.8 million additional yield.

Our PaceSetter programme continues to develop the capability of our managers and leaders to improve business performance and we have expanded this way of working into new parts of the business.

We hold vast amounts of customer information and we recognise that we have privileged access to this data and we have a duty to safeguard it. We have taken many steps to strengthen our data security through the implementation of the recommendations in the Poynter review.

Looking forward, from the end of June 2009 we have introduced a new PAYE service with a single record for each individual irrespective of the number of sources of income they have. While it is still early days, this is already a great example of real transformation of our services not only to improve our efficiency, but to give our people the tools they need to do their job well and to improve the service we deliver to our customers.

Such is the scale of our transformation, it is not surprising the past year has been challenging for our employees. The ongoing workforce change strategy and the transfer of much of our detection work to the UK Border Agency are all issues which cannot be resolved overnight. We want to have open and honest dialogue with our employees and unions to achieve the best results for all concerned.

We have made clear that our challenge is to meet increased demands on our services while the resources available to us substantially reduce by 2011. To respond to the challenges we need to ensure we have the right people, with the right skills, in the right locations for our businesses. We have already reduced the number of people in our organisation from 105,000 to fewer than 89,000. But it is clear there is still much more to do in creating a workforce which can respond flexibly to changing circumstances.

I am confident that by working together we will achieve our Vision and what is expected of us by the Government and our customers and I would like to thank everyone in HMRC for their continued hard work and dedication.

Lesley Strathie
Chief Executive and Permanent Secretary

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

Building on our successes 2008-09

HMRC's Carter Programme scoops prestigious awards

HMRC has been hailed as a shining example of how to use technology to take government services to a new level for its Self Assessment online success. The Department won the Delivering Efficiency category at the 2009 Government Computer Awards hosted by The Guardian and was also judged Winner of Winners for the best overall government computer project. The Government Computer Awards, now in its 13th year, celebrates delivering excellence in public sector IT projects. Stephen Banyard, director of Business Customer Unit, said: "This is a HMRC success story, and something of which everyone in the Department and our IT partners Aspire should be justly proud of." *(May 2009)*

Trio of winners for HMRC at payroll awards

HMRC has scooped a hat-trick of prizes at the prestigious Institute of Payroll Professionals (IPP) awards. The awards recognise individuals for their contribution to the payroll and pension profession. Don MacArthur won the special recognition award, Bronwyn Spurr was named IPP manager of the year and Des McKnight received the best consultation award for his work with the payroll profession. *(September 2008)*

Contribution brings award success

David Halliday from HMRC's Enterprise, Innovation and Intangibles Team in CT & VAT has won a leading industry award.

David was presented with the award for 'best individual contribution to the Enterprise Investment Scheme industry' at the Enterprise Investment Scheme Association's Chairman's Annual Reception at the House of Commons on 28 January. *(February 2009)*

Director scoops tax award

A director from Large Business Service (LBS) has won a major award for his tax work. Chris Davidson, the national business director in LBS, was named Tax Personality of the Year at an award ceremony sponsored by the Journal, Taxation. *(May 2009)*

Triple award success for HMRC

HMRC has picked up three prestigious prizes at the 2008 Civil Service Diversity and Equality Awards, including the overall winner. Amir Waseem from Merry Hill contact centre took the top honour – the Cabinet Secretary's Award – chosen by Head of the Civil Service Sir Gus O'Donnell. Amir was also the winner in the Inspiration category while the Child Benefit and Tax Credit office (CBO/TCO) corporate responsibility team came first for Delivery of Customer Service. *(December 2008)*

Award joy for Contact Centres

Two HMRC contact centres have walked away with major honours at the prestigious European Call Centre Awards. Bathgate lifted the trophy for European Contact Centre Team of the Year at the awards, held in Birmingham on Tuesday evening. The team from Bathgate Contact Centre excelled in a number of areas such as improving customer experience and demonstrating clear communication skills and teamwork. *(September 2008)*

At a glance – the headlines in 2008-09

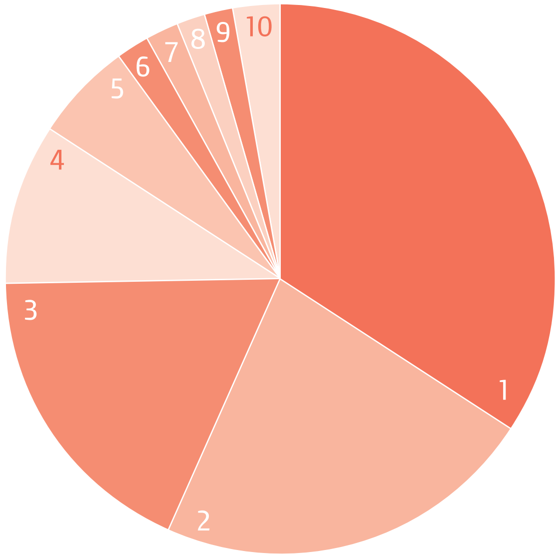
Collecting revenue

We collected £435.7 billion in revenue in 2008-09.

Revenue collected* 2008-09 (£bn)

1	Income Tax	149.6
2	National Insurance contributions	98.0
3	VAT	78.5
4	Corporation Tax	41.8
5	Hydrocarbon Oils	24.7
6	Alcohols	8.5
7	CGT	8.2
8	Tobacco	7.9
9	Stamp taxes	7.6
10	Other taxes and duties[1]	10.9

[1] The Other taxes and duties figures above, include Tax Credits treated as Negative Taxation and Student Loan Recoveries.

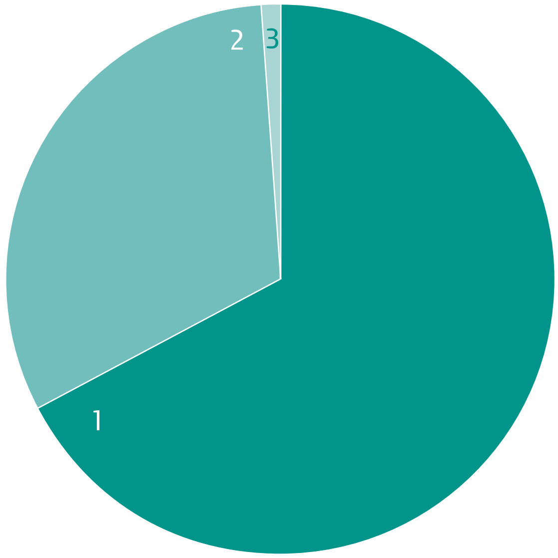


Paying entitlements

We paid out over £35 billion in Tax Credits, Child Benefit and Child Trust Fund endowments in 2008-09.

Entitlements paid 2008-09 (£bn)

1	Tax Credits	23.7
2	Child Benefit	11.2
3	Child Trust Fund endowments	0.19



* All figures refer to revenue accrued in the year to 31 March 2009

Fulfilling the Remit

Each year, the Chancellor of the Exchequer sets out our priorities in the Remit for HMRC and in this report we describe the progress we have made 2008-09.

We particularly focus on our work to implement the recommendations contained in Kieran Poynter's data security review (see page 41), HMRC's Capability Review (see page 37) and the progress made against our Departmental Strategic Objectives (see section 4, page 46).

This year, we report on the success of our Carter programme (see page 23), including the work taking place with customers to encourage online filing, as well as HMRC's activity on the businesslink.gov (see page 31) website, which provides cross-government support and services to our customers.

We continue to work on improving our relationship with large business (see page 31) and with other government departments (see page 32).

Our Departmental Transformation Programme (see page 23) continues to make progress and this report also contains updates on our Workforce Change strategy (see page 40) and Tax Credits Transformation Programmes (see page 24).

We are continuing to work hard to close the tax gap and outline the actions we are taking to ensure the right tax is paid at the right time in the Protecting Tax Revenues section of this report (see page 26).

Finally, we recently launched the HMRC Business Plan 2009-10 (see page 60), which sets out the six strategic objectives covering the most important areas of our work. It is against these objectives we will report our progress in 2009-10.

Section 01

Who we are and how we run HMRC

We are the UK's tax administration. We make sure that the money is available to fund the UK's public services, and we also help families and individuals with targeted financial support.

Revenues administered

HM Revenue & Customs (HMRC) is responsible for administering:

- Income Tax
- Corporation Tax
- Value Added Tax
- National Insurance Contributions;
- Excise duties on alcohol, tobacco, fuels and gambling duties
- Customs duties
- Environmental taxes – Climate Change Levy, Aggregates Levy, Landfill Tax and Air Passenger Duty
- Insurance Premium Tax
- Capital Gains Tax
- Petroleum Revenue Tax
- Inheritance Tax
- Stamp Duty on property transactions and shares

Entitlements we pay

We are responsible for the payment of:

- Tax Credits – Child Tax Credit and Working Tax Credit
- Child Benefit
- Child Trust Fund endowments
- Health in Pregnancy Grant

Other responsibilities

We are also responsible for:

- enforcing the National Minimum Wage
- administering the collection of student loans on behalf of the Department for Business, Innovation and Skills (BIS)
- supervising money service businesses, trust or company service providers, accountancy service providers and dealers in high value goods to ensure that they comply with the Money Laundering Regulations
- the creation of the Government Banking Service

Border responsibilities

During 2009, the UK Border Agency will take on statutory responsibilities for protecting the UK's borders against illicit and harmful trade, including illegal import or export of drugs, counterfeit or illicit alcohol and tobacco, and other illicit goods.

HMRC will retain responsibilities for policies and activities associated with collecting duties at the frontier and processing information about international trade.

Who we are and how we run HMRC

The Capability Review of HMRC recommended that we looked at our senior leadership and explored separate roles for a Chief Executive and a Non-Executive Chairman. In 2008, we implemented a new governance structure, appointing a Non-Executive Chairman to lead the Board and a Chief Executive to run the Department.

There are clear accountabilities for the Chairman and the Chief Executive. Setting the strategic direction and ensuring the highest standards of governance lies with the Chairman and the Board, whilst responsibility for delivery and expenditure lies with the Chief Executive. The structure is also strengthened by the appointment of a new Permanent Secretary for Tax. As the senior tax professional in HMRC, Dave Hartnett is accountable for the highest quality of tax policy and tax strategy advice.

Four new Non-Executive Directors were appointed in January 2009; giving us a total of six on our Board. Their profiles can be found on pages 20-21.

The Executive and Advisers' Committee was brought to a close at the end of 2008 and our new Board convened for the first time in January 2009. The Board provides strategic direction, approves business plans, monitors performance and ensures the highest standards of corporate governance. Three sub-committees support the Board: Audit and Risk; Ethics and Responsibilities; and People.

The Executive Committee (ExCom) is our executive decision making body which provides leadership to HMRC. It oversees the Department's overall work and is responsible for driving forward continuous improvement and change agendas. ExCom has been further strengthened with permanent appointments of the Director General Business Tax, Chief People Officer and Chief Finance Officer during the year. It has recently been announced that Phil Pavitt is to become our Chief Information Officer and Phil will take up this post on 1 September 2009.

Our Executive Committee (ExCom)

ExCom members and their roles. *Back row left to right:* Mike Eland (Director General, Enforcement & Compliance), Steve Lamey (Director General, Benefits and Credits), Simon Bowles (Chief Finance Officer), Anthony Inglese (General Counsel and Solicitor), Deepak Singh (Acting Chief Information Officer).
Front row left to right: Dave Hartnett (Permanent Secretary for Tax), Melanie Dawes (Director General, Business Tax), Cathy Wilcher (Chief People Officer), Lesley Strathie (Chief Executive and Permanent Secretary), Simon MacDowall (Director, Communications and Marketing)[1], Bernadette Kenny (Director General, Personal Tax).

[1] Simon MacDowall is not a member of ExCom.

Lesley Strathie
Chief Executive and Permanent Secretary

Lesley joined the Civil Service in 1971 straight from school as a clerical assistant in the Department of Health & Social Security, moving to the Department of Employment in 1974. In 1984 she moved from her native Scotland to London to work in the Unemployment Benefit Service which later became part of the new Employment Service. Lesley worked in many different roles, was promoted through the management tiers of the Employment Service and entered the Senior Civil Service in November 2000.

When the Employment Service and Benefits Agency merged to create Jobcentre Plus, Lesley was promoted to the post of Field Director responsible for operational delivery in London in November 2001. Through open competition she was promoted to Chief Operating Officer in 2003 and Chief Executive in 2005. She was also 2nd Permanent Secretary to the Department of Work and Pensions (DWP).

In her position as Chief Executive of Jobcentre Plus, she successfully delivered the office roll-out – the redesign, re-brand and refurbishment of over 1,500 former Jobcentres and Social Security offices and creation of over 850 new Jobcentres. Lesley continued the transformation of Jobcentre Plus, moving the business to multi-channel delivery and took forward the Welfare Reform Agenda, which included the implementation of a new benefit, Employment and Support Allowance, in October 2008.

Following an open competition Lesley was appointed to Permanent Secretary and Chief Executive of HMRC and took up post in November 2008.

Lesley is a member of the Permanent Secretaries Management Group and is Head of Profession for Operational Delivery across Whitehall and the Government Skills Board. She is a member of the Employers' Forum on Disability's President's Group and is a Companion of the Chartered Management Institute.

Dave Hartnett CB
Permanent Secretary for Tax

Dave joined the Inland Revenue in 1976. He spent nearly 10 years on investigation work before becoming Director of Claims Branch in 1991, then setting up Financial Intermediaries and Claims Office, dealing with schemes for tax relief and deduction at source, non-residents and trusts. In 1996 he moved to lead the technical teams on personal taxation.

In 1998 he was appointed Director of Capital and Savings, with tax policy responsibility for capital taxes, savings, pensions, share schemes, charity tax issues and stamp duty.

He led the quinquennial review of the Valuation Office Agency before joining the Board of Inland Revenue as Director General (Policy and Technical). Following the merger of the Inland Revenue and Customs & Excise, he became first HMRC's Director General for Customer Contact and Compliance Strategy and then Director General for Business.

Dave led the development of the rules requiring disclosure of schemes of tax avoidance and the Organisation for Economic Co-operation & Development (OECD) Study of Tax Intermediaries. He was also one of the Commissioners who set up the Joint International Tax Shelter Information Centre. He has had an interest in compliance and enforcement throughout his career and established the High Risk Corporate Programme for addressing compliance issues in big business. He is Vice Chairman of the OECD Forum of Tax Administrators.

Dave was appointed Permanent Secretary for Tax in November 2008.

Steve Lamey
Director General, Benefits and Credits

Steve graduated in Mining Engineering at University College in 1978 before starting work with the BOC Group. He had a variety of roles there, working in project engineering and management roles before moving on to operational, commercial and senior management jobs. He became Director of Global Information and Management User Services in June 1998. In 2000, Steve joined the British Gas (BG) Group as Chief Information Officer and Vice President Information Management (IM).

Who we are and how we run HMRC

He was responsible for development and delivery of business strategy and services, ensuring that IM added business value. Steve became Chief Information Officer (CIO) for Inland Revenue in October 2004 and continued with this role when Inland Revenue merged with Customs and Excise to form HM Revenue & Customs in April 2005. In October 2007, he was appointed to the role of Chief Operating Officer, to oversee and co-ordinate all performance including development of future performance measures. In September 2008, he was appointed Director General, Benefits and Credits.

Bernadette Kenny
Director General, Personal Tax

Bernadette spent 24 years at the Department for Constitutional Affairs (DCA), having started in the then Lord Chancellor's Department as a Government Lawyer in 1980. After an early career in a range of both legal and policy posts, she moved into operations in 1991, managing civil and higher criminal courts in the South East. She led the team that launched the Court Service as an executive agency in 1995 before setting up the new agency's HR and Learning function. She moved onto the agency board in 1999, leading on business change, IT, procurement and tribunals operations. She returned to DCA HQ in 2002 as Change Director. Prior to joining HMRC, Bernadette was acting Chief Executive in the Royal Parks for a short period. She joined HMRC in May 2005 as Director of Distributed Processing, where she established the PaceSetter programme, including Lean working. Bernadette then joined the HMRC Board when she was appointed Acting Director General Customer Contact and Processing in October 2005 and was substantively promoted in June 2006. She became Director General, Personal Tax in December 2007.

Melanie Dawes
Director General, Business Tax

Melanie started her career as an economist and has worked on public spending, tax and tax credit policy, monetary policy and the euro. She coordinated the first Treasury assessment against the Five Tests for UK membership of the single currency in 1997. Melanie was at the Treasury for 15 years and in 2005 she led the Treasury contribution to UK Presidency of the EU and was involved in various international tax, financial and budgetary negotiations.

Melanie took up the post as Director of the Large Business Service, in HMRC, in December 2006 and was acting Director General, Business Tax from November 2007. Melanie was then appointed Director General, Business Tax in March 2009.

Mike Eland CB
Director General, Enforcement & Compliance

Mike joined HM Customs and Excise in 1975, having been called to the Bar in the same year. He spent six years at the Cabinet Office in various roles, including Private Secretary to the Deputy Prime Minister, and three years in the Home Office dealing with immigration and asylum policy. Mike was appointed to the Customs and Excise Board in 1992 and has held a variety of Director posts. He was appointed Director General of Business Services and Taxes in 2000, with overall responsibility for the collection of indirect taxes and customs duties, facilitating and regulating international trade and advising Ministers on these issues. Mike was acting Chairman of HM Customs and Excise between June 2003 and September 2004. He is currently Director General, Enforcement & Compliance.

Deepak Singh
Acting Chief Information Officer

Prior to joining HMRC Deepak worked for T-Mobile where he was an Executive Vice President responsible for IT strategy, governance, quality management and change management. Having graduated from York University in 1985, Deepak spent over 20 years in the commercial sector. He has worked for a number of private sector organisations including: nPower, Astra Zeneca, Jaguar Cars and Phillips Electronics. Deepak joined HMRC in June 2006.

Simon Bowles
Chief Finance Officer

Simon graduated in Economics from Trinity College Dublin and trained as a chartered accountant at Arthur Andersen & Co. Prior to joining HMRC Simon was Chief Finance Officer (CFO) of Fibreweb plc, an international fabric manufacturer which he led to a listing on the London Stock Exchange. Previously, he had been deputy Finance Director of RAC plc and Finance Director of various international businesses within the BOC Group plc, including Ohmeda Medical Systems, BOC Edwards and BOC Distribution Services. He has also been Group Treasurer of BOC. Simon joined HMRC as CFO in March 2009.

Cathy Wilcher
Chief People Officer

Cathy previously worked with Cooperative Financial Services (CFS) as an executive HR director and Cathy has extensive experience of dealing with large, diverse organisations. At CFS, Cathy helped lead the people function for more than 10,000 employees dealing with six million customers. She drove through change and put 'people' firmly on the business agenda.

A snapshot of her achievements includes: building a business partner network; agreeing a three year HR Strategy with business; introducing a set of leading edge Work Life Balance policies, receiving acknowledgement from the then Prime Minister; working in partnership with union colleagues; introducing a Talent Strategy and creating a high performance culture. Previously, she had held senior HR roles at major companies including Abbey. Cathy joined HMRC as Chief People Officer in November 2008.

Anthony Inglese CB
General Counsel and Solicitor

Anthony trained and worked as a lawyer in the Home Office. In the late 1980s, he was seconded to the Law Officers' Department. He became Head Lawyer at the Office of Fair Trading in 1991; then Head Lawyer at the Ministry of Defence in 1995; and in 1997 he became Deputy Treasury Solicitor. From 2002 he was Solicitor to the Department of Trade and Industry (later the Department for Business, Enterprise and Regulatory Reform) before coming to HMRC in 2008.

He leads for the Government Legal Service on Professionalism and Ethics and is a Bencher of his Inn (Gray's Inn) and a member of the Bar Standards Board. He gives training at the National School of Government and was made a Companion of the Order of the Bath in 2008.

Mike Hanson retired on 22 September 2008.
Phillip Moore left the Department on 20 July 2008.
Robin Roberts left the Department on 31 July 2008.

Who we are and how we run HMRC

Mike Clasper
Non-Executive Chairman

Colin Cobain

Mark Haysom

Philippa Hird

Phil Hodkinson

John Spence

Dame Sue Street

The Board

Mike Clasper is Non-Executive Chairman of the HMRC Board. Its members include Chief Executive Lesley Strathie, Permanent Secretary for Tax Dave Hartnett, a number of Directors General who are members of ExCom, and HMRC's Non-Executive Directors, who are senior business leaders from outside the Department providing expert advice.

Mike Clasper CBE
Non-Executive Chairman

Born in Sunderland, Mike began his working life as a British Rail signalling engineer before joining Proctor & Gamble in 1978. He progressed quickly to a series of senior management positions, and when he left in 2001 he was President, Global Home Care and New Business Development. From Proctor & Gamble, he moved to airport operator BAA where he was Chief Executive. Mike then worked for Terra Firma Capital Partners Ltd where he was Operational Managing Director before joining HMRC.

Mike is a Non-Executive Director at ITV plc and Chairman of the West London Working Consortium. He has recently been appointed Chairman of Which, a non-executive part-time post of two days a month. He was founder member of the Corporate Leaders Group on Climate Change and was also Chairman of the Business in the Community task force on Marketplace Responsibility.

Our Non-Executive Directors

Colin Cobain

Colin is a highly successful Chief Information Officer (CIO) who has won awards for his work within the retail sector. He was formerly CIO at Tesco where he played a significant role in the transformation of their technological capability. Colin's current roles are Non-Executive Chairman of Safe Surgery Systems and Interim Group CIO at the brewer SAB Miller.

Having started his career with the Mars Group, he has also been Chief Executive at Incepto, Complementary Channels Director, Systems and Logistics Director, Systems and Business Development Director, Director of Retail Developments, Head of Management Information Systems all within the Kingfisher plc Group and IT Director at Thorn EMI plc and Rumbelows.

Mark Haysom CBE

Mark was the Chief Executive of the Learning and Skills Council (LSC) for more than five years from October 2003. In 2008, he was awarded the CBE for services to education and training. Before the LSC, Mark spent almost 30 years in the newspaper industry with Reed International, Thomson Regional Newspapers and the Trinity Mirror Group. As Managing Director, National Newspapers for Trinity Mirror, Mark was responsible for such titles as the Daily Mirror, Sunday Mirror, Sunday People, Scottish Daily Record and Sunday Mail.

Philippa Hird

Phillipa is an experienced HR professional specialising in effective delivery of complex change. She was until recently Group Human Resources Director of ITV. Prior to ITV, Phillipa held Personnel Director roles at Granada plc and Granada Media Group. Her current roles are board member of Polka Theatre in Wimbledon and governor of Wimbledon Chase primary school.

Previously, she was a board member of Opportunity Now and of Skillset as well as Vice President of the Chartered Institute of Personnel and Development.

Phil Hodkinson

In early 2008, Phil was appointed as an external adviser to the HMRC senior management team and the Audit Committee. He supported the Department in the wake of the data loss and implementation of the Capability Review and provides valuable consistency for the Board. He brings with him significant finance experience having previously been Group Finance Director of HBOS plc and Chairman of Insight Investment prior to his retirement in 2007. Phil is also Non-Executive Director and Audit Committee chair of BT Group plc, Non-Executive Director and Audit Committee chair of Travelex Holdings, Non Executive Director of Resolution Ltd, Trustee of Christian Aid and Trustee of Business in the Community. Phil chairs the HMRC Ethics and Responsibilities Committee.

Previously he has been CEO of UK Life Business at Zurich Financial Services, a consultancy actuary, Chair of the Association of British Insurers' Raising Standards accreditation scheme and a member of the DTI operating and financial review working group.

John Spence OBE

John's career has been in the banking sector. His career with Lloyds TSB spanned 32 years from 1973 to 2005. Senior appointments included Managing Director of Business Banking, Chief Executive of Lloyds TSB Scotland and Managing Director of Retail Distribution encompassing UK branch networks, ATMs, telephony and internet banking. John is involved in a wide range of charities and church organisations as well as a number of business focused organisations (such as Business in the Community). John also chairs the HMRC Audit & Risk Committee.

Dame Sue Street DCB

Dame Sue has had a long and distinguished Whitehall career. She was Permanent Secretary for the Department for Culture, Media and Sport and prior to that she held posts in the Home Office, Serious Fraud Office and the Cabinet Office.

Her current roles are strategic advisor to Deloitte LLP, trustee of the Royal Opera House, trustee of the Windsor Leadership Trust, governor of the Royal Ballet and association member of BUPA.

Previously she has been a board member of the Whitehall and Industry Group, a Senior Management Consultant at Price Waterhouse Coopers, board member of the National School of Government and a governor of South Hampstead High School.

In addition, **Kate Owen** stepped down as a Non-Executive Director and **Kate Barker**, **Naquib Kheraj** and **Rudy Markham** stepped down as Advisers in 2008-09.

Section 02

Our work in 2008-09

In 2008-09, we continued to improve our service to customers, making it easier for them to do business with us and to receive benefits and entitlements.

Our Departmental Transformation Programme

Our main change and transformation programmes are known collectively as the Departmental Transformation Programme (DTP). This portfolio of programmes was set up in 2006-07 to help:

- transform the customer experience;
- improve the effective management of revenue flows; and
- reduce costs by improving how we manage our people, our processes and our assets.

During 2008-09, DTP successfully achieved all its targets and:

- delivered £784.8m in additional revenue;
- saved £25.1m in non-paybill cost; and
- introduced efficiency improvements equivalent to 2,677 staff.

Examples of customer and internal benefits we delivered across the portfolio include:

- a 52% increase in the number of Self Assessment (SA) returns completed online through the Carter programme (see page 23). A total of 5.8m returns were filed online by 31 January 2009;
- an increase in productivity of at least a third in offices where our improvement and efficiency initiative, PaceSetter (see page 38), is in place;
- estimated benefits of £1.4bn[1], in 2008-09, to UK businesses through advice and information available on the businesslink.gov website (see page 31);
- continued increase in revenue with the introduction of new risk analysis tools and new ways of working that delivered £627.7m, additional yield in 2008-09, through the Compliance & Enforcement programme;
- rationalised our property estate to meet customer service and operational requirements;
- moved 7,165 staff as part of the Workforce Change Programme (see page 40) to get the right people in the right place to deliver service and value to our customers;
- successfully completed the final phase of work to consolidate cheques and forms processing, as part of the new Government Banking Service; and
- developed new ways to measure and track customer benefits delivered through six of our programmes.

[1] This figure is based on an independent survey by Databuild Ltd.

Looking forward

In 2009-10, we will see further development of DTP initiatives and the launch of a number of new services. We will build on the success of the Carter Self Assessment programme to enhance online services to PAYE, VAT and CT customers. In addition, we are launching a major improvement to the PAYE Service which was rescheduled from last year. This will deliver significant efficiency and customer service improvements to the PAYE system.

We plan to continue rolling out new compliance tools and our PaceSetter programme across the organisation.

Carter Programme

The Programme was created in response to Lord Carter's recommendations to increase take-up of our online services. The Department's success in managing the 2008-09 Self Assessment (SA) peaks, with over 5.8 million returns filed online, was recognised when we won the Delivering Efficiency category at the 2009 Government Computer Awards and receiving Winner of Winners for the best government computer project.

During 2008-09, we focused on extensive customer research and external stakeholder engagement, in order to communicate and support customers through the change to online filing. We also delivered a new, more robust and resilient IT infrastructure for our online services.

From April 2008, we delivered several improvements for SA. These included a new SA Tax Return, redesigned and piloted with extensive customer consultation, to help reduce the administrative burden

Our work in 2008-09

for customers. The redesign also made the return more user friendly, easier to understand and complete. It has been independently evaluated with positive results.

We also redesigned and delivered the free-to-use online software for SA, making it more user-friendly, and improving the customer experience in using the online channel.

Our media campaign, fronted by former newsreader Moira Stuart, informed our customers of the changes. The campaign was independently tested and evaluated and proved to have enhanced our customers' understanding and confidence.

To support our customers through the changes to SA, we produced leaflets and guides, explaining how to get started and file online.

Throughout 2008, we continued delivering workshops to support agents wishing to go online. By December 2008, 11,700 agents had attended 225 workshops.

Our primary focus for SA during 2008-09 was to ensure customers were aware of the changed deadline for filing returns on paper and to ensure they were filed on time, whether on paper or online.

We also encouraged customers to take advantage of the benefits that online service offers; it's quicker, easier and more convenient than paper. A record 69% of all SA returns filed by 31 January were filed online – our target was 58% – making online the channel of choice. This represented an increase of over 52% on the previous year.

For PAYE changes, we contacted all impacted employers with 50 or more employees to remind them that from April 2009 they must send starter and leaver information and forms online.

The next online changes are for VAT and PAYE, in April 2010, and Corporation Tax, in April 2011. We will be raising customer awareness of this through increased education and communication, customer research and consultation.

Tax Credits and Child Benefit

Overall this has been a successful year for tax credits and child benefit. In 2008-09, we paid out £23.7bn in tax credits and £11.2bn in child benefit.

We achieved our target for accurate processing of tax credits and child benefit claims and have improved the timeliness of getting new claims into payment.

Tax Credits Transformation Programme

The Tax Credits Transformation Programme continues to improve the service we provide our customers. It aims to tailor support more closely to individual needs, to make the process of claiming, receiving and renewing tax credits easier for customers and to reduce the scope for error. Since April 2008, a series of service improvements has been tested and rolled out to provide extra support at key stages of the tax credits journey. We will continue to test and roll out further tailored service improvements in 2009-10.

To make claiming tax credits easier and quicker, the 700,000 new customers who claim each year will be offered additional levels of support depending on their needs, ranging from simple reminders about information they need to provide, through to one-to-one support for those who most need our help. This builds on the new claim process we introduced in March 2008, to help customers who experience a household breakdown.

We have helped customers by proactively contacting those most vulnerable to a change in their personal circumstances and who have not been in contact for some time, to check their circumstances and update their award. We will continue with similar activity in 2009-10.

We will be working with 100 Sure Start Children's Centres in some of the poorest areas across the country to raise awareness of the financial support available through tax credits and Child Benefit. A range of support and guidance will be available to existing and potential claimants, improving take-up and helping customers to keep their award up-to-date.

We have reduced the burden on customers reporting new births to the Tax Credit Helpline by issuing a Child Benefit claim form. We are planning to extend this service to the Child Benefit Helpline this year, so that where new claims for children are made we can also help customers deal with their tax credit claim without having to contact us again.

Additionally the Programme has developed a new ID authentication process to help reduce tax credits error and fraud, which will continue to be rolled out in 2009.

Review of powers, deterrents and safeguards

We continue to take forward a programme of consultation and legislative change to modernise the powers, deterrents and safeguards we inherited from the Inland Revenue and HM Customs and Excise.

The Finance Act 2008 extended the new penalty regime for incorrect returns across taxes and duties administered by us, for tax periods starting on or after 1 April 2009, with a filing date or due date on or after 1 April 2010. We also introduced a single penalty regime for failure to notify a taxable activity, in respect of obligations arising on or after 1 April 2010. The Finance Bill 2009 includes proposals to modernise and align penalties for late filing of tax returns and late payment of tax again across the taxes and duties administered by us. Closely linked to this are proposals to simplify the rules for interest on tax paid late and on repayments of tax overpaid.

Changes in the Finance Act 2008 allowed us to check tax had been correctly calculated, declared and claimed across Income Tax, Capital Gains Tax, Corporation Tax, the Construction Industry Scheme, VAT and PAYE from 1 April 2009. The new framework includes rules on record keeping requirements, information and inspection powers, time limits for assessment and claims and related safeguards. The Finance Bill 2009 includes proposals to apply this new compliance checking framework to the environmental taxes (aggregates levy, climate change levy and landfill tax), insurance premium tax, stamp duty land tax and stamp duty reserve tax, inheritance tax and petroleum revenue tax.

To make it easier for our customers to pay what they owe on time, the Finance Act 2008 introduced the ability for people to pay us by credit card if they wish. Proposals in the Finance Bill 2009 introduce Managed Payment Plans to allow Income Tax and Corporation Tax payments to be spread equally over a period straddling the due dates.

Penalties for incorrect returns and failures to notify a taxable activity and compliance checks 'went live' on 1 April 2009. An Implementation Oversight Forum that includes representatives of business, the accountancy and legal professions, has been set up to ensure the new powers, deterrents and safeguards are implemented effectively and deliver real change.

Tribunal reform

On 1 April 2009, separate existing tribunals for direct and indirect tax appeals were replaced by the Tax Chamber of the new First-Tier Tribunal. We have actively supported the Tribunals Service of the Ministry of Justice in their work to deliver unified procedures across taxes in the new tribunal and to enable straightforward appeals to be considered on the basis of written submissions, without the need for customers to attend in person, unless they wish to.

At the same time, following extensive consultation, we have introduced a new right to internal pre-tribunal reviews of our decisions on a consistent basis across taxes. These new optional reviews provide a new customer safeguard designed to help resolve disputes, without the need to go the tribunal and to give customers confidence that their point of view has been fully considered.

Policy Partnership

The policy partnership, created in 2004, following the O'Donnell Review, is how HM Treasury and HMRC work together to develop and deliver policy change.

Both Departments keep the work of the partnership under constant review and in 2008-09 have taken a range of actions to further improve its operation. In particular we have:

- improved the identification and management of risk in relation to policy change;
- further clarified the roles and responsibilities of those who work in the policy partnership;
- delivered joint training on policy skills, with plans to deliver more joint training events in 2009-10; and
- successfully managed the interchange of personnel between the two departments to spread best practice and share skills and knowledge.

Our work in 2008-09

Protecting tax revenues

The Government is committed to ensuring the tax system operates fairly and effectively and has set this as a priority alongside the need to encourage work and enterprise and reduce administrative burdens.

The majority of our customers want to pay the right tax and receive the right entitlements at the right time. In the current difficult economic climate it is more important than ever that we help and support customers fulfil these obligations while relentlessly pursuing those who bend or break the rules.

We will do this through:

- support;
- prevention;
- identifying and tackling those who set out to obtain an unfair tax advantage; and
- responding to criminal attacks.

Supporting our customers

Over the past year we have continued to work with our customers, to understand their needs and to make it easier for them to comply. Key elements of this strategy include:

- our Targeted Education, Enabling and Leverage (TEEL) teams continue to help businesses and individuals achieve voluntary compliance through targeted education and advice. Our TEEL teams approach is a 'light touch' which is a cost effective and proportionate response on low risk cases; and
- over the next 12 months our TEEL business units will move to three centralised and 40 satellite sites. The central sites will be responsible for delivering high volume interventions such as telephone contact, whilst the local offices will provide our face-to-face work, for example workshops and presentations.

To improve the way in which we deal with more formal enquiries, we have now implemented our Openness and Early Dialogue initiative. This approach uses early telephone contact with the customer, explaining where we perceive potential problems, agreeing a timetable for providing information and discussing findings to help resolve them.

By reducing the time it takes to conclude these enquiries, we can improve our effectiveness and help reduce additional burdens, that may be felt as a result of a more formal enquiry.

We are very aware of the pressures our customers face when they are in financial difficulty and have always taken a sympathetic approach to businesses and individuals facing temporary difficulties. We recognise that this is particularly important in the current economic climate.

As part of a substantial package of support to businesses the Chancellor announced, in Pre-Budget Report in November 2008, the introduction of a new Business Payment Support Service. This service offers otherwise viable businesses, in temporary financial difficulty, a fast and streamlined service for arranging to pay their tax bills to a timetable they can afford.

From its launch on 24 November 2008 to 30 June 2009, we had agreed 158,000 Time to Pay (TTP) arrangements through the service, worth £2.74bn. A further 10,900 requests for time to pay, worth £0.7bn, are under active consideration. Over 90% of the value of the tax that has become due under TTP arrangements is being repaid.

We recognise the importance of tailoring our business, wherever possible, to meet the different needs of our customers and over the past 12 months have established:

- a Public Bodies group, the aim of which is to provide a more consistent approach in our work with, for example, Local Authorities and NHS Trusts;
- a Transfer Pricing group, the aim of which is to improve the way in which we process these types of enquiries by bringing together tax specialists and economists from across the department and introducing new governance processes to ensure improved consistency; and
- a High Net Worth Unit, which specifically deals with the tax affairs of our wealthiest individuals. The unit's aim is to take an overall view of their tax affairs and improve our understanding of their needs. This will enable us to communicate with them, influence their behaviours and provide a more robust evidence base for policy decisions and assessment of their tax liabilities.

As part of our education approach, we have recently launched the 'Tax Matters' initiative that aims to teach young people about tax. This will help young people understand how paying tax helps society function and the action they need to take in respect of tax and National Insurance when they leave school.

Since 2006 we have been continually assessing our customers' needs to help us to reshape our communication and education efforts so that they help support voluntary compliance. Amongst other initiatives, this has led to the launch of the 'Tax doesn't have to be Taxing' publicity campaign; which included rolling out online videos, podcasts, guidance and advertising via the radio and press. Results are encouraging, with the most recent customer survey showing that 40% of small businesses consider that doing their tax is getting easier.

Contacting HMRC

The number of callers ringing us has increased by more than 8% over the last 12 months with almost 60 million calls handled during 2008-09. On average across the year, our Contact Centres answered 57% of all call attempts made to our helplines.

This performance is significantly affected by our three key peaks of contact – Tax Credits Renewals (April to August), Child Benefit, return to education notifications (August and September) and the Self Assessment filing deadline (January). Performance outside these peaks is better – we answered 75% of call attempts for all but three weeks in this period.

We recognise, however, that this is not the high standard of customer service we wish to deliver and we have committed to a set of actions to improve performance. Our aim is to meet the industry standard by answering more than 90% of call attempts offered by April 2011.

We will achieve this by identifying and removing the root causes of unnecessary contact to make it easier for those who do need our help to get through; providing ways for customers with simpler calls to help themselves without the need to speak to an adviser, such as interactive automated messages and better website content; improving productivity; optimising our telephone network technology to reduce the need for repeat calls and improving the way we manage our key contact peaks.

Contacting online

Significant improvements have been made to HMRC's website over the past 12 months to improve navigation, accessibility, look and feel. This enables our customers to find the information they need quickly and easily. Customer feedback on these improvements to date has been very positive.

The take up of our transactional services has continued to rise rapidly this year, including a 52% increase in the number of customers filing their SA returns online.

Work continues with businesslink.gov.uk and Directgov to ensure the consistency of information available to our customers on these important cross-Government websites.

We lead on businesslink.gov.uk which is a cross-Government, award winning website. It provides top quality support and information to business; for example we recently delivered the 'Real Help for Business Now' campaign aimed at raising the awareness of the support and help that is available during the present economic climate. In late February, businesslink.gov.uk also launched the 'Tax Help campaign' specifically aimed at small businesses, which has a range of online help videos and 'real-life' diaries designed to de-mystify tax and reduce the administrative burden. By 2011 it will be the single website for businesses to access joined-up support and guidance from government.

Face to Face

We have increased the number of machines with internet access in our Enquiry Centres, to give our customers more opportunity to conduct their business online.

We have introduced customer exit surveys to get a clearer picture of what our customers think about our Face to Face service. This will feed into the future development of our service, which will fit in with the new quality monitoring that is being introduced during 2009-10.

We have significantly increased the number of sites with specialist equipment such as screen phones and signature guides to improve accessibility.

Our work in 2008-09

Prevention

We are working hard to ensure that we make the best use of our skills, knowledge and powers to deter non-compliance and resist attacks upon our systems whilst at the same time ensuring that basic processes and design make the system as secure as possible from fraud and avoidance.

We apply a cohesive approach in dealing with those who seek to obtain an unfair tax advantage through avoidance. Our anti-avoidance strategy consists of various elements: making our tax laws robust against avoidance; engaging with our customers about our approach to avoidance; optimising our operational approach to avoidance; and changing the economics of avoidance to make it less attractive, so that the costs of avoidance exceed the perceived benefits.

A vital tool underpinning our Strategy is The Disclosure of Tax Avoidance Schemes (DOTAS) regime, which has continued to provide us with early information about new and innovative avoidance schemes. This information is used to inform our risk assessment processes, develop robust anti-avoidance legislation, challenge and close down avoidance schemes and minimise tax revenue lost. Since its introduction in 2004, DOTAS has closed off over £11bn in avoidance opportunities.

More recently, Budget 2009 announced that we would be exploring options to extend DOTAS to ensure that it continued to bear down on avoidance and introduce tougher sanctions for the non-compliant.

We have also published the first edition of 'Spotlights' which provides details of selected avoidance schemes thought to be ineffective and which we will challenge when encountered. We will also continue to monitor and challenge other avoidance activities that have not been the subject of 'Spotlights'.

We design new legislation to ensure that avoidance risk is minimised. The Anti-Avoidance Group runs an annual programme to scrutinise all new tax rules for avoidance risk. We also use intelligence to help put in place anti-avoidance legislation before schemes can be taken up and implemented. Decisive action at the Budget and PBR 2008 has closed down £1.62bn in avoidance opportunities.

Making our systems secure from fraud has been a key priority. The VAT Connect system provides access to the entire customer base. Since its inception in June 2008, it has made a major contribution to countering VAT repayment fraud. Its use has uncovered fraudulent claims totalling over £330m and prevented those sums being repaid. Based on an analysis of typical behaviours demonstrated by those committing tax frauds, we estimate that a further £151m would have been claimed by the same people without our intervention. A further £118m has been protected in direct taxes using Connect in a range of non-compliant initiatives.

Our Suspicious Repayment Review Team, set up to identify and stop fraudulent Self Assessment and Construction Industry Claims, stopped a total of £33.6m from being paid during 2008-09.

Identifying and tackling those who set out to obtain an unfair tax advantage

We will pursue those who choose not to comply, or don't take reasonable care to keep their tax affairs in order. We are using improved risk assessment and more appropriate checks to improve our effectiveness in this area.

Our Risk & Intelligence Service is at the heart of our compliance activity. Its primary role is to enable us to understand and manage the risks to our tax systems and our frontiers. It achieves this through gathering information and seeking out high quality intelligence from within and outside the UK. Data is analysed in order to provide comprehensive high-quality risk and intelligence products enabling us to deploy our resources more effectively.

We are increasingly using campaigns to increase voluntary compliance. A campaign is a programme of work that addresses a specific strategic risk or behaviour within an identifiable population, deploying people across HMRC in a series of co-ordinated and related operations matched to risk and behaviour. Interventions used during a campaign can range from publicity and education through to enquiries, serious fraud investigations and, in some instances, penalties and prosecutions.

In 2008-09, 20 Campaigns and National Projects were undertaken, delivering over 90,000 interventions and yield in excess of £225m.

Between April and November 2007, we ran an Offshore Disclosure Campaign that enabled investors with offshore accounts to disclose income and gains not previously included in their returns. Those who notified us of their offshore assets and made a full disclosure by 26 November 2007, paying any tax and interest due, were able to take advantage of a guaranteed reduced penalty of 10% of the tax due. The Offshore Disclosure Facility (ODF), which is now closed, recovered some £400m in unpaid revenue at a cost of approximately £6m.

A final disclosure opportunity for all remaining UK residents who may have undeclared offshore, will be run during 2009-10, and will provide a last opportunity for them to put their affairs in order and pay any tax due together with interest and penalties where appropriate.

In addition to our campaign based activities, we have continued to tackle areas of non-compliance, such as the hidden economy, and during the year we have secured registrations of 22,760 'ghosts' and 'moonlighters', resulting in over £100m yield. We are also developing further measures to help us enforce compliance more effectively, for example the policy on name and shame, accountability of Chief Finance Officers and increased information requirements for those found to be non-compliant.

Our Evasion Referral Team, launched in September 2007, is a centralised team providing a single and uniform mechanism for referring and escalating suspected evasion cases for further action where the revenue risk is £10,000 or more. This ensures that suspected fraudulent behaviour is dealt with quickly and effectively.

The team also maintains a national database which captures information across all tax regimes. This is being used to help build a 'picture of evasion' within the Department which will influence our future compliance activity and recognise and respond to emerging threats to our tax systems.

Responding to criminal attacks on our systems

We remain on the frontline of the fight against international organised crime, working with law enforcement agencies, including the UKBA to combat the threat to UK public finances posed by VAT and excise fraud, tobacco smuggling, direct tax repayment fraud and counterfeiting.

Missing Trader Intra Community (MTIC) fraud

MTIC VAT fraud is a large-scale organised criminal attack on the EU VAT system, with the aim of creating large unpaid VAT liabilities and fraudulent VAT repayment claims. Tackling this fraud has remained a priority for us involving a wide variety of both civil interventions and criminal investigation activities, targeted on those involved in or profiting from the fraud. Custodial sentences have been given to 21 gang members and confiscation orders made, including a record £26m order in respect of one of the gang leaders. We also successfully secured the extradition of three MTIC suspects.

Excise Fraud

We are in the process of creating a nationwide network of Inland Detection teams, to tackle tobacco, alcohol and oils fraud and to complement the frontier based detection work that the UKBA does.

Tobacco

In December 2008, HMRC and the UKBA published a joint strategy – '*Tackling Tobacco Smuggling Together*' – which sets out how we will work together and with other enforcement authorities, including the Police and Trading Standards, to build on the considerable progress we have already made. The latest 2006-07 estimate of the cigarette's illicit market share that we published in December 2008 showed a further reduction from 15% to 13%, which means that we are on course to achieve our 2007-08 PSA target. We also have a target to reduce the illicit market in hand-rolling tobacco by 1,200 tonnes – equivalent to around 20% – by 2007-08. We estimate that there was a reduction of approximately 450 tonnes, or 8%, between 2005-06 and 2006-07.

In 2008-09 our Fiscal Crime Liaison Officers (FCLOs), posted in 16 countries around the world, worked with their host foreign law enforcement agencies to prevent over 854m smuggled cigarettes reaching the UK. This brings FCLO assisted cigarette seizures to their highest level since 2004-05 and an improvement of almost 20% on the 2007-08.

Our work in 2008-09

Alcohol

The latest estimate of the spirit's illicit market share, published in December 2008, showed an increase from 5% to 6%. In the Budget 2009, the Chancellor announced a package of measures to renew our alcohol fraud strategy. These include the abolition of certain features of the duty repayment system that were subject to abuse, and consultation on a range of other regulatory measures to tighten our system of control; a detailed programme of work with large manufacturers and retailers of alcoholic drinks, which is designed to enhance controls over supply chains; and an ongoing project to strengthen our operational response to alcohol fraud.

Oils

Our approach to oils fraud is to combine concentrated activity against those supplying illegal fuel or using it on a major commercial scale, while maintaining a sufficient public presence to raise awareness and encourage compliance. Intelligence-led assurance and enforcement activity is underpinned by increased control of the supply of rebated fuels through for example, the Registered Dealers in Controlled Oils scheme. We continue to explore new ways of tackling criminality: for example, we chair the Northern Ireland Cross Border Fuel Fraud Enforcement Group. The role of this group, established in June 2008, is to ensure a coordinated approach to oils fraud across agencies and jurisdictions. We are also exploring ways of improving our ability to detect oils fraud, specifically looking at different fuel markers and testing techniques, and continue our efforts to identify and address new risks.

Protecting tax revenues – future plans

The Customs Modernisation Programme will significantly alter the landscape of our international trade activity between now and 2013. Within the programme our priority is to facilitate the introduction of Authorised Economic Operator status to some of our key customers. This will help to underpin our drive for improved voluntary compliance and quality risk assessment, not only for international trade activity, but potentially in the wider tax field.

To tackle avoidance we will work with interested parties to improve the description of tax planning schemes that must be disclosed and will introduce tougher sanctions for those who do not comply.

We are building further campaigns on a similar scale and approach to the successful Offshore Campaign, focusing in particular on evasion, the hidden economy and repayments.

Improved links with Agents, Advisers and Employees

We have worked closely with representatives across the tax agent and employer communities, both nationally and locally, consulting on new developments and identifying opportunities to improve services. These relationships are crucial to understanding the needs of these customer groups and their clients and employees.

In response to agent feedback, we introduced a dedicated call centre service to meet their needs more effectively. We have trialed the use of Customer Relationship Managers and are improving some key processes, for example, agent authorisation and allocation of customer reference numbers. We have also worked closely with tax agents on the introduction of the new SA filing deadlines and using our online service. The Working Together Partnership, with over 60 local branches across the UK, was re-launched to help us progress the service issues they have raised locally. We expect this stronger contact with agents to facilitate better communication and joint training opportunities with us in 2009.

Employers play an essential role in operating PAYE for some 30m employees and pensioners, one sixth of who start or leave each year. There have been several initiatives in 2008 to build awareness and capability of new employers. The basic calculators on the Employer CD-ROM, to help smaller employers manage their regular payroll and submit end of year forms online, have proved a significant success and have been enhanced following customer feedback. Employer representatives have continued to support our programme to improve the services they use. This has helped us to understand the cost implications for employer and pension providers and to develop new products to help their employees and pensioners understand their tax more easily. This contribution is leading to more cost effective solutions and is reducing the contact employers and employees need with us.

businesslink.gov

Our Business.gov programme manages the businesslink.gov.uk website on behalf of the Government, aiming to make it the key source for information and transactions for all businesses in the UK by 2011.

During 2008-09, we have developed strong relationships with departments and agencies across government, with agreements in place that deliver a better service for businesses and better value for the customer. The site has almost doubled in size, with the addition of 447 guides, 47 transactions and four tools, including:

- Maternity, Paternity and Adoption content from multiple sources, brought together for the first time, resulting in more than a four-fold increase in visits to this material;
- a new free online UK Trade Tariff tool;
- some 85 guides from HM Revenue & Customs;
- Company name and Trademark search and Companies House Web Filing and WebCheckservices; and
- dedicated areas for Transport & Logistics and Farming.

There are more businesses than ever using the service with over 1.8 million in January 2009. Our customer impact survey in November 2008 showed savings to UK business users of more than £317m.

businesslink.gov.uk plays a key role in helping businesses survive and grow in the current economic climate. During 2008-09, we:

- implemented a new finance portal to support the launch of the Enterprise Finance Guarantee scheme; and
- launched the landing page for the cross-government *'Real Help for Businesses Now'* campaign. businesslink.gov.uk/realhelp acts as a single point to access financial support, as well as information and tools to improve productivity and save money. Between its January 2009 launch and the end of March 2009 this content received over 282,000 visits.

Reducing administrative burdens on businesses

Reducing administrative burdens for business continues to be one of our priorities. We are committed to achieving the targets set by the Chancellor at Budget 2006 and also to making changes in areas that will make a noticeable difference to business.

In 2005 we carried out research[1] to model the administrative burden imposed on business by the UK tax system. The burden was estimated using the Standard Cost Model (SCM). This found that the total administrative burden placed on business by the UK tax system is approximately £5.1bn a year. Based on this research, we have two specific administrative burden reduction targets to report on in 2008-09. Our progress can be found at page 50 of this report.

Improved links with Large Business

Our Large Business Service works with over 700 of the UK's largest businesses. These businesses pay over 40% of the business tax and duties that the UK collects.

During 2008-09, we have continued to implement the recommendations made in the Review of Links with Large Business, published in November 2006, which looked at the way we do business. We have trained all our customer-facing staff so that they understand the new way we work with our customers. Our customers have welcomed this new approach.

We have reduced the number of older enquiries. Some 68% of enquiries that were over 18 months old on 1 April 2008 or that would have become over 18 months old during the year have been settled or entered litigation. We continue to focus on the most significant risks, 90% of low value risks on hand at 1 April 2008 have been settled or have entered litigation. This has not only delivered an improved speed of response and certainty for our customers, but has also increased our compliance yield.

The High Risk Corporates Programme continues to be effective in resolving high-risk tax issues with a small number of large businesses. The approach of intensive

[1] The results of this research are available at: www.hmrc.gov.uk/better-regulation/kpmg.htm

Our work in 2008-09

discussion led at Board level, combined with new ways of getting more quickly to the root of the question, delivered a rapid resolution to some highly complex issues in accordance with the Litigation and Settlement Strategy. In 2008-09 a total of £2.73m compliance revenue was collected through the programme.

UK Border Agency

The UK Border Agency (UKBA) was announced by the Prime Minister in November 2007. It brings together staff responsible for customs border activity, immigration control and overseas visa work. It was established in shadow form in April 2008, with a clear purpose, to secure our border and to control migration for the benefit of the country. The UKBA gained the status of a full Executive Agency of the Home Office on 1 April 2009.

Approximately 4,500 of our staff currently operate within the UKBA management structures, bringing early improvements in border controls in line with the Cabinet Office Review – '*Security in a Global Hub*'. Both the Home Office and HMRC are doing everything possible to ensure a smooth transfer of our people and related powers to the UKBA.

A partnership agreement with the Home Office sets out the respective responsibilities for the interim period. It includes the levels of performance expected for key strategic areas, such as seizures of controlled drugs, illicit alcohol and tobacco goods, to be met by the UKBA on our behalf. We are planning to continue providing key corporate services to the UKBA to assist with a gradual and efficient transfer of these functions.

Subject to a change in the law, the formal responsibility for protecting the UK's borders will pass to the UKBA later this year. We will remain the UK customs authority with responsibility for: the policy for protecting UK tax revenues and controlling and regulating the UK's international trade, including collecting customs duties and facilitating the import and export of legitimate goods; and for inland customs activity. UKBA will carry out anti-smuggling activity in ports and airports in relation to excise goods on our behalf. The UKBA performance targets for 2009-10 include joint targets for seizures and counterfeit or illicit tobacco and alcohol goods, demonstrating continued determination to combat excise fraud.

Working with other Government Departments

We work closely with other departments to deliver the Government's agenda. For example, we collect student loan repayments and support compliance with the National Minimum Wage on behalf of The Department for Business, Innovation and Skills (BIS). We administer the Statutory Payments system which provides financial support for employees when they cannot work because of sickness or new parental care responsibilities on behalf of BIS and Department for Work and Pensions (DWP).

We have also been working with the Child Maintenance and Enforcement Commission (CMEC) on the design of a new process to improve the assessment and payment of child maintenance and the Department of Health regarding the impact of their new policy to make direct payments to individuals requiring care at home. We work with the UK Border Agency in areas of common interest relating to migrant workers and support the Gangmasters Licensing Authority in its role.

Working with the Department for Work and Pensions

In 2008-09, we have continued to build on our programme of joint working with the Department for Work and Pensions (DWP), both in supporting policy developments and in delivering improvements in the accessibility and timeliness of the services both departments provide to their customers.

We are supporting DWP in the delivery of the State Pensions Reforms introduced in the Pensions Act 2007. We are also working with DWP and the Pensions Regulator on the implementation of the new employer duties, in relation to employee pension provision introduced in the Pensions Act 2008.

Face to Face

We are offering Face to Face support to our customers through a network of Enquiry Centres and Jobcentre Plus offices.

During 2008-09, DWP and HMRC have permanently co-located enquiry services into Colne and Nelson, (Lancashire), Job Centres. We provide ten staff supporting Olympic preparations with a new presence in Poplar, east London. Altogether we have co-located services in eight locations across the UK, the other five being located in Alfreton (Derbyshire), Widnes (Cheshire), Buckie (Banffshire), Melton Mowbray (Leicestershire) and Cardiff (South Glamorgan)

Rapid Response Service

The service offers visits to employers, who announce 20 or more redundancies. It provides information to their employees on other jobs within the labour market. The service helps them draw up CVs, improves their job search skills, matches them to known vacancies and provides information about benefits and making claims. The service is also available to local communities who have been affected by multiple smaller scale redundancies.

Launched on 15 January 2009, the service is being offered by Jobcentre Plus supported by our advisers. Seventy nine events have been held, with the workshops receiving positive feedback.

Tackling Fraud

During 2008-09, we have continued to commit resources to work with DWP through the Joint Instant Response Team, targeting cases of organised fraud involving identity theft and tackling the most serious criminal attacks on both departments.

We are about to begin a project with DWP to establish the impact of joined up investigation and prosecution of individuals who commit both tax credit and benefit offences. We expect the first of these cases will go through the court system towards the end of 2009.

Sharing Customer Insight

Working with DWP, we have developed a Disability Awareness Pack, helping our advisers understand the needs of this customer group and ensuring a consistent, improved service across the two departments.

We have three joint working trials with DWP to improve the services for those customers making the transition from work to pension:

- a joint telephone service taking pension information, to ensure we calculate and issue the correct tax code for the customer in the first year of State Pension payment;
- by working together to identify the most appropriate way to share customer data, to support the introduction of the State Pension Online; and
- a joint communications initiative using customer feedback on pension issues, to improve messages to customers in common areas of misunderstanding.

Jointly we are completing a HMRC/DWP customer life events calendar from birth to death to identify and to manage out unnecessary duplication in interactions and to improve services.

Budget 2009

In Budget 2009 the Chancellor announced a number of changes to the UK tax system, which we are implementing. Some of the key measures are outlined briefly below. More details can be found on our website: www.hmrc.gov.uk and the HM Treasury website: www.hm-treasury.gov.uk.

Individuals – from 2010-11, there will be an additional rate of 50% (42.5% for dividends) for taxable income above £150,000. The basic personal allowance will gradually be reduced to nil for individuals with ‘adjusted net incomes’ above £100,000 and there will be increases to the trust rate and dividend trust rate to match those for income tax. Additionally, we will run a proactive campaign later this year targeted mainly at pensioners in receipt of Pension Credit, to assist them in reclaiming tax that has been overpaid on bank or building society interest.

Businesses – the Business Payment Support Service, introduced at the Pre-Budget Report 2008, was extended to take into account whether a business is likely to make a loss for the year, when deciding whether extra time can be given to pay duties due on its profits from last year. In addition, the self-employed three line account threshold was increased in line with the VAT threshold, to £68,000 for the tax year 2009-10 and the enhanced trading loss relief, announced at the Pre-Budget Report 2008, was extended for an additional year.

Pensions – starting in 2011-12, tax relief on pension contributions will be restricted to basic rate for individuals with an annual income of £180,000 or higher. For those with incomes between £150,000 and £180,000, tax relief in excess of basic rate will taper off as income increases. There are also special rules applying from Budget Day, 22 April 2009, to prevent people from making large additional contributions to their pensions before this date in order to benefit from higher rate tax relief whilst it is still available.

VAT – changes to modernise cross border trading will be phased in over a three year period from 1 January 2010 and will include changes to the place of supply rules, completion of EC Sales Lists and a new electronic VAT refund procedure. Additionally, the standard rate of VAT will return to 17.5% from 1 January 2010 and legislation has been introduced to counter schemes purporting to apply the temporary rate of 15% after 31 December 2009.

Foreign Profits – following extensive consultation, Finance Bill 2009 puts in place a package of reforms. On 1 July 2009, an exemption from tax for foreign dividends received by all companies was introduced, and will be supported by a limited restriction to the interest deduction rules for accounting periods beginning on or after 1 January 2010. Additionally, consequential changes to the controlled foreign company (CFC) rules and replacement of the Treasury Consent rules with a post transaction reporting requirement were also introduced from 1 July 2009.

Anti-avoidance measures – a number of anti-avoidance measures have been included in Finance Bill 2009. These include measures relating to financial arrangements avoidance, sale of lessor companies, leases of plant or machinery, long funding leases of films and employment loss relief.

HMRC administration – The Finance Bill 2009 contains, changes to our information and inspection powers and legislation to implement the HMRC Charter (see page 44). It also sets out responsibilities of senior accounting officers of large companies and a provision to enable details of deliberate tax defaulters to be published.

Section 03
How we work

Capability Review

Where we are now

The HMRC Capability Review report, published in December 2007, gave a view of the Department's capability to meet our challenges in the future and highlighted a number of areas where we needed to improve. We identified five key priorities on which we needed to focus. They were setting a clear direction, increasing the pace of change, clarifying our accountabilities, generating pride, passion and motivation within HMRC and the use of evidence and analysis to drive performance.

We have made good progress over the last 12 months, especially at our three, six and 12 month checkpoints carried out by the Cabinet Office. The top team with a new Non-Executive Chairman and Chief Executive has brought a renewed focus to the Department's direction. We know there are still challenges, in particular embedding HMRC's Vision and strategic objectives and keeping our people informed about what is happening.

Set a clear direction

The launch of the HMRC Vision (see page 10) was the first step in explaining clearly our purpose and our way. The top team has aligned the Department's resources and performance with the Vision and has now explained what we intend to deliver over the next financial year with publication of our new Business Plan 2009-10 (see page 60).

Increase the pace of change

We completed our Workforce Change (see page 40) Regional Reviews Programme at the end of December 2008 and are now implementing the decisions made. By building on the success of the PaceSetter way of working, we will continue delivering to high standards and help make our people and processes more efficient.

Clarify accountabilities

Work on clarifying accountabilities continues and has been welcomed by our people at all levels. The recent publication of the top team's accountabilities on our external and internal websites is an important stage in communicating to a wide audience the roles and responsibilities of the people who are leading the department. The HMRC Board and its supporting committees' terms of reference have also been published on our external and internal websites, giving greater transparency about how we are run.

Generate pride, passion and motivation

Through the PaceSetter (see page 38) programme, we are increasing efficiency among our people and teams by continuously improving their business and leadership skills. Town Hall and Leading the Way events and the Hotseat feedback channel continue to provide an opportunity for managers and frontline staff to raise important issues with senior management.

Use evidence and analysis to drive performance

We have started to roll out a programme of analytical skills training for our senior managers; we are also improving our performance management framework so that we can effectively monitor our performance against our strategic objectives.

Re-Review

We are now preparing for our Capability Re-Review in autumn 2009 and expect publication of the report by the end of the year. As with our original Capability Review this will be carried out by an independent external assessment team.

We know that we still have a way to go with some key challenges; however we have already taken a number of steps in the right direction and continue to make the most out of the opportunity the capability review process provides.

Procurement Capability Review

Our Procurement Capability Review (PCR) by the Office of Government Commerce (OGC) gave a view of our commercial capability and placed us in the top two government departments reviewed. We scored particularly well in the areas of visibility and impact of commercial leadership, stakeholder and supply base confidence, effective resourcing of activity, governance and organisation.

How we work

An improvement plan has already been agreed with OGC covering recommendations made to address the relatively minor weaknesses noted. An OGC progress review in May 2009 indicated there were no major issues and further reviews are planned.

PaceSetter

PaceSetter is our way to drive continuous improvement in everything we do.

A way of working based on Lean principles, pioneered in the motor industry, PaceSetter was first implemented in HMRC to improve the processing of tax returns. This showed for the first time that industrial techniques could deliver big efficiencies in a civil service environment.

It has since been successfully implemented in a number of areas, including Benefits & Credits and Personal Tax and has the potential to improve the quality of our service in every aspect of our business. Tangible benefits so far include:

- the best ever quality improvements in SA processing;
- productivity increases of at least 30% in areas where PaceSetter is operational;
- increase in staff engagement and the capability of leaders; and
- overall improvements in customer service and value for money, for the customer.

Next Steps

HMRC is committed to introducing PaceSetter across the entire Department, but the large scale changes involved cannot be completed without specialist help, so it will take time. We have identified three initial areas of priority for PaceSetter;

- Debt Management & Banking;
- Enforcement & Compliance; and
- Customer Contact.

Our PaceSetter Strategy until 2012 is to make sure the necessary time, support and skills are in place to develop and sustain PaceSetter in areas where we can quickly see visible differences in performance. We will also see how it helps meet our Strategic Objectives and fits in with other key programmes of work such as the 'Leadership Pathway' being developed by the People Function.

Role of leaders

Leaders have a vital part to play in encouraging the right types of behaviour so PaceSetter can work. The 'T3L' Programme is helping the top three layers of management, from ExCom downwards, to understand PaceSetter, challenging their own behaviour and becoming role models to inspire their people.

Preparing for PaceSetter

For areas where PaceSetter will not be introduced for some time, the 'Preparing for PaceSetter' programme will help leaders understand what PaceSetter is and how they should prepare for it.

Value for Money (VfM)

Introduction

We reported[1] that we had successfully delivered, and exceeded, all our 2004 Spending Review (SR04) efficiency targets for the period 2005-06 to 2007-08, achieving £663m efficiency savings against a target of £507m and a gross reduction of 18,832 full-time equivalent posts against a target of 16,000. We had also relocated 2,492 posts out of London and the South East against a target of 1,950 posts by 31 March 2008.

This over-achievement was planned to enable us to deliver our investment and transformational agenda, and to deliver services within our 2007 Comprehensive Spending Review (CSR07) settlement, representing a 5% year-on-year real term reduction in underlying funding over 2008-09 to 2010-11. This has put us in a strong position to build upon and deliver an ongoing efficiency agenda and further embed a culture of efficiency within HMRC.

[1] Departmental Autumn Performance Report 2008 (Cm 7509).

VfM savings over CSR07 period

The Government's VfM agenda is designed to enable departments to get the most from every pound of investment, releasing resources for priorities and therefore supporting service quality and enabling us to deliver more with less. Over the CSR07 period, we are expected to at least maintain the overall levels of performance set out in the SR04 targets for 2007-08, for key target areas, as well as delivering agreed new priority areas and we will be reporting progress against our published Departmental Strategic Objectives (DSOs).

As part of the CSR07 settlement, our spending plans for the period 2008-09 to 2010-11 were reduced by 5% in real terms each year and we are committed to achieving VfM savings of £674m by 31 March 2011. This projected saving has been calculated as the difference between the post-VfM programme expenditure and counterfactual[2] expenditure, based on a 'do nothing' scenario of baseline costs increasing by general inflation. Throughout the CSR07 period, we will aim to deliver an improved service to citizens within available funding, and will report on our performance through our DSOs.

We are aware of the need to go even further and have been exploring opportunities to deliver significant additional VfM savings. We are committed to maximising efficiency in our central and back office support functions. We are also pursuing projects to optimise back office functions, to establish where simplification and consolidation of activities can deliver lasting efficiencies.

This forms part of a wider substantive efficiency programme that will allow us to increase our VfM savings from £674m to £754m, including £80m recyclable savings to frontline activities, by the end of 2010-11 as our contribution to the additional £5bn[3] VfM savings across government.

[2] VfM gains are measured against an evidence based assumption of what would happen to the pattern and quantum of spending if there had been a 'do nothing' approach (made no specific reforms to reduce spending) – the 'counterfactual'.

[3] The 2008 Pre-Budget Report announced that the existing cross-government VfM target for 2010-11 would increase by £5 billion to £35 billion.

How savings will be achieved

Informed by the new HMRC Vision, our revised April 2009 VfM Delivery Agreement[1] reflects our strategic priorities and business decisions and the way VfM savings are to be achieved over the CSR07 period.

Our Departmental Transformation Programme (DTP), will enable the delivery of substantial savings of around £370m towards the £674m VfM savings target. We are confident that this level of savings will be achieved through, for example, such programmes as:

- Carter (see page 23) – that facilitates and drives the take-up of online services for PAYE and Self Assessment, and extends online services to VAT and Corporation Tax (by April 2011);
- Enforcement & Compliance – to improve risk analysis and target responses more effectively;
- Estates Consolidation – implementation of our strategy on strategic site location, and the reduction of the overall estate;
- PaceSetter (see page 38) – to develop the capability of our managers and leaders, using PaceSetter tools and techniques to drive forward business performance;
- PAYE improvements – this will move PAYE data from multiple databases to the National Insurance database, providing a single comprehensive view of employee employment data;
- Tax Credits Transformation Programme (see page 24) – offering tailored support to make the process of claiming, receiving and renewing tax credits easier for customers to reduce the scope for error; and
- Government Banking – to deliver retail banking services for all government departments and agencies.

Other VfM savings targets will be made from non-DTP activities and initiatives. These include; savings from IT services; a review of back office functions; savings from procurement of post, print and office supplies; savings in Estates, beyond DTP savings based on rationalisation of facilities management and support services; savings in financial and bank charges from Method of Payment Reform Programme and the implementation of the Government Banking Service;

[1] Published on our website: www.hmrc.gov.uk on 22 April 2009.

How we work

and efficiency savings from local Directorate initiatives based on business plans and the requirement to remain within a reduced baseline provision.

Progress to date

We have managed our business within the constraint of the 5% real term reduction in our 2008-09 expenditure limits, and are on track to deliver our CSR07 VfM savings target. We have managed this by driving down ongoing business costs and continue with our aim to improve the customer's experience of engaging with us.

In 2008-09, we have achieved over £200m VfM savings, primarily through:

- DTP enabled VfM savings, mainly from the Carter, Compliance and Enforcement, Estates Consolidation, and PaceSetter programmes;
- smaller programmes, including e-sourcing (procurement) and changes to the provision of payroll services; and
- non-DTP savings on bought-in goods and services, for example, IT, print, office supplies, and from local efficiency initiatives within our business.

Relocations

By 31 March 2010, we have a target to relocate an overall 4,250 FTE posts outside London and the South East. As reported in our Autumn Performance Report 2008, against a target of 1,950, we have relocated 2,492 FTE posts by 31 March 2008.

As at the end of March 2009, we have relocated around 3,122 posts out of London and the South East. For example, Tax Compliance posts have been moved to strategic locations such as Birmingham, Bristol and Edinburgh. We currently have firm plans to relocate over 500 further posts, and discussions are underway to identify up to 600 additional posts to be moved in order to increase business efficiency and contribute toward achieving the current target.

We will work with the Office of Government Commerce to explore options for further increases in the number of posts to be relocated out of London and the South East in the medium term, taking account of the 2009 Budget announcement about increased relocations beyond 2010.

Workforce Change and Estates

The aim of our Workforce Change strategy has been to ensure that we get the right people, with the right skills, in the right locations for our businesses. By centralising more of our work processes and bringing teams together to tackle new challenges, we can conduct our business more effectively and at less cost. Between 2006 and 2008, we reviewed which offices we needed to retain and which could be vacated to assist in the restructuring of our business and reducing our accommodation costs. In December 2008, we made the last in a series of announcements over the future of our offices and we are now implementing those decisions.

We have already achieved annual estate savings of £49m from full and partial office closures, sub-lettings and surrender of non-office properties. The estimated cumulative running cost savings by 2011-12 are expected to be in excess of £230m.

This has been a difficult and challenging time for our people, but almost all of them now know the future of their building, although fewer offices than originally planned will close immediately. We will be withdrawing from locations as circumstances allow and at a pace which allows us to maintain and improve customer service. We will continue to provide enquiry centre services where we currently have them for those customers who need to receive face-to-face advice.

We have now reduced our workforce from around 105,000 to fewer than 89,000, mainly through natural wastage and voluntary early release schemes, without the need for any compulsory redundancies. By 31 March 2009, 5,927 employees had left on voluntary early release schemes, and 1,523 staff had been redeployed to other government departments. In the year to 31 March 2009, 779 employees left the department under the Approved Early Retirement Scheme, 888 staff had opted for Flexible Early Severance scheme, 32 staff left under our Public Sector Release Scheme and 362 staff joined other government departments. In order to maximise future redeployment opportunities for our people we have recently signed joint agreements with DWP, Jobcentre Plus and the Welsh Assembly Government secretariat. We are committed to doing all we can to help staff affected by office closures to find suitable redeployment opportunities.

Data Security

Our information risks were independently assessed during 2008-09 by Kieran Poynter. The Department established a dedicated Data Security Programme to drive forward implementation of the recommendations in Kieran Poynter's report. We are required by the Information Commissioner's Enforcement Notice to use our best endeavours to implement all the recommendations by 25 June 2011. Like all government departments we also have to comply with requirements laid down by the Cabinet Office.

We published our Purpose, Vision and Way, which states 'We recognise we have privileged access to information and we will protect it'. To underpin this, we introduced in our Business Plan a measurable strategic objective which focuses on improving data security management.

The Poynter Review

We have implemented 39 of the 45 recommendations made and plans are in place to implement the remaining recommendations by 25 June 2011.

Cabinet Office Mandatory Measures

We are complying with the requirements of the Cabinet Office Data Handling Review and Security Policy Framework.

Key developments over the past year

In 2008-09, we implemented many measures to manage data security across the Department more effectively. In particular we:

- reduced the volume of paper records stored across the estate;
- appointed a Chief Risk Officer and Chief Information Security Officer;
- clarified accountability in respect of data ownership;
- developed a Secure Electronic Transfer capability by which bulk data can be transferred electronically between HMRC and external organisations;
- developed a managed data transfer service to provide additional controls and management over the movement of data; and
- commenced the rollout of a standard building pass system.

Cultural Change

Emphasis has been given to improving awareness and understanding of data security responsibilities across the Department in order to embed cultural change. For example, we have:

- delivered mandatory data security training for all employees;
- provided a Data Security pocket rulebook for each employees;
- improved the content and accessibility of security guidance;
- introduced a personal development objective for all our staff covering their responsibility for data security; and
- delivered Data Security Roadshows across the country.

Our 2009 People Survey, reported that 97% of our people are aware of our Data Security policy and had put it into practice and 96% had received training on Data Security procedures.

Future plans

In addition to completing the work we started in 2008-09, our plan of work for 2009-10 will include:

- extending coverage of our Secure Electronic Transfer and Managed Data Transfer Services;
- continuing our employee communication and training activities, focusing on security awareness; and
- reviewing the controls that ensure our people only have access to the IT systems they need to do their job.

We are also continuing to learn from other organisations, examining their approach to data security and exchanging best practice and lessons learnt.

How we work

Developing talent

Developing tax professionalism

Tax Professional skills are critical to our success. Tax Professionals are firmly embedded in the fabric of the organisation and carry out a wide range of roles from Administrative Officer level up to Permanent Secretary for Tax.

This year we have:

- welcomed 80 tax trainees to start the newly launched, Tax Professional Development Programme in September;
- delivered a 25% improvement in the numbers of Tax Professionals carrying out the appropriate levels of Continuous Professional Development (CPD). 78% of tax staff are now engaged with the CPD programme;
- provided our Tax Professionals with access to two online tax libraries and technical seminars;
- developed and delivered a range of training products to assist in developing the skills and knowledge of our people working with Large Businesses, specifically in relationship management, project working and increasing commercial awareness;
- launched the Core Modules of the Tax Professional Qualifications, trialed the first of the job specific modules, designed the Intermediate level priority modules, and launched the scoping of the Advanced level;
- appointed the Association of Accounting Technicians as the Awarding Body to accredit the Foundation level of the qualifications;
- developed the Tax Professional Career Path further, by working with business units to start to link the new training modules to specific job roles; and
- carried out our second in-house Tax Professionalism survey, that highlighted improvements in developing the capability of our tax staff and the areas where more work is needed.

This is a long-term programme of work and we will continue to invest in enhancing the capability of our Tax Professionals to be leaders in their field across the Department.

Developing leadership and management capability

The Leadership & Management Pathway is our corporate development programme for our six identified leadership roles. Our 'Developing Confident Managers' programme is the foundation stone of the Pathway and mandatory for all new and returning managers. Accredited with the Chartered Management Institute (CMI), it is available to all our managers as part of their continuing professional development.

Our Middle Manager programme, again accredited with CMI, has over 75 successful candidates with another 100 signed up for 2009-10. We have prioritised development of our SCS leaders' capability, with specialist programmes covering Financial Management skills and Analysis and Use of Evidence skills.

We have a Fast Stream graduate programme and a National Talent Pool. The development of these people ensures our future succession planning is effective, in particular for our most senior leadership roles. All senior leaders are invited to attend our regular Leading the Way events, held across the UK with Board level speakers informing and reiterating our Leadership messages. The events allow for discussion on a wide range of leadership issues and provide support for all levels of leaders in taking the messages back to their teams.

The bedrock of all this activity is our PaceSetter (see page 38) continuous improvement programme, which ensures our business management skills are raised and our leadership culture and capability is developed. We are also aligning our Leadership development work with the new Civil Service Leadership Development Framework.

Rewarding performance

A single pay and performance appraisal system applies to all employees below Senior Civil Service (SCS). Compensation and financial incentives are awarded in the form of:

- consolidated pay awards, as agreed in the allocated Pay Remit, which relate to the performance mark attained in the annual appraisal report;
- top performer bonus for employees who have attained Top performance mark in the annual appraisal report; and

- recognition bonuses, which acknowledge visible demonstrations of exceptional performance during delivery of particularly demanding tasks, projects or situations. This bonus is not related to the performance mark obtained in the annual appraisal report.

Grades	Total bonuses paid in the 2008-09 financial year[1]
Senior Civil Service (including ExCom members)	£2,552,490
Non Senior Civil Service[2]	£9,002,275

The following bonuses were paid to members of our Executive Committee in 2008-09 to reflect performance in 2007-08:

Executive Committee Member	Bonuses paid in 2008-09 financial year (£000)
Dave Hartnett	5-10
Mike Hanson	10-15
Mike Eland	5-10
Steve Lamey	30-35
Stuart Cruickshank[3]	5-10
Melanie Dawes	10-15
David Hogg	15-20
Anthony Inglese[4]	5-10
Bernadette Kenny	10-15
Phillip Moore[5]	5-10
Deepak Singh	10-15
Robin Roberts[6]	-

[1] Bonus payments made in 2008-09 reflect levels of performance in 2007-08.

[2] From Administrative Assistant to Grade 6.

[3] Stuart Cruickshank was a member of ExCom until 31 March 2008.

[4] Anthony Inglese joined ExCom on 3 March 2008 but was paid by another government department until 31 March 2008. His bonus was determined by BERR's pay committee but paid by HMRC.

[5] Phillip Moore was appointed on a six-month contract commencing on 21 January 2008. The bonus paid was a terminal bonus.

[6] Robin Roberts was on secondment from Egon Zehnder International from 2 January until 31 July 2008.

The bonus payments shown above were made in 2008-09 and are in respect of performance in 2007-08. In view of the November 2007 data loss incident, a decision was made by members of ExCom to reduce by 25% the bonus payments they would receive for 2007-08. Reduced bonus payments were made in 2008-09 to Dave Hartnett, Mike Eland, Bernadette Kenny, Steve Lamey and David Hogg.

Paul Gray, Chairman of HMRC at the time of the data loss, did not receive a bonus for 2007-08 performance. He was a member of ExCom until 20 November 2007.

The total remuneration of Executive Committee members is reported in the Remuneration Report in the Resource Account. The bonuses in the table above are included in those total amounts.

Lesley Strathie and Dave Hartnett have waived their entitlement to bonuses earned in the 2008-09 financial year which would have been paid during 2009-10.

Bonuses for other ExCom members to reflect performance in 2008-09 are yet to be determined and will be reported in our 2009-10 Departmental Accounts and 2010 Departmental Report.

HMRC Charter

Ministers announced in the Budget 2008 that we will work with stakeholders in developing a Charter. The aim of the Charter is to improve the public's understanding of HMRC and their responsibilities in respect of the taxes and the benefits we administer. The objective is to produce a document that will become a core part of our communication with customers in their normal dealings with the Department. It will cover what our customers can expect from us and what we will expect from them, articulating the two-way nature of the relationship.

A second consultation process on the draft Charter, which ended on 12 May, has been very successful. We received more than 1,900 online responses, with over 40 responses from representatives of business, tax professionals and the third sector. The responses have been analysed and we publish our formal response on 20 July. We plan to launch the Charter in the autumn.

How we work

Human Rights

In HMRC, we recognise and respect the human rights of all our customers, and ensure our policy and processes are compliant with The Human Rights Act, 1998.

Corporate Responsibility

Corporate Responsibility (CR) is our business conscience. It influences our relationship with our employees, our customers, our suppliers and the local communities in the towns and cities, where our offices are located. It also challenges us to make a positive impact on the environment. Our drive to build responsible business thinking into everything we do was recognised this year with a prestigious platinum award in the Business in the Community CR Index.

CR has helped us to meet customer expectations. For example, in response to the challenges presented by the current economic situation, we made provision for businesses that would benefit from extra time to pay their tax bills to do so, without incurring extra charges.

We want to make sure that those most in need of benefits are aware of their entitlement and how to apply. In a pilot exercise, our Tax Credit Office staff took a road show to an inner city area of Birmingham, visiting venues such as local supermarkets and children's centres. The team spoke to over 1,000 potential claimants, answering their questions and helping them to understand the claims process.

As well as reaching out to our customers, we gave over 3,500 paid days off for our employees to undertake public duties such as magistrates, school governors and for volunteering activities, which included:

- 120 employees taking part in the Prince's Trust Team Programme. We continue to be the largest employer that supports this Programme; and
- 90 employees training as mentors for students from Black, Asian and ethnic minority backgrounds, as part of a scheme run by the National Mentoring Consortium.

Further support for voluntary organisations was given through our 'Grant in Aid' programme that funded 57 projects, including a helpline to provide advice to a range of our customers on tax debt and help for older people to access information on tax related entitlements.

Over 11% of our employees donated to charity via our payroll. Our people also raised over £100,000 for 'Children in Need'.

Our programme of action on the environment has been strengthened by improvements to our data management systems. From April 2009 carbon emission data will be available monthly for all buildings on our estate.

We remain on target to meet the government's 2011 milestones for water, travel and waste savings.

We again met with our top 100 suppliers to discuss how important it is for us that they adopt a sustainable approach to their products and services and measure their impact. The plastic wallets we use for transporting internal mail securely between offices offer a good example of how we are building recycling into our contracts. Used envelopes are shredded, heat treated and reduced to pellets, which can be turned into construction materials. Profits from this scheme are donated to charity.

Recycling plays an important part in how we dispose of seized contraband goods. In the twelve month period to December 2008, over 1,900 tonnes of tobacco, 8.4 million litres of alcohol, and 1.3 million litres of oil have been converted into alternative fuels and fertilizers and over 326,000 litres of diesel have been used in cement manufacturing. Other seized goods, such as household products, have been donated to the charity In-Kind Direct for distribution to vulnerable groups in the community. Packaging from the seized goods is removed and sold for recycling.

Diversity

Raising awareness of diversity, and providing the necessary services and support for our diverse employee base and customer groups, is a high priority for us. We are committed to gaining a complete picture of the diversity of our people so we can ensure that our internal policies and processes operate fairly for all diversity groups. This year we added sexual orientation to our monitoring programmes for disability and ethnicity.

Our diversity activity is driven by our new diversity strategy and delivery plan and is aligned to the Civil Service ‘Promoting Equality, Valuing Diversity’ statement. These documents are supported by a new website for our employees and revised policies and guidance.

We have continued to make progress against our action plans for the Equality Duties that we are required to meet in regard to race, gender and disability. We also carried out equality impact assessments on many of our key HR processes, including IT accessibility, office closures, grievance procedures and training.

Our Board-level Diversity Champions and our Staff Diversity Networks continue to develop and raise awareness of diversity across the Department. We improved our position in the Stonewall Index of gay friendly employers from 78th to 50th place and achieved third place in the cross government Transgender Index. Conferences were run for 100 Lesbian, Gay, Bisexual and Transgender employees and for our people with visual impairments, who use ‘Jaws’ software. We created new employee forums for ‘Jaws’ and ‘Dragon’ software users, deafness, and dyslexia and dyspraxia and we enhanced our gender network with a Senior Women’s Group.

We strive to ensure that the service we provide to our external customers recognises and is responsive to their diverse needs. We have continued to work with our disabled customers and voluntary sector organisations to improve the accessibility of our services. This is in line with our disability service delivery strategy. For example we have improved the guidance given to our people and developed awareness training for front line staff dealing with disabled customers.

Section 04
Our performance

HMRC has three Departmental Strategic Objectives (DSOs)

The overall performance for Public Service Agreements (PSAs) during the 2007 Comprehensive Spending Review is co-ordinated by the relevant lead departments throughout government. We are not the lead Department for any of the seven PSAs to which we contribute, but our DSOs are intended to support our contributions to a number of them. Most of our contributions are captured directly by our DSOs which are:

- DSO 1 – Improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled which contributes to PSA 9;
- DSO 2 – Improve customers' experiences of HMRC and improve the UK business environment which contributes to PSA 6; and
- DSO 3 – Reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being. Seizures of Class A drugs and interventions in support of the Serious Organised Crime Agency, contributes to PSA 25; and the screening of traffic entering the United Kingdom contributes to PSA 26.

We also contribute to the delivery strategy of the other three PSAs, although our contribution is not captured in our DSOs at key performance indicator level.

Our involvement with the UKBA in strengthening the UK border contributes to PSA 3 through our tackling of the illicit tobacco market. This forms part of our overall DSO 1.1 to reduce the aggregate tax gap measure.

We contribute to the delivery of PSA 18 on promoting better health and wellbeing for all and we contribute to the asset recovery target within PSA 24 through leveraging our investigation of cases, seizing cash, using our international network and working closely with other government agencies to maximise our impact.

In addition we contribute to the Government's Service Transformation Agreement primarily through the delivery of businesslink.gov.uk (see page 31), which will be the prime online channel for information and transactions between business and government. This objective is designed to improve the customers' experience and the UK business environment.

Our performance

DSO 1: Improve the extent to which individuals and businesses pay the amount of tax due and receive the credits and payments to which they were entitled

This DSO has the following outcomes:

- maintaining and extending our compliant base by:
  - supporting customers to make fewer errors;
  - securing our systems against fraud and avoidance; and
  - tackling evasion and criminal attacks on the system.
- improving the management of receipts and payments processes; and
- ensuring that people, with or without children, take up the support to which they are entitled as well as to ensure that the right amount of entitlement is received at the right time.

Overall summary – Not yet assessed

<table>
<tr><th></th><th>Indicator</th><th>Baseline</th><th>Latest Assessment</th><th>Target</th></tr>
<tr><td rowspan="2">Indicator 1</td><td rowspan="2">By 2010-11, increase tax and National Insurance contributions actually received relative to the amounts that should be received, achieving over 2008-09 to 2010-11 at least the levels set out in the Public Service Agreement targets for 2007-08</td><td colspan="3">It is too early to give an assessment but provisional estimates will be published in the Autumn Performance Report 2009.</td></tr>
<tr><td>–
2007-08</td><td>[1]</td><td>£7bn
Reduction in losses over the period 2008–09 to 2010-11</td></tr>
<tr><td rowspan="2">Indicator 2</td><td rowspan="2">By 2010-11 reduce the level of incorrect tax credit payments made as a result of error and fraud as a percentage of finalised entitlement, to no more than 5%</td><td colspan="3">Because this is an absolute measure (5% of the finalised entitlement) no baseline is needed. Latest annual assessment for 2007-08 published in July 2009 shows a central estimate for the level of error and fraud at 8.6%. As this result reflects a period prior to the implementation of our new strategy this is not unexpected and we will still expect to meet our target of reducing error and fraud to 5% by March 2011.</td></tr>
<tr><td></td><td>8.6%[2]
2007-08</td><td>5%
2010-11</td></tr>
<tr><td rowspan="2">Indicator 3</td><td rowspan="2">By 2010-11, increase the take up of Working Tax Credit[3]</td><td colspan="3">Progress will be measured against the 2006-07 baseline of 57% published in the ‘Child Tax Credit and Working Tax Credit Take-up rates’ document. The next measurement point will be Spring 2010. Our internal indicators show that we are on track to deliver this indicator. This DSO has been supplemented with the Budget announcement that we will increase the number WTC only claimants, a sub-set of those claiming WTC, by 100,000 by March 2011.</td></tr>
<tr><td>57%
2006-07</td><td>[4]</td><td></td></tr>
<tr><td rowspan="2">Indicator 4</td><td rowspan="2">By 2010-11, at least maintain take up levels of Child Tax Credit and Child Benefit[3]</td><td colspan="3">Progress for at least maintaining take up rates for Child Tax Credits (CTC) and Child Benefit (CB). Take up will be measured against the 2006-07 baselines of 81% for CTC published in the ‘Child Tax Credit and Working Tax Credit Take-up rates’ document and 96% for CB, published in the Autumn Performance Report 2008. The latest figures available are for 2006-07. Our next measurement point will be Spring 2010.</td></tr>
<tr><td>81% CTC[5]
96% CB
2006-07</td><td>[4]</td><td></td></tr>
</table>

1 It is too early to give an assessment, but provisional estimates will be published in the Autumn Performance Report 2009.
2 This is slightly higher than anticipated.
3 As a consequence of HMRC aligning its performance indicators to its Vision, Indicators 3 and 4 will be merged in to a single indicator.
4 The next measurement point will be Spring 2010.
5 For DSO 1.4, CTC and CB take-up rates are given equal (50%) weighting in determining whether overall take-up has been maintained at baseline levels.

1.1 Increase tax and National Insurance contributions (NIC) actually received relative to the amounts that should have been received, achieving over 2008-09 to 2010-11 at least the levels set out in the Public Service Agreement targets for 2007-08

DSO 1.1 is a single aggregated measure of reduction in tax losses which we aim to deliver through a combination of:

- support;
- prevention;
- identifying and tackling those who set out to obtain an unfair tax advantage; and
- responding to criminal attacks.

Further details can be found in the Protecting Tax Revenues, a copy of which is available at www.hmrc.gov.uk

Throughout 2008-09, our operational performance has been focused on delivering our strategic objectives and we have made excellent progress in a number of areas, details of which can be found in the 'Protecting Tax Revenues' section of this report on page 26. We have introduced measures aimed at addressing the various challenges the current economic climate poses, both to us and our customers, for example introducing the Business Payment Support Service to help customers in temporary financial difficulties.

It is too early to provide a clear assessment of performance against our DSO 1.1 indicator but provisional estimates will be published in the Autumn Performance Report 2009.

1.2 Reduce the level of incorrect tax credit payments made as a result of error and fraud as a percentage of finalised entitlement, to no more than 5% by 2010-11.

Most incorrect payments are error rather than fraud and our revised strategy 'Reducing error and fraud in Tax Credits' was published in July 2008 and is guiding our activity to deliver the 5% target.

We are building the Tax Credits Transformation Programme(see page 24) which has improved HMRC's understanding of tax credit customers, enabling the Department to better support customers to get their claims right.

We are delivering targeted assistance to customers making a new claim, to help them claim more easily. Support ranges from straightforward advice when a customer requests a claim form to intensive help over the phone or Face to Face. Existing customers are receiving support in areas in which they have difficulty to ensure that they are providing the correct information on which to base their awards, and help with the renewals process. We are embedding this deeper understanding of customer behaviour into our compliance programme, deploying resources to areas of the greatest risk with the aim of identifying incorrect claims and supporting customers to prevent errors in the future. We also remain vigilant to fraud. We have implemented a range of measures designed to restrict the opportunity for fraudsters to abuse the system, including tighter control on the issue of claim forms, fraud awareness training for employees, and deploying compliance officers in tax credit call centres.

1.3 Increase take-up of Working Tax Credit; and

1.4 At least maintain take-up levels of Child Tax Credit and Child Benefit.

Our strategy for improving the take up of all tax credit and child benefit entitlements is to work in partnership with third parties, to encourage those potentially eligible customers who are not currently claiming the benefits to claim the benefits to which they are entitled. Our aim is to improve awareness, understanding and acceptance of existing entitlements and to break down the barriers and encourage new claims to be made. The third parties include employers, Trade Unions, Local Authorities and other Government Departments. For example, to improve child tax credit and child benefit take-up we already have in place a programme of outreach involving over 100 children's centres.

To meet the new Working Tax Credit (WTC) target of an additional 100,000 claimants by 2011, we are running a comprehensive programme of activity. This includes:

- working with employers through our partnership marketing initiative, which we estimate has or will reach over 750,000 employees in around 60 large organisations;

Our performance

- continuing to work with Jobcentre Plus and Local Authorities to assist customers going in and out of work;
- running a pilot with six Local Authorities to promote WTC entitlement to their employees; and
- launching new research driven marketing aimed at the groups who are not yet taking full advantage of their entitlements and who will gain the most from claiming WTC.

All of these activities will be contained in Tactical Delivery Plans, which will align our strategies with the activities we already have in place,or are planned. The 2007-08 take-up levels will be published in Spring 2010, although it should be noted that these results will reflect performance in a period prior to our setting the new WTC only indicator. We have developed indicators for monitoring our progress against these targets in year and we are currently on track to deliver against the targets.

DSO 2: Improve customers' experiences of HMRC and improve the UK business environment

This DSO has the following outcomes:

- understanding our customers and their needs; and
- making it easy for our customers to get things right.

Overall summary – Strong progress – Improvement against six out of seven indicators

	Indicator[1]	Baseline	Latest Assessment	Target
Indicator 1	By 2010-11, improve customers' perception of their experience of dealing with HMRC	This indicator is measured by large scale quarterly HMRC customer surveys of individuals, SME businesses and agents introduced for CSR07. The baseline score of 72.8[2] is taken from the results of the first two customer surveys conducted in March and June 2008 covering service delivered during the first six months of the year. The latest assessment is based on the combined results of the two customer surveys conducted in December 2008 and March 2009.		
		0 June 2008	+ 3.2[3] March 2009	+3 2010-11
Indicator 2	By 2010-11, reduce by 10% the administrative burden of forms and returns on business customers	The target is a 10% reduction by 2010-11 and represents a monetary reduction of £337m from a baseline of £3.37bn. The latest assessment published at Budget 2009 is that we have achieved £330m of administration burden reductions on forms and returns on business customers.		
		- 2005-06	£330m 2008-09	£337m 2010-11
Indicator 3	By 2010-11, reduce by 15% the administrative burden of audit and inspections on compliant business customers	The target is a 15% reduction by 2010-11 and represents a monetary reduction of £21m from a baseline of £142m as announced in the 2006 Budget. The latest assessment published at Budget 2009 is that we have achieved £43m of administration burden reductions on audit and inspections for compliant business customers.		
		- 2005-06	£43m 2008-09	£21m 2010-11

	Indicator	Baseline	Latest Assessment	Target
Indicator 4	By 2010-11, increase access to business facing content and business facing transactions from businesslink.gov.uk, delivering at least 95% of cross-government agreed scope of website convergence	The latest assessment represents the achievement for 2008-09 in converging content and transactions from the agreed websites. We have delivered on schedule to date and have robust plans for 2009-10, agreed with the government organisations concerned, to ensure we stay on course.		
		[4] 2007-08	17%[5] 2008v09	95% 2010-11
Indicator 5	By 2010-11, improve accuracy of processing in large-volume business areas, achieving at least 96 per cent on a composite indicator of accuracy	The baseline is based on a composite indicator for accuracy. For 2007-08, the 92% represents actuals for all elements of this measure apart from Tax Credits and Child Benefits.		
		92%[6] 2007-08	93%[7] 2008-09	96% 2010-11
Indicator 6	By 2010-11, improve timeliness of processing in key areas, covering VAT registration and Tax Credit and Child Benefit payments	We use a conversion for this composite target because of the different ways in which the components are measured.		
		42%[8] 2007-08	89% 2008-09	100% 2010-11
Indicator 7	By 2010-11, improve correctness of advice and information given, and actions taken, in respect of contact from customers	The telephony and post elements of this composite indicator have weightings of 70% and 30% respectively. The baseline used is the 2008-09 performance as the current measure differs to that used for SR04.		
		92% 2007v08	92% 2008-09	[9]

1 As a consequence of HMRC aligning its performance indicators to its Vision, Indicators 2 and 3 will be merged into a single strategic indicator, whilst indicators 4 to 7 are to be discontinued from 2009-10 and will be subsumed under indictor 1 (see page 61 for more information on our new strategic objectives).

2 All survey results used to calculate the customer experience score have been calculated to one decimal place.

3 Margins of error – The overall DSO 2.1 score is a composite, made up of 12 separate survey results (four results for each of Individuals, Individuals, SME businesses and Agents). Margins for error are calculated for each of the 12 survey results rather than the overall DSO 2.1 score. Margins of error for the survey results feeding into the March 2009 DSO 2.1 score range between +/- 1.2 percentage points and +/-1.8 percentage points.

4 Each of the websites and the overall number has been agreed with Cabinet Office as STA lead department. Because the websites vary greatly in size and complexity, to measure progress more accurately the websites have been analysed further in to websites, or coherent but substantial subsets of a larger website, or transactions or transaction groups – each of which is a 'web unit'. The 155 websites and 310 web units represent the 100% baseline in scope, of which at least 95% convergence needs to be achieved.

5 On schedule and indeed slightly ahead of programme plans. Much of the first year has focussed on preparatory work and initial delivery. Latest outturn 26 websites, 39 web units, 13% of the total web units. Work has begun on a further 135 web units, representing work in progress of 4%.

6 This baseline figure is based on a composite indicator of accuracy. For 2007-08, the 92% represents actuals for KI5 for all elements of this measure apart from Tax Credits and Child Benefits which are based on the old measurement that excluded accuracy of payment.

7 The result for indicator 5 will be provisional until July 2009 when the remaining data for one of the indicators six elements will become available.

8 The composite indicator for timeliness uses a conversion to measure achievement because of the different ways in which the elements are measured. The elements of this composite indicator, VAT, Child Benefit and Tax Credits, have weightings of 12%, 46% and 42% respectively and the overall target for this composite indicator of timeliness is 100% with a baseline of 42%.

9 The original KI7 target of 90% shown in the Autumn Performance 2008 report was based on the previous method used in SR04. As the basis of measurement has changed and the indicator is to be discontinued in 2009-10 onwards, a target for 2010-11 is no longer appropriate.

Our performance

2.1 Improve customers' perception of their experience of dealing with HMRC.

To drive improvements in customers' experience of dealing with us, we have focused on simplifying our processes, improving the delivery of our customer services and access, developing our online services and implementing the review of links with large business.

This has included:

- introducing a Business Payment Support Service – a facility designed to help otherwise viable businesses in temporary financial difficulties, to get quick decisions about paying their tax liabilities to a timetable they can afford;
- improving access for tax agents through better designed contact centre services – the aim is to provide a service better matched to the technical and business demands of the tax agent community;
- improvements to the P2 letter (Notice of Coding). This notice now signposts customers to improved web content and introduction of Interactive Voice Response messaging that answers simple questions our customers ask;
- the introduction of shortened Tax Credits Claim Form guidance and folder, to make it more accessible and less daunting for customers; and
- new clearances for large businesses, which went live in April 2008.

Over the year we have seen an increase in the survey results for all three customer groups.

Whilst the current results indicate that customer satisfaction exceeds our target levels, the survey has yet to complete a full cycle and so does not yet provide a like-for-like comparison with the baseline. Seasonal variations play a part in customers' experiences of dealing with us and we therefore expect a dip in customer satisfaction during the year, for example at Tax Credit Renewals, before recovery and then improvement. We also continue to improve products and services for customers, which can cause an initial dip in the level of experience before improving; our challenge while improvements are made will be to ensure that this current level of satisfaction is maintained.

2.2 Reduce by 10% the administrative burden of forms and returns on business customers; and

2.3 Reduce by 15% the administrative burden of audits and inspections on compliant business customers.

We are making good progress against these two targets and we are committed to reducing burdens outside these two areas wherever we can. At Budget 2009, we have implemented or committed to new measures that will deliver administrative savings to business of around £540m per annum.

Reducing the burden of forms and returns

We are targeting forms and returns because they represent almost 68% of the total administrative burden and they are the main way that businesses interact with the tax system.

We have implemented, or are committed to changing forms and returns that will deliver net administrative savings to business of around £330m per annum. In the next two years there will be new measures that increase burdens, for example changes to customs procedures to help counter global terrorism. However, we are committed to offsetting these increases elsewhere and are examining whether we can stream-line the processes and forms associated with businesses deregistering with us.

Our approach on forms and returns has been to examine critically the information we collect, to ensure that we are only imposing burdens that are proportionate and necessary for efficient collection of our business taxes. For example, on Income Tax Self Assessment for the self-employed, we have reduced the information requirements on customers by raising the 'Three Line Account' turnover limit to permanently align it with the VAT registration threshold. Around 4 million businesses will now be able to make use of this simpler procedure, which will deliver administrative burden savings of £54m per annum from April 2010.

Reducing the burden of audits and inspections

Although audits and inspections form a relatively small part of our overall administrative burdens, they can have a significant impact on businesses, including the uncertainty and emotional burden associated with the process. As we reported last year we have already delivered estimated savings of £43m against the Standard Cost Model (SCM) measured target. However, as the SCM does not fully capture the aspects of compliance checks that cause businesses most concern, our focus since has been on delivering the supplementary measures that address these concerns as announced at Budget 2008. They are designed to reduce burdens for those businesses that comply and want to comply, by encouraging our people to focus on the need for timeliness and to provide greater certainty earlier in the process.

By March 2011, we aim to deliver a 15% reduction in the time spent on auditing and inspecting businesses found to owe us less than £1,000.

Our baseline year for this measure is 2007-08, when we completed 483,000 compliance checks taking on average 7.6 weeks per case. Data available to the end of February 2009 indicates a net saving of around 6% in the total aggregate time spent on carrying out compliance checks for those customers making small errors, or no errors at all, compared with our performance at the same point in 2008. We are doing fewer checks overall, but we have also reduced the average amount of time we spend on these cases, particularly for the types of compliance check which we know businesses find the most burdensome. For example, we have reduced the amount of time we spend on traditional Corporation Tax and Income Tax enquiries by 11.3% and 4.7% respectively.

To support these measures, we have carried out research with businesses that have recently experienced an audit or inspection, to listen to their feedback and suggestions for improvement. We expect the results of this research to be available later in 2009.

Reducing other administrative burdens

Administrative burden reductions are not restricted to the two targets above. In addition to these targets we have now implemented or committed to new measures that will deliver further administrative savings to business of around £168m.

Further details about our administrative burden reduction programme can be found in: 'Delivering a new relationship with business: reducing burdens and supporting business' published at Budget 2009 and available on our website www.hmrc.gov.uk

2.4 Increase access to business facing content and business facing transactions from businesslink.gov.uk, delivering at least 95% of cross-government agreed scope of website convergence.

This indicator covers businesslink.gov.uk's contribution to the Service Transformation Agreement target 'to migrate more than 95% of the total identified websites by the end of the CSR07 period' to businesslink.gov.uk and Directgov. Leading the cross departmental Business.gov programme and working with each of the government organisations concerned, we have migrated more web units than intended in our 2008-09 planning. However, the numbers of wesites and web units delivered in 2008-09 are still relatively limited for two reasons:

- we initially needed to put the enhanced infrastructure and capability to support the migration in place. This has now been achieved; and
- we are still in the early stages, so whilst some migration has already been delivered much more has been started for delivery at a later date.

We recognise that the profile of work needs to be increased significantly in 2009-10 and have agreed a plan with our stakeholder organisations. This has put us in a strong position to complete delivery by March 2011.

However, the aim is not simply to bring business facing content and transactions together in one place.

To be truly successful, convergence must be designed to meet business customer needs. The programme is continuing to do so and is monitoring customer satisfaction with the site on a six monthly basis. The latest validated figures indicate an approval rating of 92%, comparable with the best in the private sector.

The programme has also set key performance indicators to ensure that the site adds real value for business. We are monitoring registrations, repeat visits and use of tools as our indicators and all the targets for 2008-09 were met. The programme is also monitoring the economic impact of the site on businesses, whether it is saving time and money, and improving performance. Again, the programme is more than meeting its forecasts and expects to help businesses achieve £4bn of savings and benefits in the period 2007-08 to 2010-11. We helped deliver more than £1bn of savings and benefits in 2008-2009.

Our performance

2.5 Improve accuracy of processing in large volume business areas, achieving at least 96% on a composite indicator of accuracy.

We have worked hard at increasing our accuracy and the improvements we have made are reflected in our provisional 2008-09 result of 93%, compared with the 2007-08 benchmark of 92%. This puts us on course to achieve our target of 96% by 2010–11.

The results for each element of the indicator show that whilst PAYE, Tax Credits, Child Benefits and Debt Management and Banking are performing at a level close to their staged indicators, there is scope to improve our National Insurance Contributions Office (NICO) and SA results, although there has been progress with improvements in our NICO and SA quality.

The improvements we made throughout 2008-09 were achieved through several initiatives, including enhanced quality improvement processes, implementation of PaceSetter (see page 38) and further development of software tools to help reduce tax code and calculation errors. For example, calculating accurate code numbers for SA customers can be complicated. During 2008-09, we developed a bespoke SA version of our software tool 'Coding Assistant'. This, combined with other initiatives, has helped reduce SA tax code errors by more than 30%.

For PAYE, we introduced new software that helped our people to prepare accurate tax calculations by automatically bringing together a draft calculation from information that would have otherwise have been manually gathered from several sources.

Further work is being carried out to build on the progress made by continuing with the initiatives outlined above. In addition, increased automation through the introduction of the PAYE Service and Carter (see page 23) will also help us to achieve the target.

We continue to see a high level of accuracy in Tax Credits and Child Benefit awards. With increasing numbers of complex claims and changes coming into both systems we must ensure that our processes keep pace with the changes to ensure we can continue to meet this target. We are developing a Tactical Delivery Plan which will set out which processes and resources that will contribute to the meeting of the target and which will develop plans to ensure that those processes continue to improve.

2.6 By 2010-11, improve timeliness of processing in key areas, covering VAT Registration and Tax Credit and Child Benefit payments.

This target is assessed using a composite indicator of the elements below which have weightings of 12%, 46% and 42% respectively:

- improved turn around of processed VAT registrations from 70% in 14 calendar days to 70% in 10 calendar days by 2011;
- improved turn around of new tax credit payment claims from 38% to 60% in 15 calendar days; and
- maintain the turn around times of new child benefit payments at 69% in nine working days.

VAT Registration

In 2008-09, we processed 75% of applications within 13 calendar days against a target of 70%.

VAT Registration moved into 2008-09 in a good position having maintained and improved performance from 2007-08.

Future IT and business process changes are planned to continue to deliver improved service.

Feedback from customer groups, such as the Joint VAT Consultative Committee and the Working Together Forums, also provide ideas for improvement. Since the application form was made available on line in July 2008, there has been a progressive increase in the number of e applications, increasing from 38% in April 2008 to 54% in March 2009.

Tax Credit and Child Benefit payments

Our aim is to improve the timeliness of payment of new Tax Credit claims. Our baseline was 38% in 2007-08 and we achieved a result of 57.2% in 2008-09, against an interim target of 48%.

For Child Benefit claims payments, our aim is to improve timeliness of payment of new claims. Our baseline was 64.5% in 2007-08 and we achieved a figure of 65.3% in 2008-09.

The key ways in which we are seeking to improve accuracy and timeliness of our processes include:

- using PaceSetter (see page 38) to improve performance. This includes giving our people added skills, establishing coaching as the preferred management style and achieving the cultural shift needed to meet these challenging objectives;
- rolling out Lean to our people to help them improve our processes and pay new claims more quickly and streamlining our Child Benefit processes to enable us to better focus our time and resources;
- taking forward work through the Tax Credit Transformation Programme (see page 24) to improve our processes by helping us to better understand the different segments, which make up our customer base, target our support accordingly and provide a more tailored service; and
- developing a separate Tactical Delivery Plan for Timeliness which will:
  - ensure we maintain a coherent cross business approach to meeting the target;
  - describe the mechanism by which we will track progress and adjust plans,if necessary;
  - set out the assumptions that underline the plan; and
  - say how we will be evaluating those assumptions and their validity for future planning.

2.7 Improve correctness of advice and information given and actions taken, in respect of contact from customers.

This indicator measures the accuracy of handling post and telephone enquiries by testing if our people followed the correct procedures in dealing with customers. The telephony and post elements of this composite indicator have weightings of 70% and 30% respectively. Our combined performance across Telephony and Post was 92% for 2008-09.

Telephony

The Telephony result for 2008-09 is 92%. Quality improved month on month throughout 2008-09 as a result of focusing on different levels of performance across Contact Centres, along with improved management capacity and training. To maintain this progress, further enhancements to the quality improvement process and better analysis of errors, underpinned by PaceSetter (see page 38) implementation and the sharing of best practise, will help support Contact Centre staff.

Post

The Post result for 2008-09 is 90%. Increases in quality were achieved through several initiatives, including enhanced quality improvement processes, implementation of PaceSetter and further development of software tools to help reduce tax code and calculation errors.

We are doing further work to build on the progress made with the introduction of increased automation and improved quality development processes and expect to maintain this result.

Our performance

DSO 3 – Objective III: Reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being*

This DSO has the following outcomes:

- maintain the level of disruption of the attempted import and export of illicit drugs, products of animal origin, and other illicit goods; and
- contribute to government objectives on counter terrorism by maintaining the level of operational performance in screening for radiation traffic entering the UK.

Overall summary – Strong progress – improvement on three out of four indicators

	Indicator	Baseline	Latest Assessment
Indicator 1	Maintain seizures of heroin and cocaine at 2006-07 levels	Baseline set at 2006-07 levels, representing the first year after SOCA had taken over the responsibility for drugs investigations. It is showing an improvement on heroin as the year end targets for both the number and weight of seizures have been exceeded. For cocaine, the quantity seized is 10% above profile, the number of seizures is 10% below profile.	
	Cocaine	1,174 seizures 2,368 kg 2006-07	1051 seizures 2,612 kg to 31 March 2009
	Heroin	67 seizures 527 kg 2006-07	173 seizures 1,031kg to 31 March 2009
Indicator 2	Maintain seizures of Products of Animal Origin at 2005-06 levels	Baseline has been set at 2005-06 levels, as carried forward from SR04. The POAO targets have not been met.	
		32,703 seizures 237,709 kg 2005-06	20,537 seizures 191,313 kg to 31 March 2009
Indicator 3	Fulfil taskings from the Serious Organised Crime Agency (SOCA) involving an intervention and SOCA requests for checks and enquiries	Baseline has been carried forward from SR04. The target for interventions fell 1% short; however 100% checks and enquiries were met.	
	% of requests for interventions	98% 2007-08	97% to 31 March 2009
	% of checks/enquiries	96% 2007-08	100% to 31 March 2009
Indicator 4	Maintain the level of operational performance in screening traffic entering the UK for radiation.	Baseline has been carried forward from SR04. Response to traffic triggering an alarm was above target at 100%.	
		98% (indicator baseline)	100% to 31 March 2009

* DSO 3 responsibilities are expected to transfer to the UK Border Agency in due course. In the meantime HMRC continues to report on UKBA activity.

3.1 Maintain seizures of heroin and cocaine at 2006-07 levels.

The term 'prohibited and restricted' covers a wide range of goods whose import or export is subject to regulatory and/or anti-smuggling controls. They include drugs, firearms, endangered species, counterfeit goods and over 30 additional discrete areas specified in legislation.

A seizure is recorded when we detect goods in circumstances that create a breach of an import or export prohibition or restriction.

Drugs

At the border, in line with the Government's Drug Strategy, we focus on the Class A drugs that cause the most harm to society – heroin and cocaine. This year there was a slight shortfall in the number of cocaine seizures made, but this was not significant against the overall context of our Class A drugs strategy and the other key target results achieved. In addition to our heroin and cocaine targets, 3,470 other interventions were made on prohibited drugs resulting in the seizure of 57,730kgs of drugs, for example, cannabis and ecstasy.

In partnership with other agencies particularly the Serious Organised Crime Agency (SOCA) our overall aim is to make intelligence based interventions in order to maximise the contribution we are able to make to the wider Drug Strategy. Beyond the UK border our capacity building projects in West Africa and the Caribbean are continuing to improve the ability of partner agencies in host countries to take out drugs before they begin their journey to the UK.

3.2 Maintain seizures of Products of Animal Origin at 2005-06 levels.

Products of Animal Origin (POAO)

Enforcement measures to combat illegal imports of animal products at GB borders were undertaken by UKBA in 2008-09 under the terms of the Partnership Agreement with HMRC. HMRC and UKBA continued to collaborate with the Department for Environment, Food and Rural Affairs (Defra) on a range of activities to maintain and extend awareness of the POAO personal import rules amongst international travellers visiting the UK. Defra continue to assess the illegal imports risk as low but constant.

The number of seizures and weight of illegal imports seized did not meet the baseline levels, although the total weight seized was slightly higher than the total for 2007-08. A fall in seizures over time is expected, given our awareness raising efforts with Defra to improve compliance with the personal import rules among international travellers. An exercise during the year to test possible reasons for the reduction in seizures corroborated anecdotal evidence that some travellers are responding to our publicity efforts and controls, with indications that seizures from travellers from some countries and communities that had been the focus of publicity efforts had fallen. Although the exercise sample was too small to draw firm conclusions, it suggested some improved compliance with the regulations, although this was clouded by increases in seizures from other countries and redirection of some employees to other priorities. HMRC and UKBA continue to take proportionate, risk based action to prevent illegal imports, targeting entry routes that pose the greatest threat of introducing animal disease, taking account of the latest veterinary risk assessments.

Examples of enforcement action include a Ghanaian national, convicted of the illegal importation of 340kg of meat smuggled in a container through Tilbury. She absconded before sentencing and there is currently a warrant for her arrest.

3.3 Fulfil taskings from SOCA involving an intervention and SOCA requests for checks and enquiries.

This covers requests received for our support from outside the Department, primarily from SOCA but also requests from other law enforcement agencies.

Our strategy to maximise our contribution to the Home Office PSA on reducing harm from drugs, is to give priority to interventions of investigative value, whether or not they involve seizures of drugs at the time. Investigative value includes information that enhances the strategic knowledge of HMRC and SOCA in relation to the threats, as well as meeting specific goals in relation to SOCA control strategy and investigations.

Requests from SOCA or other law enforcement agencies may not necessarily result in the seizure of prohibited or restricted goods. It may be the gathering of intelligence or some other action that results in a SOCA operation that dismantles an organised crime syndicate. The target has been split into two distinct categories, interventions and intelligence/ information to enable a more accurate evaluation of the impact of interventions to be undertaken.

The target has been effectively met for this key indicator, as for interventions the figure of 97% was achieved and for checks and enquiries the figure of 100% was achieved.

3.4 Maintain the level of operational performance 100% effectiveness in screening traffic entering the UK for radiation.

Programme Cyclamen is a counter terrorist initiative to detect and deter the importation of illicit nuclear and radioactive material at UK points of entry. This is achieved through risk-based and intelligence led deployment of fixed and mobile detection capabilities.

Cyclamen is a joint programme. The Home Office are responsible for implementation and HMRC are responsible for operating the capability. There is a Service Level Agreement in place, reviewed and updated annually, that defines the roles and responsibilities of both parties.

Our target is to intercept or investigate 100% of alarms at sites where we have staff in attendance and operating Cyclamen capability.

Section 05

Looking ahead – the HMRC Business Plan 2009-10

The HMRC Business Plan for 2009-10 was published at the end of April 2009 and sets out the steps we will take this year towards delivery of our Vision.

It is the first time we have published such a plan for the whole Department that contains six strategic objectives we will focus on to deliver our Vision and specific plans to achieve them.

Our Capability Review in 2007 said we needed to be clearer about our direction. The Business Plan is one of many the steps the Department has taken to address this issue.

Our strategic objectives are:

1. Improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled.
2. Improve customers' experience of HMRC and contribute to improving the UK business environment.
3. Improve our professionalism in dealing with: the security of our customers' information; our stakeholders; and our external impact.
4. Deliver an affordable and sustainable cost base providing value for money for the taxpayer.
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.
6. Transform the performance of the Department through the exploitation of information and technology services.

Each strategic objective has a number of plans associated with its delivery. While the plans may change over time due to external pressures such as the economic climate, the strategic objectives will remain constant.

Directorates will use the Business Plan as the basis for putting together their own delivery plans. This ensures their priorities align with the strategic objectives and the Vision.

The Business Plan, which will be updated and published annually, also identifies the major programmes which will receive priority funding. They include big IT projects that will drive customers online, expansion of our PaceSetter programme and more work surrounding our data security procedures.

It also contains details of where our £40bn budget will be spent during 2009-10, with the major emphasis placed on delivering frontline services and closing the tax gap.

The Business Plan is available to read on our website at www.hmrc.gov.uk

There is to be no substantive change to our published DSOs for 2009-10 onwards as a result of the new strategic objectives, only some proposed changes at indicator level.

These are:

- merging the existing DSO 1.3 and 1.4 indicators into a strategic Tax Credits indicator;
- introducing a new transitory indicator under DSO1 to track performance of border revenue against the targets specified in the Home Office / HMRC Partnership Agreement;
- merging DSO 2.2 and 2.3 indicators to make it a single more strategic and stretching administrative burdens target; and
- removing DSO 2.4-2.7 indicators from the top line list and pointing them instead to supporting the proposed strategic objective 2.1 at the next monitoring level down.

Annex A
Valuation Office Agency (VOA)

The Valuation Office is an Executive Agency of HM Revenue & Customs.

Its aim is to be a world class provider of valuation and property services for the public sector.

The Agency's purpose is:

- to provide a fair and robust basis for taxes which pay for public services; and
- to help drive better use of property in the public services.

This will be achieved by:

- compiling and maintaining accurate and comprehensive valuation lists for local taxation;
- providing accurate and impartial valuations for national taxes;
- delivering expert advice on property valuation and portfolio management to the public sector;
- developing and maintaining a comprehensive and up-to-date property database; and
- advising on valuation policy issues.

Results against Key Performance Indicators 2008-09

KPI	Results	
Customer satisfaction		
To achieve overall customer satisfaction of 90%.	93%	Met
Operations		
Enable prompt issue of correct bills by local authorities through clearing Rating reports with an average of 12 working days.	10 days*	Met
Enable prompt issue of correct bills by local authorities through clearing Council Tax reports with an average of 14 working days in England.	11 days*	Met
Enable prompt issue of correct bills by local authorities through clearing Council Tax reports with an average of 12 working days in Wales.	11 days*	Met
Enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax on average within 8 days.	6.5 days	Met
Enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for capital gains tax on average within 11 days.	9.3 days	Met
Contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists.	2.7%	On course
Ensure that 96% of new council tax bandings are right first time.	97%	Met
Value for Money		
To improve overall value for money on local taxation work by 3%	11%	Met
To improve value for money on inheritance tax work for HMRC by 5%	-35%	Not Met
People		
All staff to have the core skills and competencies for their role within six months of taking up post.	100%	Met

* These results exclude a small number of cases dealt with under our 'Working in Advance Procedures'

More information on the Valuation Office Agency's performance can be found in the VOA's Annual Report for 2008–09.

Looking to the future

To meet the requirements of clients and to move towards its vision of being a world-class provider of valuation and property services for the public sector, the VOA faces the following key challenges over the next three years:

- delivering the non domestic rating revaluation taking effect from 1 April 2010 – draft lists to be published at the end of September 2009 – and thereafter dealing with enquiries and formal challenges;
- maintaining the council tax lists in England and Wales;
- continuing to improve the effectiveness of its contribution to HM Revenue & Customs tax compliance work;
- maintaining and reviewing broad rental market areas for local housing allowance purposes;
- improving the comprehensiveness and accuracy of its property database;
- developing the valuation services and property advice it provides to other public sector bodies and with a greater focus on strategic asset management; and
- continuing to harness innovation and technology to drive improvements in cost and efficiency of service delivery.

On the 1 April 2009 the VOA's planned merger with The Rent Service (TRS) successfully took place. TRS was previously an executive agency within the Department for Work and Pensions.

In this context the following key performance indicators have been agreed with Ministers for 2009-10.

Customer satisfaction

- To achieve overall customer satisfaction within the top 15% of public sector comparators.

Operations

- To enable prompt issue of correct bills by local authorities through clearing all reports, for council tax and business rates, within an average of 10 working days.
- To determine 95% of Housing benefit claims where no inspection is required in 3 working days.
- To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax within an average of 6 days and for capital gains tax within an average of 9 days.
- To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists.
- To ensure that 96% of new council tax bandings are right first time.
- To review for local housing allowance purposes 25% of broad rental market areas.
- To achieve income from non-statutory services of at least £17.5m.

Value for Money

- To improve overall value for money on local taxation work by 3% a year[1]
- To improve Value for Money on Inheritance Tax work by 5%[2]

People

- All staff to have the core skills and competencies for their role within 6 months of taking up post[3]

The Key Performance Indicators have been announced by the Financial Secretary to the Treasury and will be published in the VOA Forward Plan and available on the website: www.voa.gov.uk

[1] This was a new indicator in 2008-09 and is a broader measure representing the value resulting from the timeliness and quality of our service as well as volumes delivered.

[2] Value for Money in this KPI is measuring the effectiveness of our work. It is a cost-yield ratio, measuring the additional tax raised per unit of cost.

[3] Success in meeting this standard will be judged against the 99% achievement.

Annex B
Better Regulation Report

HMRC is a taxing authority, not a regulator, but where we impose information and other requirements on our customers we are committed to the Better Regulation principles of proportionality, accountability, consistency, transparency and targeting. We employ Better Regulation principles as the foundation of our regulatory design and operational processes. In particular we ensure that:

- administrative burden impacts are factored into decision making and in advice provided to Ministers for potential changes affecting businesses; and
- best practice is followed on consultation and in the production of impact assessments.

We are committed to improving the customers' experience of HMRC and contribute to improving the UK business environment. At Budget 2009, we reported on the progress we have made in reducing the administrative burdens for business along with other measures we are taking to help support business.

Further details of our work in these areas can be found in the report 'Delivering a new relationship with business', which is available on our website hmrc.gov.uk

Impact Assessments

We use the Impact Assessment (IA) process to look at the costs and benefits of any change with a significant effect on business, charities or the public sector. These are produced in the same format across Government and we follow best practice in producing IAs, in parallel with other Departments. However, the tax that we collect and repay is not part of the cost/benefit analysis included on individual measures, as paying tax is both a cost to individual businesses and a benefit to society as a whole.

We are committed to using the IA process to support development of evidence based polices. This approach is highlighted by the measure announced in the Pre-Budget Report 2008 to temporarily reduce the standard rate of VAT to create a financial stimulus. We published an IA showing the anticipated costs and benefits of the change based on our understanding of the compliance burdens and the assumptions made in the absence of consultation. We have now commissioned a two stage research project to explore the compliance costs to business of this temporary VAT rate reduction; to gather data about its commercial effects; and to learn lessons for future rate and other policy changes.

At Budget 2009 we published a 300 page book of 26 IAs to support the publication of the Finance Bill. This book contained four IAs relating to consultations and 22 final stage IAs.

Improving the quality of Impact Assessments

This year's Compliance Cost Review (CCR) Programme has reviewed 17 IAs of tax changes introduced primarily in 2006 and 2007. The programme continues to provide an objective assessment of the cost/benefit analysis of major tax changes and remains one of the most systematic processes for post-implementation policy review across Government. Qualitative interviews with businesses affected by policy and operational changes are used to assess the accuracy and reasonableness of the compliance costs in our published IAs and to learn lessons for future changes.

The lessons learnt from the three previous years' CCR programmes are beginning to bear fruit as the quality of our compliance cost assessment is improving. This year's programme has highlighted still more learning points and these will feed into training and guidance for officials and developments in the IA process. Reports of each of the CCRs are published in the Consultation section of our website at: www.hmrc.gov.uk

Consultation

Consultation, both formal and informal, plays an integral part in the way we develop, maintain and implement policies. It allows HMRC, HM Treasury and Ministers to make informed decisions about operational and policy change and to design effective and customer-focused solutions. All our consultation is conducted in accordance with our Consultation Framework published at Budget 2007 and all formal, written consultation follows the Government's Code of Practice on Consultation; a new version of which was launched in July 2008.

Of 21 formal consultations launched during the year, only one ran for less than 12 weeks and the requirements of the Code of Practice in these circumstances were observed in full. All consultation responses are analysed carefully and summary documents published on the website provide feedback and explain what will happen next. In addition to the formal consultations, the Tax Law Rewrite Project has published two draft Bills and issued some 25 documents consulting on rewritten legislation in this year.

The Review of Powers, Deterrents and Safeguards continues to engage customers through a succession of consultation documents, one-to-one meetings and workshops with key stakeholders and representative bodies. This process has been recognised by respondents as demonstrating our open and honest approach to consultation, our willingness to listen to views expressed by respondents and our ability to adapt policy solutions where appropriate. For example, during the consultation 'Meeting the obligations to file returns and pay tax on time', as well as commenting on our proposals to encourage more employers to pay their in-year PAYE on time, many respondents suggested an alternative solution that would encourage timely payment whilst, imposing no additional administrative burden on the compliant majority. This has been developed further and is included in Finance Bill 2009.

We are also developing innovative new ways to engage with all stakeholders; including those people who would not normally engage with us. In the context of the HMRC Charter for example, we have used an online survey, focus groups, formal research and the 'Charterpelago' game to give people an opportunity to comment on the consultation and draft Charter.

Recognising that formal consultation is not always the best way to engage with stakeholders, our network of 30 consultative forums continues to thrive and to operate in line with our Consultation Framework. Agendas, minutes and information papers for each forum are published in the Consultation section of the website.

We work in consultation with our customers to understand the impact of proposals and, working in partnership with Treasury, advise Ministers on the most effective options for change, based on all the evidence collected.

Administrative Burden Reduction

Budget 2006 announced two specific administrative burden reduction targets for us to achieve by 2010–11. These targets form part of our DSOs and an update on our current progress towards achieving these targets can be found on page 52 of this report.

Ensuring a risk based approach to regulation

Consistent with the principles of the Hampton Review, we apply a risk based approach to the way we regulate the tax system. Reducing burdens for those customers that comply, or want to comply is a key element of our customer-focused approach to compliance, supported by the new powers legislation. Over the past year, we have been developing new and more proportionate ways to run our compliance checks. These have included:

- using an 'Openness and Early Dialogue' approach;
- sharing an HMRC perspective of risk and common errors with agents;
- introducing simple compliance checks for straightforward issues;
- reducing the burden of employer compliance checks; and
- trialling the use of General Tax Practitioners. (HMRC officers trained in direct, indirect tax and employer compliance).

During 2009-10 these new ways of working should start to deliver noticeable changes to the way that we deal with SMEs and compliance, helping to reduce both administrative and emotional burdens for those that comply and want to comply.

Regulatory Reform Orders

In January 2007, the Legislative and Regulatory Reform Act 2006 (LRRA) came into force which allows ministers to create a Legislative Reform Order to remove or reduce burdens. The LRRA cannot be used to impose, abolish or vary any tax and we have not used the LRO process in this reporting period.

Annex C
Committee of Public Accounts (PAC) recommendations

In the Autumn Performance Report 2008 we were required to report on any outstanding recommendations made by the PAC. We reported there were no outstanding recommendations.

Since the Departmental Report 2008 the PAC has published four reports on HM Revenue & Customs. This section details the recommendations by the PAC with our response. The recommendations are all being actioned.

2007-08 20th Report (HC47): Helping Individuals understand and complete their tax forms published on 15 May 2008.

PAC recommendation

- The Department's website is not user friendly. It should improve accessibility, with a more effective search engine and navigation tools.
- Only 10% of the Department's forms advertise the availability of documents in alternative formats for blind and partially sighted people, special telephone numbers for people who are hard of hearing and translation services.
- In a sample of commonly used guidance leaflets, half required a reading age higher than the national average. The guidance accompanying the Department's forms is lengthy and dense, making it difficult to understand. The Department should shorten the supplementary guidance for its forms and make more use of plain language.

HMRC Action

- We have already taken significant steps to improve our website. The improvements include better navigation, improved search and a new 'find a form' tool that enables customers to find the form they are looking for quickly and easily.
- The Department agrees that its forms and guidance should advertise available services for customers requiring special assistance and acknowledges that this is an area requiring improvement. The Department is taking every opportunity to build in signposting to its range of services for people with disabilities, including Braille, audio and large print.
- We are committed to making guidance that accompanies forms easy to read and digest so that customers can meet their obligations and understand their entitlements. We have already made improvements in this area starting with some of our most widely used forms such as P2, PAYE Notice of Coding.

2007-08 30th Report (HC302): Management of Large Business Corporation Tax published on 21 October 2008.

PAC recommendation

- Businesses in the United Kingdom can legitimately reduce their Corporation Tax payments by claiming a range of reliefs and allowances. In some cases the liability may reduce to zero, even though the businesses have made profits. The amount of tax foregone is likely to be substantial, but is not visible. The Department should publish an annual analysis by industry sector of the extent of these reliefs and allowances, as well as their effect on tax revenues.
- Of the £2.7bn additional tax generated by the Department's Corporation Tax enquiries in 2006-07, 99% came from 40% of the enquiries. To increase the yield from enquiries and make better use of its staff the Department should target those businesses that pose the greatest risks of non compliance. To demonstrate its progress in targeting risks it should publish annually the distribution of its enquiries by value.
- The Department has appointed Customer Relationship Managers (CRM) to improve the relationship with large businesses and identify key risks across the different taxes. To establish whether the customer relationship manager role adds value, and improve overall compliance, the Department should undertake evaluation of their effectiveness by the end of 2009.
- The Large Business Service faces a loss of skills and industry knowledge as more and more experienced staff are due to retire. The Department should assess the number and skills of staff it needs over the next 10 years and how it will recruit them and develop a linked training programme to enable it to have sufficient expertise for its work.

HMRC Action

- A limited amount of sector based information is currently published within the regular national statistics. These statistics are updated annually. To augment explanations of sector tax revenues, the Department will investigate the feasibility of producing sector by sector analysis of the entitlements to reliefs and allowances given to large business, evaluating the potential costs of production.
- A sector by sector analysis of reliefs and allowances could in some cases expose individual businesses to identification. The information published would therefore be constrained by the duty in law the Department has not to disclose information that would enable the tax details of individual businesses to be identified or deduced.
- The Department has made significant progress in targeting corporation tax enquiries into areas of greatest risk. The number of open Large Business Service (LBS) enquiries into less significant risks has dropped from 2140 in April 2007 to 288 in October 2008.
- The development of the CRM role is one of a number of changes made by the Department both prior to and following the Review of Links with Large Business. Feedback from surveys of Business is that the CRM model is widely welcomed and has resulted in significantly improved relationships and improved accountabilities across taxes. A 2007 survey found that there was a link between those businesses who had a good relationship with us and their willingness to be open with us – the Department recognises that for large business, good compliance is based on openness and transparency. A specific review of the CRM model is being undertaken in 2009.
- We have recently reviewed the skills requirement of our tax professionals and put in place a rigorous training and recruitment programme to ensure that, even as staff retire, the Department has the most up to date skills. High quality tax professionals are needed in order to collect tax and fund public services. To achieve this, the Department is investing in a long term programme to improve and maintain the skills and knowledge of our staff at all levels.

2008-09 55th Report (HC712): Tackling the Hidden Economy published on 9 December 2008.

PAC recommendations

- In common with other tax authorities, the Department does not have robust estimates of the tax lost from the hidden economy. A firmer estimate would help the Department judge the scale of the problem posed by the hidden economy and whether it is doing enough to tackle it.
- The Department can impose penalties of up to 100% of the tax deducted, but usually does not do so. The average penalty is only 3%. When the new penalty regime comes in to force, the Department should use the full range of penalties available and track the number and value of penalties levied compared to the tax involved. It should also rigorously apply the penalty rules for those it detects who failed to come forward voluntarily under the Offshore Disclosure arrangements.
- For every thousand cases detected only two are prosecuted. The Department achieves limited publicity for prosecutions reducing the deterrent effect. In comparison the Department for Work and Pensions secures 60 prosecutions per thousand fraud cases. The Department should double the number of prosecutions. It should also raise public awareness about the risk of detection and punishment by advertising the results of its work through, for example, its website and contacts with trade and professional organisations.

HMRC Action

- We continue to engage with the European Commission project, learning from the work in developing more robust estimates in this challenging area. The Department is also looking at the scale and most effective way to measure debt.
- The imposition of graduated tax geared penalties remains a key feature of the new penalty regime. The regime is designed to steer customer behaviour towards compliance and this principle applies equally to the hidden economy. The new media strategy for hidden economy will assist the Department in underlining the penalties for not complying. The Department will carefully monitor the introduction

Annex C
Committee of Public Accounts (PAC) recommendations

of the new penalties. It also accepts the need to rigorously apply the existing penalty rules for those it detects who have failed to come forward, including those given the opportunity to declare through the Offshore Disclosure arrangements.

- Through the Hidden Economy Stakeholder Group, the Department is looking critically at investigation/prosecution levels. The Department is seeking to establish an achievable framework and targets for prosecutions, ensuring appropriate case selection and resources for hidden economy prosecutions, and measuring the level of deterrent effect attained. These projects are in their infancy and will be rolled out during 2009. It is too early to be able to provide yield/case figures. We will also be working closely with appropriate professional and trade organisations that are active in the area.

2007-08 14th Report (HC 311): Tax Credits and Income Tax published on 24 March 2009.

PAC recommendation

- The Department considers the root cause of problems with tax credits is the obligation placed on claimants to report changes in circumstances as they occur,but these procedures are complex and create many difficulties for many claimants.

HMRC Action

- The Tax Credits Transformation Programme continues to improve the service HMRC provides to the diverse range of people receiving tax credits. It aims to tailor support to individuals needs and to make the process of claiming,receiving and renewing tax credits easier for claimants and reduce the scope for error.

Annex D
Spending plans

The following tables, except Table 6, provide details of HMRC's expenditure over an eight-year period. They identify resource consumption and capital investment within Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). The data includes Voted and non-Voted expenditure.

DEL budgets are negotiated with HM Treasury. The 2007 Comprehensive Spending Review, covers the three years from 2008-09 to 2010-11 during which HMRC is faced with a 4.9% real term reduction in total spend, to be met by continuing modernisation and efficiency within HMRC systems and working practices.

AME budgets are not easily controllable and are mainly demand-led. They are set at the beginning of each year through Main Estimates and are updated during the year via the Winter and Spring Supplementary Estimate processes.

Table 1 – Total Departmental spending

Total Departmental spending comprises resource and capital budgets less depreciation, which is excluded to avoid double counting. Figures are split between DEL and AME spending controls. HMRC was formed in 2005-06 from the former Inland Revenue and HM Customs and Excise Departments. The figures produced in the tables prior to this Machinery of Government change combine the former Departments' costs, less expenditure associated with the transfers to the other Government Departments of the Revenue and Customs Prosecution Office in 2005-06 and the Serious Organised Crime Agency in 2006-07. The DEL limits shown in this table and other expenditure tables include funding that is expected to be transferred to the UK Border Agency (UKBA) later in the 2009-10 financial year. This anticipated machinery of government change will transfer over 4,000 posts to the new agency.

Tables 2 and 3 – Resource and Capital budgets split by DEL and AME

These tables provide similar information to table 1. More detail however, is provided by analysing the Resource and Capital budgets by our three Departmental Strategic Objectives (DSOs) for Request for Resources (RFR) 1, which represents the core department. Additionally costs for the remaining four RfRs are shown independently. The three DSOs are as follows:

- to improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled;
- to improve customers' experience of HMRC and improve the UK business environment; and
- to reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being.

In Tables 2, 3 and 5 we have calculated the costs by objective for 2007-08 and beyond to better reflect current circumstances. Figures for 2005-06 and 2006-07 were calculated on a different basis.

Table 4 – Capital Employed

This table is presented in a Balance Sheet format, providing an analysis by assets and liabilities. Tangible fixed assets are broken down further.

Table 5 – Administration Costs

This table presents in more detail data concerning the administration costs associated with running the department, split by paybill and other costs and administration receipts.

Table 6 – Staff Numbers

This table shows actual and projected staff numbers for the department. Figures are based on full-time equivalents.

Tables 7-9 – Country and Regional Analysis

See separate notes following table 6.

Annex D
Spending plans

Table 1 – Total Departmental spending (£m)

Resource budget
Resource DEL
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
Total resource budget DEL
of which:
Near-cash
Resource AME
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
Total resource budget AME
of which:
Near-cash
Total resource budget
of which:
depreciation
Capital budget
Capital DEL
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
Total capital budget DEL
Capital AME
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
Total capital budget AME
Total capital budget
Total departmental spending[†]
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
Total departmental spending[†]
of which:
Total DEL
Total AME
[†] Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.
Spending by local authorities on functions relevant to the department
Current spending
of which:
financed by grants from budgets above
Capital spending
of which:
financed by grants from budgets above[††]

[†] This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
3,913	4,243	4,393	4,577	4,361	4,429	4,258	4,153
3,913	**4,243**	**4,393**	**4,577**	**4,361**	**4,429**	**4,258**	**4,153**
3,776	3,991	4,157	4,326	4,135	4,176	3,960	3,862
19,884	21,735	23,002	24,758	26,391	30,005	33,099	33,617
19,884	**21,735**	**23,002**	**24,758**	**26,391**	**30,005**	**33,099**	**33,617**
19,462	21,453	23,224	24,794	26,361	30,009	33,099	33,617
23,796	**25,979**	**27,395**	**29,336**	**30,752**	**34,435**	**37,357**	**37,770**
136	291	159	186	194	218	195	218
227	409	379	305	257	298	255	248
227	**409**	**379**	**305**	**257**	**298**	**255**	**248**
0	0	444	256	212	287	370	495
0	**0**	**444**	**256**	**212**	**287**	**370**	**495**
227	**409**	**823**	**561**	**469**	**586**	**625**	**743**
23,887	26,097	28,058	29,710	31,026	34,083	37,787	38,295
23,887	**26,097**	**28,058**	**29,710**	**31,026**	**34,083**	**37,787**	**38,295**
4,004	4,423	4,612	4,696	4,440	4,526	4,318	4,183
19,884	21,674	23,446	25,015	26,586	30,277	33,469	34,112
0	0	0	0	0	–	–	–
0	0	0	0	0	–	–	–
0	0	0	0	0	–	–	–
0	0	0	0	0	–	–	–

Notes:
[1] The figures do not show any adjustments for UKBA transfer planned for 2009-10; they do however, include a machinery of government change in respect of the Rent Service joining the Valuation Office Agency.
[2] From 2008-09, payments are made in respect of Health in Pregnancy Grant, under the heading, Making payments of Child Benefit and Child Trust Fund endowment.

Annex D
Spending plans

Table 2 – Resource budget DEL and AME (£m)

Resource DEL
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
of which:
To improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled;
To improve customers' experience of HMRC and improve the UK business environment;
To reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being.
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes
Total resource budget DEL
of which:
Near-cash
of which:†
Pay
Procurement
Current grants and subsidies to the private sector and abroad
Current grants to local authorities
Depreciation
Resource AME
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
of which:
Revaluation Losses
PAYE online filing incentive payments
Providing payments in lieu of tax relief to certain bodies and expenditure on tax credits
Making payments of rates to local authorities on behalf of certain bodies
Making payments of Child Benefit and Child Trust Fund endowment payments
Total resource budget AME
of which:
Near-cash
of which:†
Pay
Procurement
Current grants and subsidies to the private sector and abroad
Current grants to local authorities
Depreciation
Total resource budget

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but aren't included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

Notes:

1 The figures do not show any adjustments for UKBA transfer planned for 2009-10.

2 Payments and receipts in relation of shipbuilders' relief are included in the DSO split 1 line of Resource DEL expenditure.

3 From 2008-09 payments are made in respect in respect of Health in Pregnancy Grants under the heading 'Making payments of Child Benefit and Child Trust Fund endowment payments'.

2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
3,913	**4,243**	**4,393**	**4,577**	**4,361**	**4,429**	**4,258**	**4,153**
2,989	3,217	3,363	3,506	3,342	3,406	3,269	3,188
535	600	602	627	745	759	729	711
393	432	432	450	284	271	260	254
-4	-6	-4	-5	-9	-7	0	0
3,913	**4,243**	**4,393**	**4,577**	**4,361**	**4,429**	**4,258**	**4,153**
3,776	3,991	4,157	4,326	4,135	4,176	3,960	3,862
2,391	2,562	2,741	2,903	2,858	2,819	-	-
1,397	1,444	1,416	1,459	1,310	1,340	1,291	1,318
0	0	0	7	0	19	0	0
0	0	0	0	0	0	0	0
136	229	159	186	177	202	195	218
19,884	**21,735**	**23,002**	**24,758**	**26,391**	**30,005**	**33,099**	**33,617**
0	62	0	0	16	0	0	0
0	-	225	278	126	181	110	0
10,015	11,837	13,206	14,333	15,552	18,592	21,039	21,632
31	32	29	29	30	29	33	34
9,838	9,805	9,541	10,117	10,667	11,187	11,917	11,952
19,884	**21,735**	**23,002**	**24,758**	**26,391**	**30,009**	**33,099**	**33,617**
19,462	21,453	23,224	24,758	26,391	30,118	33,099	33,617
0	0	0	0	0	0	0	0
31	32	29	46	41	35	33	34
19,431	21,421	23,195	24,748	26,320	29,974	33,066	33,584
0	0	0	0	0	0	0	0
0	62	0	0	16	0	0	0
23,796	**25,979**	**27,395**	**29,336**	**30,752**	**34,435**	**37,357**	**37,770**

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Table 3 – Capital Budget DEL and AME (£m)

Capital DEL To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
of which: To improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled;
To improve customers' experience of HMRC and improve the UK business environment;
To reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being.
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes
Total capital budget DEL
of which: Capital expenditure on fixed assets net of sales[†]
Capital grants to the private sector and abroad
Net lending to private sector
Capital support to public corporations
Capital support to local authorities[††]
Capital AME
To administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
of which:
Making payments of Child Benefit and Child Trust Fund endowment payments
Total capital budget AME
Total capital budget
of which: Capital expenditure on fixed assets net of sales[†]
Less depreciation[†††]
Net capital expenditure on tangible fixed assets

[†] Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

[††] This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

[†††] Included in Resource Budget.

Note: The figures do not show any adjustments for UKBA transfer planned for 2009-10.

2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
227	409	379	305	257	298	255	248
122	226	280	224	188	222	184	184
72	142	50	40	42	49	41	41
15	32	36	29	16	18	15	15
18	10	13	12	11	9	15	9
227	409	379	305	257	298	255	248
227	409	379	303	257	298	251	245
0	0	0	2	0	0	0	0
0	0	0	0	0	-13	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	444	256	212	300	370	495
0	0	444	256	212	300	370	495
0	0	444	256	212	300	370	495
227	409	823	561	469	586	625	743
227	409	379	303	257	298	251	245
136	291	159	186	194	240	195	218
91	118	220	117	63	59	56	26

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Table 4 – Capital employed (£m)

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Assets and liabilities on the balance sheet at end of year:								
Assets Fixed assets	808	966	1,235	1,305	1,399	1,518	1,544	1,553
Intangible	7	17	11	8	6	14	15	16
Tangible	801	949	1,224	1,297	1,393	1,504	1,529	1,537
of which: Freehold land and buildings	5	90	94	91	107	94	92	91
Accommodation refurbishments	82	94	81	82	72	81	91	98
Computers	129	79	94	76	59	49	36	21
Vehicles	15	15	13	9	8	9	8	6
Furniture and fittings	78	58	57	56	36	37	35	34
Developed computer software	335	410	551	717	867	903	980	1,019
Assets under construction	100	143	270	225	211	298	250	228
Vessels	18	21	21	19	17	16	14	13
Scientific Aids	39	39	43	21	17	17	23	27
Debtors falling due after more than one year	177	216	195	180	167	154	141	130
Current assets	400	406	448	541	572	881	943	994
Creditors (< 1 year)	-626	-1,153	-1,165	-1,132	-1,135	-1,649	-1,305	-1,338
Creditors (> 1 year)	0	-182	-186	-189	-193	-197	-201	-205
Provisions	-481	-332	-244	-258	-297	-307	-296	-304
Capital employed within main department	278	-79	283	444	513	400	826	830
NDPB net assets								
Total capital employed in departmental group	278	-79	283	444	513	400	826	830

Notes:
The above figures do not include any adjustments for IRFS for 2009-10 and 2010-11.
The figures are based on the UK GAAP accounting standards.
The figures do not show any adjustments for UKBA transfer planned for 2009-10.

Table 5 – Administration costs (£m)

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Administration Expenditure:								
Paybill	2,496	2,648	2,751	2,904	2,860	2,822	-	-
Other	1,599	1,754	1,828	1,870	1,774	1,907	-	-
Total administration expenditure	4,095	4,402	4,580	4,774	4,635	4,729	4,440	4,329
Administration income	-239	-250	-333	-275	-340	-407	-281	-273
Total administration budget	**3,856**	**4,152**	**4,246**	**4,499**	**4,295**	**4,322**	**4,159**	**4,056**
Analysis by activity:								
To improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled	2,970	3,185	3,250	3,444	3,290	3,325	3,193	3,114
To improve customers' experience of HMRC and improve the UK business environment	503	550	582	617	733	740	712	694
To reduce the risk of the illicit import and export of material, which might harm the UK's physical and social well-being	387	423	418	443	279	264	254	248
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes	-4	-6	-4	-5	-8	-	-	-
Total administration budget	**3,856**	**4,152**	**4,246**	**4,499**	**4,295**	**4,322**	**4,159**	**4,056**

Note:
The figures do not show any adjustments for UKBA transfer planned for 2009-10; they do however, include a machinery of government charge in respect of the Rent Service joining the Valuation Office Agency.

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Table 6 – Staff numbers

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans*
HMRC:							
Permanent staff	95,896	98,821	95,337	91,373	85,769	82,003	78,192
Overtime	1,452	822	783	750	1,032	503	503
Total	**97,348**	**99,643**	**96,120**	**92,123**	**86,801**	**82,506**	**78,695**
Valuation Office Agency:							
Permanent staff	4,510	4,955	5,084	4,425	4,092	3,843	3,970
Overtime	60	33	23	58	17	9.75	15
Total	**4,570**	**4,988**	**5,107**	**4,483**	**4,109**	**3,853**	**3,985**

* The plans reflect our current staff year usage over each year based on our forecast staff in post plans. The staff year usage for 2009-10 HMRC includes Detection/UKBA.

Country and regional analyses

1. **Tables 7, 8 and 9** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2009. The figures were taken from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.
3. TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2009.
4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
6. The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2009. These are not the same as the strategic priorities shown elsewhere in the report.

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Table 7 – Identifiable expenditure on services, by country and region (£m)

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	904.1	990.2	1,071.9	1,126.9	1,192.9	1,333.3	1,504.8	1,495.4
North West	2,434.2	2,665.0	2,905.3	3,072.8	3,283.5	3,668.0	4,138.1	4,114.0
Yorkshire and The Humber	1,787.1	1,945.9	2,149.4	2,279.7	2,431.0	2,701.2	3,048.8	3,031.4
East Midlands	1,430.2	1,554.2	1,723.2	1,830.3	1,940.4	2,143.8	2,416.8	2,402.4
West Midlands	1,860.8	2,050.5	2,267.2	2,400.4	2,563.7	2,855.9	3,222.3	3,204.3
East	1,679.0	1,798.3	1,981.3	2,119. 8	2,241.4	2,468.5	2,775.5	2,761.9
London	1,971.6	2,130.3	2,840.3	3,086.0	3,373.7	3,818.0	4,302.3	4,277.8
South East	2,242.9	2,658.3	2,803.9	2,978.3	3,131.2	3,440.9	3,865.8	3,848.4
South West	1,780.6	1,971.5	1854.1	1,956.0	2,051.2	2,260.2	2,545.6	2,533.0
Total England	**16,090.5**	**17,764.2**	**19,596.5**	**20,850.2**	**22,208.8**	**24,689.8**	**27,819.9**	**27,668.4**
Scotland	1,633.3	1,778.8	1,934.5	2,022.4	2,134.4	2,371.7	2,673.8	2,657.4
Wales	1,021.0	1,117.9	1,215.7	1,275.6	1,351.5	1,509.3	1,703.2	1,693.3
Northern Ireland	666.1	725.4	780.2	824.1	873.2	974.6	1,099.2	1,092.6
Total UK identifiable expenditure	**19,410.9**	**21,386.3**	**23,526.9**	**24,972.2**	**26,567.8**	**29,545.4**	**33,296.1**	**33,111.7**
Outside UK	26.8	33.0	100.7	59.7	57.8	62.7	71.0	70.3
Total identifiable expenditure	**19,437.7**	**21,419.3**	**23,627.6**	**25,031.9**	**26,625.6**	**29,608.1**	**33,367.1**	**33,182.1**
Non-identifiable expenditure	4,034.9	4,447.7	4,574.9	4,690.1	4,576.8	4,439.8	4,246.6	4,143.1
Total expenditure on services	**23,472.7**	**25,867.0**	**28,202.5**	**29,772.0**	**31,202.5**	**34,047.9**	**37,613.7**	**37,325.1**

Table 8 – Identifiable expenditure on services by country and region, per head (£ per head)

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	356	390	420	441	465	519	584	579
North West	358	391	425	448	478	531	596	590
Yorkshire and The Humber	355	384	421	443	470	516	578	569
East Midlands	336	362	398	419	441	482	537	529
West Midlands	350	385	424	447	476	527	592	585
East	307	326	356	378	396	432	481	474
London	268	288	381	411	446	501	560	552
South East	277	327	343	362	377	412	459	454
South West	356	391	365	382	396	433	483	476
Total England	**323**	**354**	**388**	**411**	**435**	**480**	**536**	**529**
Scotland	323	350	380	395	415	460	517	512
Wales	348	379	412	430	454	504	566	560
Northern Ireland	391	424	452	473	496	550	615	607
Total UK identifiable expenditure	**326**	**357**	**391**	**412**	**436**	**481**	**538**	**531**

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Table 9 – HMRC identifiable expenditure on services by function, country and region, for 2007-08

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East
General public services								
Executive and legislative organs, financial and fiscal affairs, external affairs	4.0	11.9	8.7	7.8	9.2	11.7	23.0	19.1
General public services n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total general public services	**4.0**	**11.9**	**8.7**	**7.8**	**9.2**	**11.7**	**23.0**	**19.1**
Economic affairs								
Mining, manufacturing and construction	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
R&D economic affairs	4.9	14.5	10.6	9.4	11.2	14.0	27.7	22.7
Total economic affairs	4.9	13.4	10.6	9.4	11.2	14.0	27.7	22.7
Environment protection								
Environment protection n.e.c	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Total environment protection	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Social protection								
Old age	3.0	7.9	5.9	5.9	6.9	7.9	8.9	10.9
Family and children	1,180.7	3,249.3	2,405.1	1,916.6	2,535.7	2,206.9	3,312.3	3,077.1
Housing	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Social protection n.e.c.	0.3	0.7	0.5	0.5	0.6	0.7	1.4	1.2
Total social protection	**1,183.9**	**3,258.0**	**2,411.6**	**1,923.1**	**2,543.3**	**2,215.6**	**3,322.8**	**3,089.3**
TOTAL FOR HMRC	**1,192.8**	**3,283.5**	**2,431.0**	**1,940.4**	**2,563.7**	**2,241.4**	**3,373.7**	**3,131.2**

South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	Outside UK	Total Identifiable expenditure	Not Identifiable	£'s Millions Totals
9.4	104.7	10.1	4.3	3.0	122.1	0.0	122.1	4,576.8	4,698.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9.4	**104.7**	**10.1**	**4.3**	**3.0**	**122.1**	**0.0**	**122.1**	**4,576.8**	**4,698.9**
0.0	-1.0	-1.5	0.0	0.0	-2.5	0.0	-2.5	0.0	-2.5
11.4	126.3	11.9	5.4	3.4	147.0	0.0	147.0	0.0	147.0
11.4	125.3	10.4	5.4	3.4	144.5	0.0	144.5	0.0	144.5
0.1	0.9	0.1	0.0	0.0	1.0	0.0	1.0	0.0	1.0
0.1	**0.9**	**0.1**	**0.0**	**0.0**	**1.0**	**0.0**	**1.0**	**0.0**	**1.0**
6.9	64.1	5.9	3.0	2.0	75.0	0.0	75.0	0.0	75.0
2,022.8	21,906.4	2,107.2	1,338.5	864.6	26,216.6	57.8	26,274.4	0.0	26,274.4
0.1	0.9	0.1	0.0	0.0	1.1	0.0	1.1	0.0	1.1
0.6	6.5	0.6	0.3	0.2	7.5	0.0	7.5	0.0	7.5
2,030.3	21,977.9	2,113.8	1,341.8	866.8	26,300.2	57.8	26,358.0	0.0	26,358.0
2,051.2	22,208.8	2,134.4	1,351.5	873.2	26,567.8	57.8	26,625.6	4,576.8	31,202.5

Annex E
Statistics and other Information

Complaints

We have continued with the framework introduced last year. This allows us to compare this year with the previous year's data.

The numbers include mistakes, delays, poor or misleading advice or guidance and staff behaviour.

Matters that can be appealed to the VAT and Duties Tribunal, the General or Special Commissioners, the Appeals Service or the courts such as a disputed assessment or liability decision, or the seizure or restoration of goods or vehicles are excluded.

Complaints received by HMRC

Business Activity	2007-08	2008-09
Charities Assets and Residence	801	1,134
Child Benefit Office	2,612	2,374
Contact Centres	5,905	7,644
Debt Management and Banking	4,204	4,267
Enquiry Centres	99	65
Local Compliance	2,583	2,275
Law Enforcement	1,567	1,443
Processing Offices	12,467	17,264
National Teams & Special Civil Investigation	2,350	1,140
National Insurance Contributions	4,496	3,597
National Operational Services	1,232	580
Online Services	514	1,443
Stamps and Taxes	1,867	584
Tax Credit Offices	38,528	41,107
Valuation Office Agency	*2,150	2,362
Totals	**81,375**	**87,179**

Note:
We paid redress of £2.69m* in 2008-09, in respect of our mistakes and unreasonable delays compared to £2.65m paid during 2007-08 and £2.46m paid during 2006-07.

* This is based on ex-gratia and ex-statutory redress payments paid in the year.

Number of Senior Civil Servants

On 1 April 2009 HMRC employed 436 Senior Civil Servants (SCS).

SCS Grade	Number (as at 1 April 2009)
SCS1	311
SCS1A	70
SCS2	45
SCS3	8
Permanent Secretary	2
Total	**436**

In 2008-09:

There were 13 SCS jobholders on secondment to other departments and the private sector. 14 people were on temporary promotion into the SCS for development purposes.

The number of SCS posts in HMRC has reduced by 1.6% – 7 posts in the last 12 months. We will be reviewing the size and composition of our SCS cadre in the context of our emerging business strategy and the wider Civil Service context.

Recruitment practice

We have controls in place to ensure that employees who are potentially surplus are re-deployed as a priority into permanent posts. These controls have been critical in helping the department exceed its SR04 efficiency targets, reducing our workforce by 15,000 at March 2008, against a target of 12,500. Since the start of SR04 period, our workforce has been reduced by around 18,000 at 31 March 2009.

Approval is only given for recruitment, both permanent and fixed term, where it is necessary to support business performance. The Department balances business resource needs and efficiency targets, against external recruitment needs and will continue to operate these controls, only bringing in resource and skills that are critical to re-structuring of the business, implementation of Workforce Change plans and efficient delivery of our business objectives.

We have successfully filled key senior positions including those of the Chief People Officer, Chief Finance Officer, four Non-Executive Directors, the Adjudicator, and Head of Security and Business Continuity. In addition, 21 SCS posts were filled externally, the majority being Fixed Term Appointments; 6 SCS posts were filled via cross-Whitehall campaigns, permanent appointments were in line with Civil Service rules; and 15 SCS posts were filled via internal competitions.

We recruited for 225 specialist posts, for example Accountants and Statisticians, increasingly using the online external recruitment process, previously used for large scale recruitment campaigns. The online approach greatly aids the efficiency with which the department recruits and provides a flexible, user-friendly experience for job applicants, whilst the annual audit of the Department's recruitment campaigns demonstrated good compliance with the Civil Service Commissioners' Recruitment Code.

Annex E
Statistics and other Information

Health and Safety

Our arrangements for Health and Safety (H&S) governance have been enhanced by engagement with Board-level committees to discuss our H&S plans and the development indicators to improve the measurement of our performance. We report information monthly to Directors that highlight incident trends and the action taken to control risk.

We are committed to engagement with representatives of staff, at both national and local level, and this has included consultation on policies and audit plans, as well as providing them with regular information on specific incidents and trends.

The access to health and safety support and advice for our managers and staff has been made easier and we have implemented a Stress Tool that supports published stress guidance, which is based on the Health & Safety Executive Stress Management Standards. Our Occupational Health Service delivers a wide range of products in support of our commitment to reducing work-related ill health, and making reasonable adjustments for staff with particular needs, including the completion of over 6,000 specialist workstation assessments.

Management of health and safety at site level has been improved, through development of the Senior Responsible Manager role and the introduction of an assurance and certification programme.

During the transfer of staff and activities to the UK Border Agency we have worked with managers and colleagues in other departments to co-ordinate the assessment and control of H&S risks. We are members of a cross government group which shares and promotes best practice and which, as part of its developing portfolio, will strive to improve health and safety across departments.

H&S Accident, ill-health and violence statistics

RIDDOR Incidents[1]	
Fatal injuries	0
Major injuries	15
Dangerous occurrences	1
Over 3 day injuries	88
Diseases (including RSI)[2]	36
RIDDOR Reportable Total	**140**

Non-RIDDOR Incidents:	
Upper Limb Disorder	160
Stress	268
Slips, trips and falls	686
Reports of violence and verbal abuse	317
Other	1866
Non-RIDDOR Reportable Total	**3297**

[1] Incidents reportable to the HSE under 'RIDDOR'– Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

[2] Repetitive Strain Injury.

Sickness absences

In 2008-09, the average days lost to sickness per person was 10.4 compared to 10.3 in 2007-08. Business Directors have agreed more stretching targets with a view to reducing this figure in 2009-10.

Key achievements in 2008-09

Communications and guidance – the Improving Attendance intranet pages were enhanced in August 2008 to provide a 'one stop shop' for our employees. Information includes:

- key facts to raise awareness of the impact of absences;
- statistical information about performance against targets to reduce absence; and
- best practice for managers and details of sources of advice and support.

Reducing workplace stress – a new team based stress risk assessment tool was launched in February 2009 to help managers identify and deal with stress in the workplace.

Local initiatives – individual business areas have introduced approaches to improving attendance, such as nominating senior managers as Attendance Champions to provide support and advice to local managers.

The future

Communications – Implementation of the Attendance Communications Plan will:

- highlight what our people should expect from us and what we expect from them as far as attendance is concerned;
- encourage and support managers in discussing key topics at team meetings; and
- inform people how to provide feedback and share successes and best practice.

Management capability – A new workshop is to be made available through the Developing Confident Managers programme, where managers can discuss and share ideas and good practice on improving attendance.

Consultancy and professional services

We engage consultants for a variety of roles in the Department. Typically this is when we do not have the necessary skills internally or where a different external expert opinion on complex issues is required. Requirements fall in two key areas – information technology and management consultancy.

Our spending on consultancy fell in 2007-08, by 33% but has shown an increase in 2008-09 to £64.6m.

The increase in expenditure is due to the continuing and growing need to consult external advisers and to buy in technological expertise to support delivery of our Vision and strategic objectives in the following major Departmental Transformation Programmes (DTP):

- Government Banking
- Modernisation of PAYE Processes for Customers (MPPC)
- Pacesetter/Lean
- Data Security
- Compliance and Enforcement

We have introduced a range of measures to improve control over the use of consultants as well as strengthening the demand management process, through better identification of any proposed expenditure. These controls include Chief Executive approval in significant cases.

We have further improved the quality and frequency of management information on demand, expenditure and supplier performance to enhance governance of process and improve value for money.

We are a committed member of the OGC Consultancy Value Programme and continues to actively participate in initiatives to engage and manage consultants, influence better skills transfer and achieve best value from our suppliers consistently across Government.

Annex E
Statistics and other Information

Summary of controlled drugs seizures

Drug	Number of seizures	Weight of seizures (kg)
Heroin	172	1,031
Cocaine (including crack)	1,051	2,612
Ecstasy	20	62
Other Synthetics[1]	81	1,829
Cannabis (herbal, resin and liquid)	3,324	57,541

[1] Other Synthetics includes Amphetamines, Flunitrazepam, LSD and Methamphetamine.

Prohibited and restricted goods

The following tables set out summary seizure statistics for the period 1 April 2008 to 31 March 2009.

(a) Products of Animal Origin

(i) Totals

	Total number of seizures	Total weight of items seized (nearest kg)
	20,537	**191,313 (+16,403 litres)**

(ii) Weight of seizures by type of animal product

	Number of items seized	Weight of items seized (nearest kg)
Animal Product		
Meat	11,291	76,842
Fish	5,608	52,641
Dairy	6,275	53,326 (+16,403 litres)
Honey	1,329	8,504

Note:
- The totals for the number of times each type of animal product is seized exceed the total number of seizures because some seizures include more than one category of animal product.

(b) Items seized under the Convention on the International Trade in Endangered Species (CITES)

	Number of seizures	Number of items seized	Weight of items seized (nearest kg)
Live animals and birds	37	1,212	n/a
Parts and derivatives of endangered species	109	1,536	54.3
Ivory	13	24	2.2
Plants	53	2,100	1,124.2
Other CITES listed species	49	600	78.9
Preparations of oriental medicines which include parts or derivatives of endangered species	63	4,435	309.3

Notes:
- CITES seizures are recorded by weight or by number of items seized, according to whichever is the most practical.
- Other CITES listed species include coral, caviar and ginseng.
- The total number of CITES seizures is 329, as some seizures combine two or more categories.

(c) Plants and plant products subject to plant health controls

	Number of seizures	Weight of items seized (nearest kg)
Plants and plant products	11,291	76,842

Notes:
- These seizures include plants, products and forestry items which are subject to plant health controls and which are not controlled as CITES species.
- Seizures of plant based goods are recorded by weight and not the number of items seized.
- Seizures of live plants are recorded in units.

(d) Pornography and paedophilia

	Number of seizures	Total number of items seized
Adult pornographic material	437	2,278
Paedophile material	138	500

Annex E
Statistics and other Information

(e) Firearms, offensive weapons, explosives, fireworks etc.

	Number of seizures	Total number of items seized
Rifles and handguns	204	536
Shotguns	8	11
Parts of firearms	17	98
Ammunition	22	10,961
Stun guns	113	160
Self-defence sprays	203	464
Knives and other offensive weapons	2,327	5,978
Fireworks, pyrotechnic articles and explosive materials	11	183

Notes:
- Rifles and handguns include automatic weapons, air and gas guns and readily convertible replica guns.
- Other offensive weapons include martial arts weapons, knuckledusters, sword sticks, blowpipes and truncheons.

(f) Other prohibited and restricted goods seized

	Number of seizures	Total number of items seized
Exports of strategic goods and goods to embargoed destinations	50	1,080
Radio transmitters	1	1
Cultural goods	2	2
Goods breaching intellectual property rights	1,805	3,165,849
Rough diamonds	1	1

Notes:
- Strategic goods are defined as all items on the UK's military list and dual use goods under EC Regulation 1334/2000 that require export licences. Embargoed destinations are those countries that are subject to UN, EU, the Organisation for Security and Co-operation in Europe (OSCE) and UK arms embargoes.

Annex F
Publicity and advertising

This year we ran ten marketing campaigns; ranging from Tax Credits, through Business Tax Help to personal food imports; each one supports our Vision and our departmental objectives. Four of the highlights are detailed below:

Health in Pregnancy Grant

The Health in Pregnancy Grant is a new one-off payment of £190 for all eligible pregnant women from the 25th week of pregnancy. In preparation for its launch in April 2009 we ran a marketing communications programme aimed at both mums-to-be and healthcare professionals. This work included a very successful partnership with the Royal College of Midwives and for Mums-to-Be includes text messaging and email facility, which they can sign up to and receive automatic reminders of their claim deadline. So far 117,000 claims have been received and over 20,000 responses to the SMS and email facility.

Tax Help

In 2006, the National Audit Office published a report into the administrative burdens placed on new businesses: ‘Helping newly registered businesses meet their tax obligations’. We have since developed a marketing strategy to address the recommendations on how to improve the experience of managing taxes for new and small businesses – to prove that ‘tax doesn’t have to be taxing’. We have developed and introduced new support materials and tools, that provide ‘just enough information’ without being overwhelming, in simple and consistent language, with clear signposting to further support.

This includes: online help, videos featuring real life business examples on a range of tax topics; a programme of partnerships with intermediaries and third parties, to channel support and information out to small businesses; the video diaries which follow three real-life small businesses and the ‘Love your computer’ advertising campaign, which promotes the new online videos and the help available on the Businesslink Taxhelp web page. There were 121,263 visits to the site between 29 December 2008 to 31 March 2009. Our latest campaign tracking research shows that over 50% of small and medium-sized businesses agreed that doing their tax was getting easier. This is a key indicator of the success of the campaign.

Student Tax Advice

We ran a campaign between August and December to raise awareness and educate students about tax and national insurance, providing them with information that will be useful both now and for the rest of their working lives.

The campaign consisted of a number of online resources, utilising websites such as Facebook and YouTube which attracted 13,000 users to a new online application. Directgov hosted a dedicated page for students at www.direct.gov.uk/studentaxadvice and over 18,000 people viewed the website in the first eight weeks. Nearly 1,000 posters and over 26,000 leaflets were also distributed to over 90 universities and further education colleges. Working with our press office team we achieved more than 40 pieces of coverage on student blogs, forums and websites as well as national newspapers. The campaign achieved an excellent reach estimated at 40% of all students in the UK.

SA Online Filing

The Self Assessment campaign ran in two main bursts during the months of October 2008 and January 2009. Throughout October we used national TV and radio together with national and specialist press display advertising. We used outdoor posters nationally and also used online display. The key message was to promote the October 31 deadline for filing on paper. During January we used the same media as in October to deliver the key message to file online by 31 January – resulting in record online returns of over 5.8 million. The same creative style featuring Moira Stuart ran across both campaigns.

Annex G
Outstanding Spending Review 04 (SR04) targets

This table provides an update on our performance against the outstanding SR04 targets.

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

Target		Baseline	Latest Assessment	Target
1	By 2007-08, reduce the scale of VAT losses to no more than 11% of the theoretical liability.	Not Met		
		15.4%[1] 2002-03	12.5% 2007-08	11% 2007-08
2	By 2007-08:	Slippage		
2.1	– reduce the illicit market share for cigarettes to no more than 13%	16% 2002-03	13% 2006-07	13% 2007-08
2.2	– reduce the illicit market share for spirits by at least a half	7% 2002-03	6% 2006-07	3% 2007-08
2.3	– hold the illicit market share for oils in England, Scotland and Wales at no more than 4.4% over the period[2]	11% 2002-03	5% 2006-07	4% 2007-08
3	By 2007-08, reduce underpayment of direct tax and National Insurance contributions due by at least £3.5 billion a year.	Met		
		-	£3.6bn 2007-08	£3.5bn 2007-08

[1] The latest assessment of these baseline figures was published in 'Measuring Indirect Tax Gaps (MITG) 2008', available from ww.hmrc.gov.uk. The VTTL model and the top down VAT gap derived from it are broad measures, subject to a degree of uncertainty. They are based on an analysis of survey and other data, and include a number of assumptions and adjustments which add both random and systematic variation to the estimates. More about this is published in MITG 2008.

[2] Latest estimates and revised methodology published in Measuring Indirect Tax Gap Report with figures rounded to the nearest 1% or £50million. Baseline calculated using revised methodology. Original target, to hold GB illicit market at no more than 2%, was based on previously published methodology and baseline. Implied target reflects new baseline following revision of oils tax gap methodology, resulting in a target to reduce the tax gap by 60% by 2005-06 and to hold it at no more than this level to one decimal point. Implied target is 4.4% and latest assessment 4.6%.

Target 2.1: By 2007-08, reduce the illicit market share for cigarettes to no more than 13%.

Progress has been maintained in recent years and we remain on course to achieve or exceed the target. We expect to have details of the illicit market share for cigarettes, in 2007-08, in the autumn of 2009. Final outturn details will be included in the Autumn Performance Report 2009.

Target 2.2: By 2007-08, reduce the illicit market share for spirits, by at least a half.

Estimates for the illicit market share for spirits rely on data from the Expenditure and Food Survey, conducted for the Office for National Statistics, which does not become available until 18 months after the survey period. However, as the estimate was 6% in 2006-07 and on an upward trend with an increase of 1% from 2005-06, there is a strong possibility that the illicit market share will be above our target. That is why we published the 'Renewal of the Tackling Alcohol Fraud Strategy at Budget 2009. Figures for 2007-08 are likely to be available in Autumn 2009 and will be included in the Autumn Performance Report 2009.

Target 2.3: By 2007-08, hold the illicit market share for oils in England, Scotland and Wales at no more than 4.4% over the period.

The outturn figures for 2007-08 will be included in our Autumn Performance Report 2009. The tax gap methodology for oils has been subject of a comprehensive review. Further details are available in 'Measuring Indirect Tax Gaps (MITG) – 2008' available at www.hmrc.gov.uk. For future years, we will be using the revised methodology under which we will need to hold the illicit share market at 4.4% over the period. The 2006-07 illicit share estimate of 4.6%, rounded to 5% in the MITG report, indicates that we are maintaining downward pressure on the illicit market. We recognise that this is a real challenge and continue our efforts to control the supply of rebated products and improve our use of intelligence to target activity and to identify and address new risks.

Target 3: By 2007-08, reduce the underpayment of direct tax and National Insurance Contributions due, by at least £3.5bn a year.

The final outturn was £3.6bn against a target of £3.5bn.

Initially the main yield contributions came from Spend to Raise (StR) initiatives. However, we have now moved to a more inclusive approach looking at overall business improvements with the key contributors being:

- changes in the compliance yield, resulting from productivity gains and new initiatives for example the High Risk Corporates project and the shift of resources in Local Compliance to more high risk cases;
- the continuing impact of StR resources now within baseline; and
- the Offshore Disclosure Facility.

Glossary

AME	Annually Managed Expenditure
BIS	Business, Innovation & Skills (formerly BERR)
CB	Child Benefit
CCD	Customer Contact Directorate
CCR	Compliance Cost Review
CFC	Controlled Foreign Companies
CIS	Construction Industry Scheme
CITES	Convention on the International Trade in Endangered Spices
CMEC	Child Maintenance and Enforcement Commission
CMI	Chartered Management Institute
COFOG	Classification of the Functions of Government
CPD	Continuous Professional Development
CR	Corporate Responsibility
CRA	Country & Regional Analysis
CRM	Customer Relationship Manager
CSR07	Comprehensive Spending Review 2007
CT	Corporation Tax
CTC	Child Tax Credit
Defra	Department for Environment, Food and Rural Affairs
DEL	Department Expenditure Limits
DOTAS	Disclosure of Tax Avoidance Schemes
DSO	Departmental Strategic Objectives
DTP	Departmental Transformation Programme
DWP	Department for Work and Pensions
ESS	Estates and Support Services
ExCom	Executive Committee
FCLO	Fiscal Crime Liaison Officer
FTE	Full Time Equivalent
H&S	Health & Safety
HMRC	HM Revenue & Customs
IA	Impact Assessment
IMS	Information Management Services
ITSA	Income Tax Self Assessment
KPI	Key Performance Indicator

LRRA	Legislative & Regulatory Reform Act
MITG	Measuring Indirect Tax Gaps
MTIC	Missing Trader Intra Community (fraud)
MPPC	Modernising PAYE Processes for Customers
NICO	National Insurance Contributions Office
ODF	Offshore Disclosure Facility
OECD	Organisation for Economic Co-operation & Development
OGC	Office of Government Commerce
PAC	Committee of Public Accounts
PAYE	Pay As You Earn
PBR	Pre Budget Report
PCR	Procurement Capability Review
PESA	Public Expenditure Statistical Analysis
POAO	Products of Animal Origin
PSA	Public Service Agreements
RfR	Request for Resources
SA	Self Assessment
SCS	Senior Civil Service
SCM	Standard Cost Model
SME	Small & Medium Enterprises
SOCA	Serious Organised Crime Agency
SR04	2004 Spending Review
StR	Spend to Raise
TEEL	Targeted Education, Enabling & Leverage
TES	Total Expenditure Services
TRS	The Rent Service
TTP	Time to Pay
UKBA	United Kingdom Border Agency
VAT	Value Added Tax
VfM	Value for Money
VOA	Valuation Office Agency
VTTL	VAT Theoretical Tax Liability
WFC	Workforce Change
WFTC	Working Family Tax Credit
WTC	Working Tax Credit

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