



HM Revenue
& Customs

Annual Report and Accounts 2014-15

Governance Statement, Director's Report and statistical tables

Accountability

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Ian Barlow
Lead Non-Executive

Governance Statement

Lead Non-Executive foreword

HMRC has had a successful year, meeting its financial targets for taxes raised and working within its challenging cost budgets. It has also moved forward to implement its plans for the future for a digitally-enabled, data-driven, more productive organisation, to be based in fewer, but larger, better-equipped offices, which will provide stimulating work and clear career paths for its people. But in the important area of customer service targets were missed and performance has declined, with a reduced percentage of calls answered and longer waiting times. Action is in hand to address these key criteria of success.

The governance section of this report sets out the structure and composition of the Board and its committees and the work it has completed in the past year. Audit and Risk have continued to be busy with an annual cycle of challenge and review of the external reports the department issues, of the work of Internal Audit and the risk function and in reviewing the work of the National Audit Office. Scrutiny has done deep dives into cyber security, producing a well-received report, and into complaints handling where performance is gradually improving. Finally, People, Nominations & Governance has focused on supporting the executive's work on engagement and leadership development.

The Board has concentrated its work on reviewing performance and supporting each of the key elements of the department's transformation plans. At each meeting it reviews the department's performance and transformation hubs. The former tracks delivery against plans for the year; the latter tracks the many elements (more than 120) of the change programme against the long-term blueprint for the department.

HMRC's transformation programme benefits substantially from the advice, support and challenge of eight Non-Executive Directors, five of whom serve on the Board and three others on its committees.

During the year Philippa Hird, Norman Pickavance and Volker Beckers all retired from the Board. I thank them for their significant contribution. We were joined by three new non-executives, Mervyn Walker, who chairs the People, Nominations and Governance Committee (PNG), and Simon Ricketts, who both joined the Board, and Diane Herbert who joined the PNG committee. Details of their backgrounds are on page 43, together with those of the other non-executives.

The non-executives are drawn from a wide variety of experience and all are kept busy. They work in three ways: through the Board acting together; through its committees – Audit and Risk, People, Nominations and Governance, and Scrutiny; and finally one on one through 'buddying' between non-executives and members of the executive team, whereby the non-executive works directly with executives on the development of particular projects.

Examples of the latter include Simon Ricketts, Chief Information Officer at Rolls-Royce, working closely with Mark Dearnley, HMRC's Chief Digital and Information Officer, on the digital transformation; Edwina Dunn, co-founder of Dunnhumby, a leading data company, working with Jennie Granger, Director General for Enforcement and Compliance on the new Enterprise Data Hub, the foundation of the department's future data exploitation; and Mervyn Walker, former HR Director at three large FTSE 100 companies, working with William Hague, Chief People Officer, on Building our Future, the platform for HMRC's transformation, which is being discussed with employees through 'town hall' gatherings. John Whiting, currently Director of the Office of Tax Simplification, has continued to support executives with ambitious initiatives, working closely with the Tax Free Childcare design team and supporting the Next Generation Performance Measures work.

The executive team under Lin Homer's leadership continues to form a cohesive and collegiate group, determined to deliver against ambitious long-term goals. They and the non-executives work well together. This is both encouraging and rewarding for the non-executives and executives alike.

Two particular areas of activity by the department stand out for me last year. First, the rapid rollout of IT projects, and in particular digital products, many of which are already being tested in real time in beta form by millions of customers.

An example of how IT can benefit tax is the success of the RTI (Real Time Information) project implementation, which went on to win an award.

Second, I pick out the Building our Future programme of engagement with the department's people. The programme has been running now for 18 months and I, and the other non-executives who have attended many sessions, have not seen a better example of engagement anywhere at such scale. The persistence and honesty in explaining HMRC's future direction, building each phase on the feedback obtained from the staff at events in the previous phase, has been very impressive. This is now being supported by a new leadership programme to support HMRC's existing talent programmes.

The Board has also paid increasing emphasis to sharing best practice with other departments' NEDs and, working through the Cabinet Office's Efficiency and Reform Group and under the chairmanship of Lord Browne and his successor, Sir Ian Cheshire, to support the reform of functional delivery across Whitehall.

A handwritten signature in black ink, reading "Ian Barlow". The signature is written in a cursive, slightly stylized font. The first name "Ian" is written in a larger, more prominent script, and "Barlow" follows in a similar but slightly smaller script. There is a horizontal line under the "Barlow" part of the signature.

Ian Barlow
Lead Non-Executive

How we are structured

Ministerial arrangements

HMRC is a non-ministerial department established by the Commissioners for Revenue and Customs Act (CRCA) 2005, which gives the legal powers and responsibilities of the department to Commissioners appointed by the Queen.

HMRC's status as a non-ministerial department is intended to ensure that the administration of the tax system is fair and impartial.

HMRC is ultimately accountable to the Chancellor of the Exchequer for how we conduct our business. The Chancellor has delegated the responsibility for oversight of the department to the Financial Secretary to the Treasury, as departmental minister for HMRC. The current departmental minister is David Gauke MP.

HMRC must comply with any directions of a general nature given by Treasury ministers.

Commissioners

Commissioners are responsible for the collection and management of revenue, the enforcement of prohibitions and restrictions and other functions, such as the payment of tax credits. They exercise these functions in the name of the Crown. The Commissioners are also entitled to appoint officers of Revenue and Customs who must comply with their directions.

The way in which the Commissioners conduct their business is governed by the CRCA, which says that the Commissioners may make arrangements specifying how many of them are required to carry out their functions.

HMRC's current Commissioners are Lin Homer, Edward Troup, Jennie Granger, Jim Harra, Nick Lodge and Ruth Owen. Simon Bowles was also a Commissioner until he left HMRC in March 2015.

Decisions about how our largest and most sensitive cases are resolved are led by the Tax Assurance Commissioner, who is currently Edward Troup. More detail about [how we resolve tax disputes](#) is available on www.gov.uk

Our committees

We have a committee structure in place that enables our executive committee (ExCom) to undertake effective and transparent decision-making and that provides appropriate challenge and assurance by our non-executives.

Non-Executive Board



Ian Barlow — Lead Non-Executive

Ian Barlow is a non-executive director of Smith and Nephew plc, Foxtons Group plc and The Brunner Investment Trust plc. He is Chairman of The Racecourse Association and a board member of the China British Business Council. Until 2008, Ian was a senior partner at KPMG.



John Whiting — Non-Executive Board Member

John Whiting is the Tax Director of the Office of Tax Simplification and he joined the Board of Revenue Scotland at the beginning of 2015. Prior to joining the HMRC Board he was Tax Policy Director of the Chartered Institute of Taxation (CIOT), a role he took on after a career with PricewaterhouseCoopers, where he was a tax partner for 25 years.



Edwina Dunn — Non-Executive Board Member

Edwina Dunn is co-founder of Dunnhumby, a driving force in data mining and customer analysis, which created the Tesco Clubcard and loyalty programmes around the world. She now runs HandD Ventures with her husband, working as directors of the Purple Seven theatre and Starcount, an entertainment social media platform.



Simon Ricketts — Non-Executive Board Member

Simon Ricketts has been Chief Information Officer of Rolls Royce plc since 2010, responsible for IT and business process transformation. He is experienced in leading large and complex transformation programmes in IT, manufacturing, logistics and customer service.



Mervyn Walker — Non-Executive Board Member

Mervyn Walker has held a range of senior positions in large customer service and industrial companies. He has been Group Human Resources Director at British Airways, Mondi and, most recently, Anglo American. He also has experience of transformation in large and complex organisations.

Philippa Hird, Norman Pickavance and Volker Beckers were also members of HMRC's Board and stepped down in 2014-15.

Other Non-Executives



Leslie Ferrar

Leslie Ferrar was formerly treasurer to HRH The Prince of Wales and The Duchess of Cornwall, The Duke and Duchess of Cambridge and Prince Harry. Leslie also holds a number of other non-executive positions. She was previously a tax partner at KPMG.



Diane Herbert

Diane Herbert was, until recently, Director of Human Resources at Channel 4 Television. Prior to joining Channel 4, Diane worked in human resources for a variety of blue-chip companies across a broad range of industry sectors including manufacturing, telecoms, and media.



Paul Smith

Paul Smith is the former UK Finance Director of the Ford Motor Company and has board-level experience from across both the public and private sectors in health, housing, transport, financial services and government.

Roles and responsibilities

As a non-ministerial department, the role of the Board is critical to the success of HMRC. The Board is in place to advise and challenge the management of HMRC, particularly focusing its attention on the performance and future strategic direction of the department. Last year, that meant a strong focus on the development of the strategic plans for HMRC's transformation.

The non-executives on the Board bring with them a wealth of experience from a range of backgrounds, including data analytics, human resources, IT, accountancy and the tax profession. Their skills and professional backgrounds bring an external perspective to the advice the Board gives to help shape strategy and challenge performance.

The Board provides:

- **Challenge:** reviewing and challenging the department's business plan and performance against that plan, with particular reference to agreed strategic priorities
- **Expertise:** providing wider public and private sector expertise to help shape the delivery of strategy and to improve HMRC's performance. They also advise the Chief Executive on senior appointments
- **Strategy:** assuring HMRC's strategic direction is clear and deliverable, taking into account risk and focusing on the long-term success of the department and value for the taxpayer
- **Assurance:** providing the Chief Executive, as Principal Accounting Officer, with assurance that the financial statements are factually accurate, that risk management processes are robust, and that control processes across HMRC are strong and appropriate
- **Stakeholder views:** reflecting the views of HMRC's external stakeholders; supporting HMRC to develop stakeholder communications plans; and using the cross-government network of Non-Executive directors to bring insight and intelligence to support the Executive Committee to identify challenges and opportunities.

The Board does not have a role in day-to-day operational decision-making, nor in tax policy or individual taxpayer matters.

The Board met seven times in 2014-15, including one session dedicated entirely to shaping the department's future strategy. Board members also met with many HMRC teams in 2014-15 to gain insight into their day-to-day work and the challenges they face, including two days visiting frontline offices and meeting with different HMRC talent scheme delegates in Nottingham and Birmingham.

The Board receives regular updates from business areas within HMRC covering financial performance, departmental targets, including customer service measures, and the key risks to performance and transformation faced by the department. At Board meetings, members receive detailed updates on HMRC's performance, which gives them clear oversight of how the department is performing against our objectives and business plan commitments. The Board regularly views ExCom's 'performance and transformation hubs' – a visual representation of the key indicators, against which the executive judges our performance and transformation priorities, which the Board is satisfied provides sufficient quality of data to enable robust performance assessments to be made.

Figure 22: Attendance at Board meetings

Board members	May 2014	July 2014	Sept 2014	Nov 2014	Jan 2015	Mar 2015	Attended
Ian Barlow	Y	Y	Y	Y	Y	Y	6
Volker Beckers	Y	Y	Y	Y	Y	N	5
Simon Bowles	Y	Y	Y	Y	Y	Y	6
Mark Dearnley				Y	Y	Y	3
Edwina Dunn	Y	Y	Y	Y	Y	Y	6
Jennie Granger	Y	Y	Y	Y	Y	Y	6
William Hague				N	Y	Y	2
Jim Harra	Y	Y	Y	Y	Y	Y	6
Philippa Hird	Y						1
Lin Homer	Y	Y	Y	Y	Y	Y	6
Nick Lodge				Y	Y	Y	3
Ruth Owen	Y	Y	Y	Y	Y	Y	6
Norman Pickavance	Y						1
Simon Ricketts			Y	Y	Y	Y	4
Edward Troup	N	Y	Y	Y	Y	Y	5
John Whiting	Y	Y	Y	Y	Y	Y	6
Mervyn Walker			Y	Y	Y	Y	4

Board committees

The Board's committee structure remains the same as last year, comprising the Board and three supporting committees:

- People, Nominations and Governance
- Scrutiny
- Audit and Risk.

Work is delegated to Board committees, where smaller groups of non-executives and ExCom members can examine issues in more detail and present their findings to the Board for discussion and conclusion. More detailed information on the roles, responsibilities and work done by these committees during the year can be found below.

Figure 23: Board sub-committees (roles and responsibilities)

Audit and Risk	Scrutiny	People, Nominations and Governance
<p>Provides assurance to the Board and the Principal Accounting Officer on the accuracy and precision of financial statements and the strength of risk management and control processes across HMRC. Its scope covers all aspects of HMRC business and aspects relating to the Valuation Office Agency (VOA), as escalated. The Chair of the Audit and Risk Committee will attend at least one meeting annually of the VOA Audit and Risk Committee.</p> <p>Advises the Board and the Principal Accounting Officer on:</p> <ul style="list-style-type: none"> • assurance processes and actions in relation to management of risks in an HMRC context • strategic processes for risk, control and governance of the accounting policies, the accounts, the Tax Assurance Commissioner's annual report and the annual report of the organisation, including the Resource Accounts, Trust Statement and the National Insurance Fund Accounts • recommending follow-up action in response to reviews of processes in settled tax cases • the planned activity and results of both internal and external audit • the adequacy of management response to issues identified by audit activity • when necessary, proposals for tendering audit services from contractors who provide audit services to the department • anti-fraud policies, whistle-blowing • processes and arrangements for special investigations. 	<p>A special sub-group of the HMRC Board, which carries out in-depth scrutiny of single issues referred to it by the Board. The committee advises the Board and the Principal Accounting Officer on specific areas within the Board's Remit.</p> <p>Examples of issues that have been referred include:</p> <ul style="list-style-type: none"> • HMRC's strategies, policies, practices and measurement of performance and how they might best be developed and improved • Overseeing a review on complaints handling and making recommendations to the Board on complaints policy, strategy and operational performance. 	<p>Provides advice and scrutiny for the Board and Chief Executive on:</p> <ul style="list-style-type: none"> • nominations arrangements within HMRC • succession planning for appointments to ExCom and the Board, so it can maintain an appropriate balance of skills and experience • the identification and development of leadership capability and high potential across the department • the incentive and reward strategy for the department • HR support for the department's strategic direction and key HR performance indicators • HMRC's ability to meet its legislative responsibilities in relation to its people, including health and safety, the Equality Act and equal opportunities.

The department also continued the use of a 'buddying' system, introduced in 2013-14, between members of ExCom and non-executive board members with areas of particularly relevant expertise. This allows non-executives to use their experience to help executive colleagues between meetings, and to provide an informal, trusted sounding board outside the formal board setting. Board members now also participate in the preparation of material to be discussed at meetings, to make the most efficient use of their time.

The Board regularly reviews its own effectiveness as part of the arrangements for each meeting, using structured questionnaires. The Board also assessed progress against recommendations from a formal effectiveness review conducted in 2013-14, to ensure there was continuous improvement in its effectiveness and impact, and concluded that Board meetings had become more productive and were generating useful challenge and advice to the Executive Committee.

Executive Committee (ExCom)



Lin Homer — Commissioner of Revenue and Customs; Chief Executive Officer and Principal Accounting Officer

Lin Homer is directly accountable to Parliament for HMRC's performance and helps set the strategic leadership of the Civil Service as a member of the Civil Service Board. She leads the department's 56,000 employees and is accountable for our £3.5 billion budget.



Edward Troup — Commissioner of Revenue and Customs; Second Permanent Secretary and Tax Assurance Commissioner

Edward Troup is Head of Profession for Tax, making him one of the UK's most senior tax professionals. He leads on the assurance of large tax settlements worth billions of pounds every year.



Jennie Granger — Commissioner of Revenue and Customs; Director General Enforcement and Compliance

Jennie Granger leads teams that secured and protected record compliance revenues of £16.6 billion in 2014-15. Her 26,000-strong team identifies compliance risks to the UK tax system and carries out most of HMRC's compliance, enforcement and debt collection activities.

**Ruth Owen — Commissioner of Revenue and Customs; Director General Personal Tax**

Ruth Owen leads directorates that secured and protected £270 billion last year through income tax, Self Assessment and specialist taxes and reliefs from 45 million individual taxpayers. Ruth, who leads 15,000 employees, is Head of Profession for Operational Delivery in government.

**Jim Harra — Commissioner of Revenue and Customs; Director General Business Tax**

Jim Harra oversees HMRC's relationship with 5.2 million large and small businesses, which paid more than £220 billion in tax in 2014-15. He leads 4,400 employees who secured almost £9 billion in compliance revenues in 2014-15 and dealt with businesses ranging from the largest multinationals to the smallest start-ups.

**Nick Lodge — Commissioner of Revenue and Customs; Director General Benefits and Credits**

Nick Lodge oversees the tax credits and Child Benefit systems, which pay about £40.7 billion every year to millions of families and almost ten million children in the UK. He leads 5,000 employees and the strategic work on HMRC's future transformation.

**William Hague — Chief People Officer**

William Hague leads on the people management, structure and delivery of HR services for our 56,000 employees. This also includes a leading role in Building our Future — the biggest transformation in HMRC's history. His role as joint head of the Civil Service HR Profession includes responsibility for the cross-cutting HR agenda and for shaping future HR strategy.

**Mark Dearnley — Chief Digital and Information Officer**

Mark Dearnley leads on the transformation of one of the largest digital operations in the UK, accountable for two-thirds of all UK government digital transactions, with 1,500 employees ensuring that vital customer and HMRC IT services are working efficiently.

**Justin Holliday — Chief Finance Officer**

Justin Holliday oversees how HMRC is performing against our key government objectives and how we spend our £3.5 billion budget. He leads the finance community in ensuring that they apply the highest standards of financial management.

**Gill Aitken — General Counsel and Solicitor**

Gill Aitken is a standing attendee of ExCom and leads HMRC's legal services, advising HMRC and Treasury on all aspects of tax law and safeguarding billions of pounds in tax revenues.

**Stephen Hardwick — Director of Corporate Communications**

Stephen is a standing attendee of ExCom.

Roles and responsibilities

ExCom oversees and assures all of HMRC's work and is responsible for setting and delivering strategy. It is the department's main executive forum and the primary place in which Commissioners make their decisions. Individual committee members have portfolios of responsibility that span each line of HMRC business and corporate service function.

ExCom meets in three different forms each month – ExCom, ExCom (Performance) and ExCom (Transformation).

ExCom

Chair: Lin Homer, Chief Executive

During this reporting year ExCom met 12 times, covering a wide range of strategic, operational and financial issues which required decision, agreement or discussion by the department's most senior leadership team. Key issues covered included: long-term business planning and the key enablers for transforming HMRC; IT and infrastructure changes; talent management and succession planning, particularly building the right leadership capabilities to transform the way HMRC serves the UK; and the wider Civil Service reform agenda.

The committee regularly reviews its own effectiveness as part of the arrangements for each meeting and by other means from time to time, for instance coaching, workshops and formal reviews. A formal effectiveness review of ExCom and its sub-committees was conducted during 2013-14 and a number of recommendations were implemented during 2014-15, including the effectiveness of meeting discussions.

ExCom (Performance)

Chair: Edward Troup, Tax Assurance Commissioner (Simon Bowles, Chief Finance Officer, until March 2015)

ExCom (Performance) oversees the department's performance, both in terms of immediate and future objectives. Within a dedicated performance hub, displaying performance indicators agreed by the committee, it analyses HMRC performance against targets and considers ways to improve performance in all areas, including both customer service and value for money.

The committee met 11 times during the reporting period, covering a range of key issues including: key risks; business and workforce planning; compliance revenues secured; tax receipts; customer service performance; and debt.

ExCom (Transformation)

Chair: Nick Lodge, Director General Benefits and Credits and Senior Responsible Officer for HMRC Change Portfolio

ExCom (Transformation) provides senior level governance and ensures effective delivery of both the change portfolio and future strategic transformation. It met 11 times during the reporting period. In addition to monitoring the delivery of the Change Portfolio, key issues covered include: decisions on prioritisation of change projects and programmes; oversight of the strategic direction of the PaceSetter* and Building our Future initiatives and the contribution they make to departmental transformation.

* PaceSetter is a set of principles, supported by tools and techniques, which is used to improve staff efficiency in the workplace. It identifies and cuts wasteful processes which are not focused on the customer.

Figure 24: Attendance at ExCom meetings

ExCom	April 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Attended
Gill Aitken				Y				Y	Y	Y	Y	Y	6
Simon Bowles	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		11
Mark Dearnley	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	11
Jennie Granger	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	11
William Hague	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	11
Stephen Hardwick	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	12
Jim Harra	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	10
Justin Holliday												Y	1
Lin Homer	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	12
Nick Lodge	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	11
Ruth Owen	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	11
Edward Troup	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	10

ExCom's sub-committee structure remains the same as last year, comprising three supporting committees:

- Portfolio Delivery Board
- People Matters
- Investment.

More detailed information on the roles, responsibilities and work done by these committees during the year can be found below.

Figure 25: ExCom sub-committees (roles and responsibilities)

	Portfolio Delivery Board	Investment Committee	People Matters Committee
Roles and responsibilities	Acts as an additional decision-making body, helping others to implement change, offering support and advice as well as a challenge function operating below, but reporting to ExCom (Transformation).	Makes investment decisions on behalf of ExCom, in line with HMRC's strategic direction and change initiatives, on initiatives which cost more than £2 million, or are new or contentious.	Plans for three to five years ahead in terms of how HMRC will be structured and use our resources. It also oversees the programme of work that will deliver the People Strategy and takes decisions on delegated issues relating to people policies. The committee supports the Chief People Officer in designing and implementing the annual One HR work plan.
Chair	Nick Lodge, Director General, Benefits and Credits	Justin Holliday, Chief Finance Officer (Simon Bowles until March 2015)	William Hague, Chief People Officer
Issues covered	<ul style="list-style-type: none"> Monitored and challenged progress in delivery across and within portfolio clusters Oversaw the identification and management of risks and dependencies across and within portfolio clusters Monitored and challenged progress towards the achievement of HMRC's blueprint ambition Provided advice to ExCom on funding and prioritisation issues. 	<ul style="list-style-type: none"> Examined business cases for: Spending Review 2013 settlement; Autumn Statements 2013 and 2014 investment; and legacy business cases for SR10 settlement; reinvestment settlement Reviewed finance and benefits status and associated risks and issues of core change settlements. 	<ul style="list-style-type: none"> Examined existing HR and people practices as they were updated and refreshed Reviewed new practices as they were being developed Oversaw the delivery and progress of HMRC transformation engagement programme, Building our Future Examined the priority and work plan for the HR policy remit Carried out in-depth reviews of departmental risks referred by the Board, ExCom, or the People Nominations and Governance Committee.

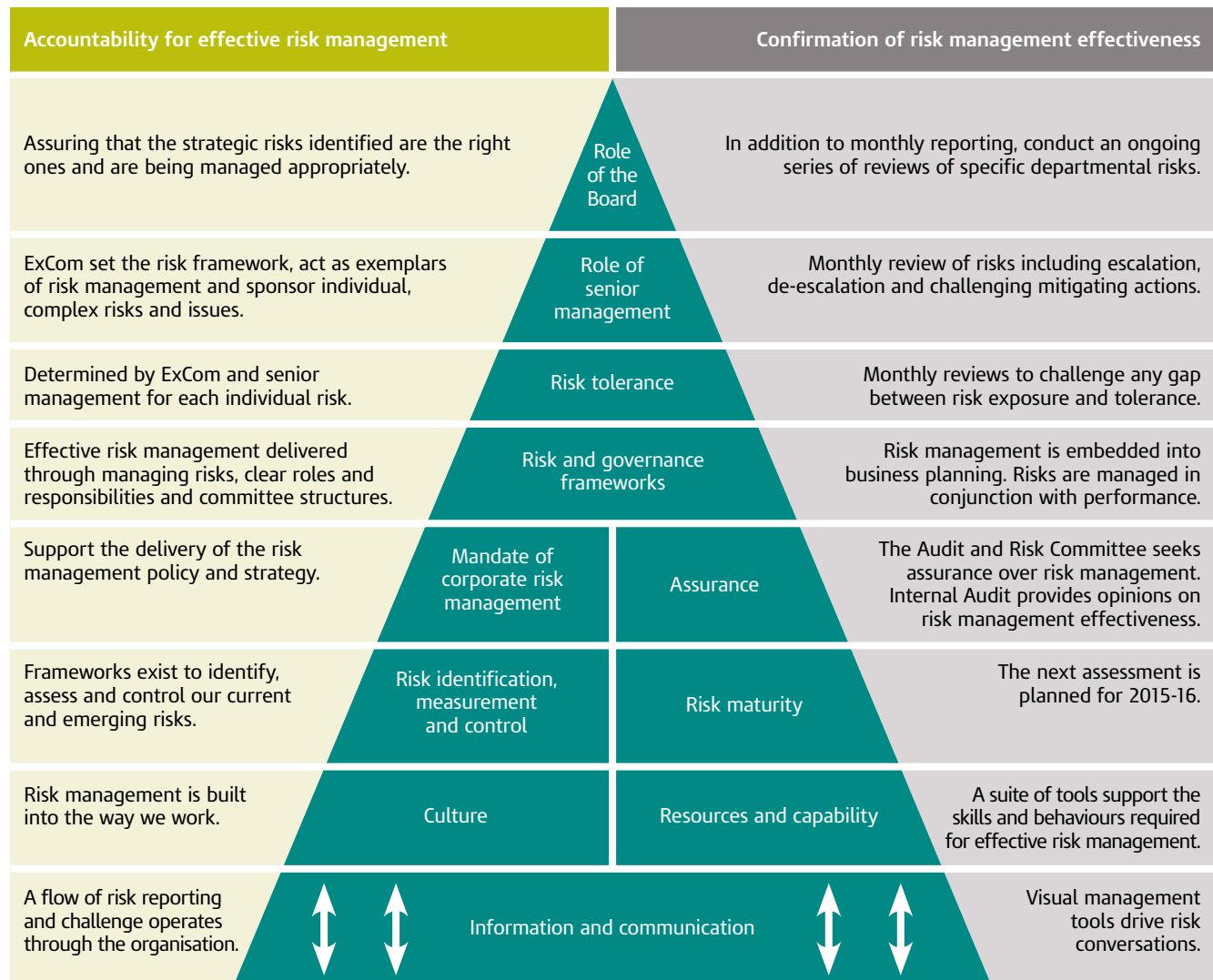
Compliance with the Code of Good Practice

I have assessed HMRC's compliance with the corporate governance in Central Government Departments' Code of Good Practice 2011. I believe we comply with all of the key principles in the code.

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

Risk management operates at all levels in HMRC, from operational decision making on individual cases, through to strategic-level risks identified in our Departmental Risks and Issues Register.

Figure 26: HMRC risk framework



There are several ways that HMRC manages risks. Specifically, in the last year, we:

- enhanced the current risk operating model and agreed Director General sponsors for all risks and issues, supported by director and deputy director risk actionees. This provides a clearer, more transparent link to accountabilities and strategic delivery
- developed a new risk and issue management framework, ensuring that the focus of risk and issue management is on outcome and delivery, rather than process
- operated risk management escalation/de-escalation throughout the business. The aim is to ensure that emerging and existing risks are effectively managed by accountable individuals, including those sitting just below departmental level
- monitored our progress in managing each risk during the year; this includes the work we do internally to mitigate the risk, together with external factors which impact upon the department

- further developed a framework to support the business in delivering critical risk reviews
- supported risk partners by providing formal training opportunities, including risk qualifications, to help them to manage risk more effectively
- strengthened our independent corporate risk management team to further develop, assess and challenge how we manage risk in HMRC.

To ensure ongoing effectiveness of risk management and to identify areas for improvement, we will run an HMRC-wide risk assessment during 2015-16.

Risk overview

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

Figure 27: The risks to our performance: what they are and how we deal with them

Principal risks	Key mitigating actions
Raising revenue	
As the country's tax, payments and customs authority, our key risk is to collect revenue in a demonstrably fair and balanced way and maximise the flow of money to the Exchequer to help pay for essential public services.	Our performance on receipts against expectations is regularly reviewed at ExCom. Where there is a significant variance, we make sure that not only is the cause understood, but action is taken. This includes: <ul style="list-style-type: none"> • linking the pattern of receipts with risks to tax collection • understanding how tax receipts forecasts affect our picture of risk • changing tax products to support compliance activities.
Serving our customers	
Our customers are at the heart of the service we aim to provide. One of our challenges is to meet our customers' needs and expectations now and in the future. We must deliver services in a seamless, joined-up way that helps the honest majority to get their tax right and makes it hard for the dishonest minority to cheat the system.	We are strengthening our management of this risk through: <ul style="list-style-type: none"> • listening to our customers and acting on customer feedback to improve the way we handle interactions • continuing to deploy flexible resource from across HMRC to meet peaks in customer demand • beginning an ambitious programme of digital tax services, including accelerating delivery of the personal digital tax account • implementing integrated product and process changes.
Developing our leadership and management	
Leaders and managers are critical to successful delivery of business performance and plans. We face the continuing challenge to develop our leaders' innovation, resilience and flexibility to ensure we are able to deliver the department of the future.	We have introduced a more co-ordinated approach to developing our leaders by: <ul style="list-style-type: none"> • engaging our leaders in our national conversation on Building our Future about how we will transform over the coming years and building staff engagement • using a suite of metrics (including the People Survey and feedback from the Building our Future events) to track the effectiveness of our actions • developing talent management, including the use of positive action programmes, and succession planning for key leadership roles across our organisation • planning the launch of a Leadership Academy in May 2015.

Continued

Principal risks	Key mitigating actions
Managing our cyber security	
The protection of our IT systems and customer data is our most significant ongoing risk. As we build our future, we must maintain and safeguard the availability, resilience and security of our systems to enable and protect the integrity of our customers' tax and benefits information.	<p>Many of the key actions over the last year have been to improve understanding of the risk and how to tackle it. This includes:</p> <ul style="list-style-type: none"> • investing in the new Cyber Security Command Centre • continued investment in maintaining and enhancing existing controls • improving defences against direct hacks, malware and detecting anomalies and criminal behaviour • identity assurance work which, once completed, will vastly improve defences against unauthorised access and provide us with a solid foundation for building up transaction and user monitoring • early campaign work, which has begun to address some of the insider risks and threats identified in the new cyber strategy.
Building our Future	
Building our Future is central to the delivery of all our plans. Our challenge is to join up our transformation activities, ensuring they align to our blueprint and build our digital capability and capacity. Otherwise the risk will be that we cannot support our customers or future ways of working.	<p>We are investing substantial resource in setting out a vision for our long-term future, including a sustainable operating model. Our approach includes built-in feedback loops. To help inform future steps towards that vision we have:</p> <ul style="list-style-type: none"> • consulted widely on the role of the Building our Future national conversation and used the feedback to strengthen and inform our plans • implemented an interactive intranet website to aid the two-way conversation • detailed the capabilities required for delivery of the HMRC Blueprint and developed the HMRC Transformation Roadmap and investment proposition • developed a business readiness model to aid change implementation.
Other risks to our delivery are outlined below:	
Other risks	Key mitigating actions
Managing our reputation	
As the country's tax, payments and customs authority, it is critical to safeguard the reputation and perception of HMRC and uphold public confidence in our activities and the UK tax system.	<p>To mitigate and reduce the risks to HMRC's reputation in 2014-15, we have:</p> <ul style="list-style-type: none"> • published a wide range of reports and briefings in order to be open and transparent on our performance • held stakeholder conferences to facilitate open discussions with the media and other external stakeholders on our priorities and plans • strengthened our briefing materials in order to be able to rebut misleading or inaccurate criticism quickly.
Directing and controlling HMRC	
Effective direction and control is essential to an organisation the size and complexity of HMRC. To manage this risk, we must ensure our strategy, business planning and performance measurement are aligned to maximise our contribution to public service delivery.	<p>To manage the risk we have developed a medium to long-term business planning strategy, which includes:</p> <ul style="list-style-type: none"> • creating a coherent approach to planning • continued effective governance, including Board oversight over our business plans and budget allocation • transparent delivery of current Spending Review commitments • developing a new performance measures framework.

Continued

Other risks	Key mitigating actions
Effectively delivering change	
<p>Transforming HMRC is essential to our future success. In delivering our transformation agenda, we face a challenge in growing sustainable capacity and capability to embed cumulative change and to deliver the benefits.</p>	<p>To manage this risk effectively we have:</p> <ul style="list-style-type: none"> • enhanced our business readiness through a new engagement model between change and business managers • continued to build our change capability for portfolio management by planning for delivery of our Blueprint and Roadmap • developed an investment proposition supported by proactive management of key programme resources via central oversight.
Managing our suppliers	
<p>Our suppliers are an increasingly important element in the services we provide our customers. A key risk is to manage all the aspects of our contracts effectively, ensuring those contracts are fulfilled, and deliver value for money for the country in the short through to the long term.</p>	<p>To support effective management of our suppliers we have:</p> <ul style="list-style-type: none"> • undertaken regular assurance over supplier credibility and viability • refreshed and updated our contingency plans, legal advice and handling and commercial negotiation strategies. These are now subject to continuous review • refined our 'cost of default' and 'cost of continuance' models with the latest costs and thinking.
Effectively managing health and safety	
<p>We take our duty of care as an employer and leaseholder very seriously. To deliver against this, we must actively manage health and safety to protect the wellbeing of our people, customers and building users.</p>	<p>Focusing on three key elements; health and wellbeing; H&S compliance (people); H&S compliance (buildings) we have:</p> <ul style="list-style-type: none"> • enhanced our focus on supporting staff wellbeing in the areas of stress management, mental health and cancer care • used contractual provisions to proactively manage our estate • enhanced use of the Staff Safety Database launched in March 2014, enabling our staff to improve their assessments of external threats.
Maximising our people's performance	
<p>Our people are central to our delivery. To meet the needs of our business now and in the future, we need to engage our staff in our plans, raise the bar on performance and develop our skills.</p>	<p>To understand and support our people we have:</p> <ul style="list-style-type: none"> • undertaken regular and anonymous staff surveys supported by specific action plans for engagement and development • ensured high-level sponsorship of digital capability build • continued to modernise learning and development environment for staff • maintained dialogue with unions and built constructive discussions with employee groups and unions.
Protecting our assets and data	
<p>Our duty of care around assets and data is critical to our business. A key risk lies in safeguarding all our assets. We must take personal responsibility to use data effectively and appropriately; managing our business continuity to deliver a resilient and trustworthy service to our customers.</p> <p>More information about data-related incidents can be found in the directors' report on page 65</p>	<p>Mitigation of the ongoing risks to our data and assets is critical to delivering a secure service to customers. Continued actions include:</p> <ul style="list-style-type: none"> • a refreshed Information Management Strategy with supporting plans • effective assurance framework over the access to customer data • implementing a new business continuity strategy policy with supporting performance measures • developing more robust data governance and supporting structures.

Current control challenges – statement by Principal Accounting Officer, Lin Homer

Our business planning involves identifying issues that pose a significant risk to our performance and then managing these risks to mitigate their impact.

We do this by regular oversight and scrutiny via ExCom (Performance) and effective assurance from Audit and Risk Committee. How we manage risks is set out in our risk management strategy, together with policies and supporting guidance. This includes:

- defined roles and responsibilities at all levels
- a corporate reporting process, which includes the escalation and de-escalation through individual lines of business risk management activity
- the behaviours we require for effective risk management
- critical success factors.

A number of specific sources contribute to my annual review of these risks, including:

- individual statements from each member of the Executive Committee, outlining the governance, risk and control arrangements in their business areas
- the governance statement provided by the Valuation Office Agency and the review that underpins this
- the production of the Great Britain and Northern Ireland National Insurance Funds' governance statements. There are two funds and two accounts produced, which I sign separately. Many of the activities relating to the transactions of the two funds are carried out by other departments and agencies (for example, the Department for Work and Pensions and the Department for Social Development in Northern Ireland) and I receive letters of assurance from the Accounting Officers of each of these
- bi-monthly reports to the Audit and Risk Committee on the status of recommendations made by external scrutiny bodies, such as the National Audit Office, Public Accounts Committee and Treasury Select Committee
- the Director of Internal Audit's annual opinion to me, as Principal Accounting Officer
- the Tax Assurance Report, compiled by the Tax Assurance Commissioner
- National Audit Office reports
- external reports on HMRC, produced by organisations including the Information Commissioner's Office, Her Majesty's Inspectorate of Constabulary, the Independent Police Complaints Commission and the Office of the Surveillance Commissioners. (Details of the recommendations made by the NAO and other external reviews during the year can be found at page 60). Formal assurance that I receive from HMRC's senior information risk owner that information risk has been appropriately managed in the conduct of HMRC business
- our enhanced approach in response to the 2013 review of quality assurance of government analytical models, including the development of new, high-level departmental guidance, and our contribution to the cross-government working group on quality assurance
- the reviews that underpin the Managing Risk of Financial Loss project. This is an HM Treasury requirement that government departments conduct financial process assessments of their significant financial processes.

Our approach to 'whistle-blowing'

'Whistle-blowing' is when someone raises a concern about wrongdoing, or an attempt to cover up wrongdoing, in an organisation where they work. Our arrangements for managing whistle-blowers have been closely examined by the National Audit Office, Public Accounts Committee, our Executive Committee and Audit and Risk Committee.

We also made a number of changes to our approach in 2014-15, including:

- improving the quality of guidance for our people
- raising awareness
- developing clear definitions of whistle-blowing and misconduct, to ensure accurate and consistent recording of cases
- new ways of capturing management information
- increasing the number of people authorised to deal with whistle-blowing cases and providing them with additional training.

Taking all of these into account, I recognise that there are a number of real challenges we continue to face. Over the past year, we have successfully managed a number of issues that have posed a risk to delivery of our core work. Details of these can be found below:

Customer service levels

We made good progress in supporting our customers during the January Self Assessment and July tax credits peaks, through successfully deploying our flexible resourcing approach. We also automated processes and introduced new telephony and new communication channels, including social media. But we recognise that we still have more to do to achieve the consistent customer service levels expected of us. We are investing in modern, digital, customer-focused services, and changing how we operate, to deliver a service that will more consistently meet required standards.

Workforce planning

During this year we recognised that we needed to more effectively manage our workforce, linking our immediate needs to our longer-term vision. Since then, we have agreed a workforce strategy and approved high-level 2015-16 workforce plans. We are developing a clear picture of where the business wishes to grow as we develop and begin to implement our location strategy for 2020. Our programme of activity is subject to regular assurance reviews, led by a deputy director alongside a focus on key risks.

This will continue to be a challenge in the future as there are many dependencies to actively manage. Specifically, this year we have:

- taken a co-ordinated approach to link the delivery of changes for Spending Review 2013 and the strategic resourcing and location strategy, including use of more effective governance structure and scrutiny
- produced workforce plans for Spending Review 2013 and delivered a range of related projects
- created and delivered apprenticeship opportunities in HMRC, with plans to expand in future.

The risk exposure on workforce planning improved in 2014-15 and that trend is expected to continue in 2015-16. However, there are many dependencies in an organisation of our size and complexity, which means that volatility, and therefore risk exposure, remains high.

Tax credits error and fraud

The Comptroller and Auditor General qualified his regularity opinion on HMRC's 2014-15 Resource Accounts, because of material levels of error and fraud in the payments of personal tax credits. Our latest estimate of error and fraud at 4.4 per cent of finalised entitlement for 2013-14 is the lowest since the current personal tax credits scheme was introduced in 2003-04. Since the launch of the departmental strategy to reduce tax credits error and fraud in 2009, the rate has fallen by 4.5 percentage points (from 8.9 per cent in 2008-09).

Following a recommendation in the Comptroller and Auditor General's Value for Money report 'Tackling tax credits error and fraud', published in February 2013, we ran a trial early in 2013 which showed that the private sector could carry out like-for-like checks on tax credits awards and provide additional capacity. Following this trial, the Chancellor announced at Autumn Statement 2013 that HMRC would work in partnership with a private sector supplier to carry out fraud and error checks to prevent money being paid out to tax credits claimants erroneously.

We subsequently signed a contract in May 2014, under which a private sector supplier is now carrying out checks on claims, to add to the capacity of the work carried out by our own teams. The supplier began undertaking these checks in November 2014. The contract envisages up to five and a half million more compliance checks over the three years that the contract is expected to run, with the potential to reduce incorrect payments by up to £450 million.

Spending Review 2010 baseline calculation

In June 2014, our original SR10 baseline calculations were reviewed by the National Audit Office, which raised significant questions around how the figures were arrived at. Three key issues were identified:

- an inadequate audit trail for how we arrived at the original numbers
- an over-reliance on inadequately-tested numbers
- a lack of rigour in the original process which produced the numbers and the audit trails. We turned our attention directly to learning lessons and managing the risk of repetition.

We have:

- created a single, comprehensive audit file which contains all of the paperwork from the original baseline setting, including everything we relied on to reach key judgments
- identified other key data upon which our performance story is highly dependent, so we can test them for any weaknesses. We will also critically review our performance story in other areas to identify performance information where we have attached high significance to a number and assess any associated risks
- created a more rigorous process around the production of our numbers and for assembling the audit trail around significant topics in the future.

These actions have significantly improved the robustness of our controls in this area.

Tax credits appeals

Our appeals performance has continued to improve throughout the year and is now in a good position. Work levels and customer waiting times are reviewed weekly. Our employees have been trained to work flexibly, enabling us to change the amount of resource we deploy to ensure we meet our targets.

Identity Assurance (IDA)

Last year we were concerned that our plans with the Government Digital Service to deliver new services to business and agent customers would not be effective. To manage this we have played a key role in bringing to life GOV.UK Verfiy, the cross-government authentication process for online digital services, which is focused on individuals. We trialled the service with a number of its exemplars, and subsequently during the Self Assessment peak, and further HMRC online services are being added on an almost monthly basis. For non-individuals, following the decision not to pursue business and organisational IDA due to lack of cross-government need, we continue to take a leading role in the thinking of future development and are working closely with the Department for Work and Pensions and other stakeholders to agree a realistic extension to the existing digital gateway, while seeking to strengthen and improve it so that it has the core functionality we need.

Conclusion

An organisation of HMRC's size and complexity will always have a significant number of risks to manage at any one time, but I am satisfied that the governance arrangements that I have put in place are sufficient to continue managing these risks effectively. Based on the review I have outlined above, I conclude that HMRC has a sound system of governance, risk management and internal control that supports the department's aims and objectives.



Lin Homer
Principal Accounting Officer
15 July 2015

Recommendations made by external scrutiny bodies

We know how important recommendations made by external scrutiny bodies are to our work and we closely monitor how they are implemented. We monitor recommendations made by the Public Accounts Committee (PAC), the Treasury Select Committee (TSC) and the National Audit Office (NAO), reporting to our Audit and Risk Committee (A&RC).

In recent years, we have revised our approach so that reporting to A&RC is more frequent and comprehensive and now includes a wider range of external organisations, such as the Major Projects Authority and the Independent Police Complaints Commission. Our Chief Executive presents a report to each meeting of the A&RC, updating it on the status of recommendations and whether any are overdue. A&RC reviews progress and calls responsible Directors General to its meetings on occasions to explain why a recommendation has not been implemented promptly. We prioritise recommendations into two tiers, based on the greatest financial, operational, or reputational risk of not implementing them.

Tier 1 recommendations we consider to have the greatest impact. Tier 2 recommendations are normally made after inspections on various aspects of our work. We report to AR&C on their progress at every meeting.

We provide information to A&RC on:

- whether we have accepted or rejected external recommendations
- the number of recommendations implemented and new recommendations received since the last report
- how we plan to proceed with overdue recommendations that have not been implemented by the agreed date.

We consider recommendations overdue if they have not been implemented by the date agreed when we accepted them. Last year we implemented 204 tier 1 and 90 tier 2 recommendations, with 13 tier 1 and no tier 2 recommendations overdue.

The NAO published a report in February entitled 'Increasing the effectiveness of tax collection: a stocktake of progress since 2010' which reviewed HMRC's progress in implementing NAO and PAC recommendations made since 2010. The NAO reviewed 235 recommendations, 216 of which we accepted, and concluded that "HMRC engages strongly with the accountability process," and "takes a robust approach to implementing those recommendations it had accepted, which is the vast majority of those made".

Figure 28: Tier 1 recommendations

	Opening balance ¹	New	Closed	Closing balance ²	Overdue ³
NAO/PAC/TSC reports	22	43	51	14	3
NAO cross-cutting reports ⁴	8	12	17	3	0
NAO ⁵	47	80	92	35	1
Others ⁶	17	53	44	26	9
Total	94	188	204	78	13

Figure 29: Tier 2 recommendations

External body making recommendation	Opening balance ⁷	New	Closed	Closing balance ⁸	Overdue ³
High risk assurance reviews ⁹	20	19	39	0	0
European Commission and European Court of Auditors	40	18	32	26	0
Health and Safety	1	0	1	0	0
HM Inspectorate of Constabulary	14	4	6	12	0
Interception of Surveillance Commissioners	5	0	5	0	0
Office of Surveillance Commissioners	0	7	6	1	0
UK Statistical Authority	0	0	0	0	0
GCHQ	1	0	1	0	0
Total	81	48	90	39	0

¹ Balance at 1 April 2014² Balance at 31 March 2015³ Operational constraints have led to a delay in implementation beyond the envisaged target date. All are reviewed at each Audit and Risk Committee meeting⁴ NAO cross-government reports with recommendations appropriate to HMRC⁵ Section 2 audit recommendations and management letters⁶ Independent Police Complaints Commission and Major Projects Authority⁷ Balance at 1 April 2014⁸ Balance at 31 March 2015⁹ All new recommendations following High Risk Assurance reviews are now reported as tier 1, Major Project Authority recommendations

Responding to external opinion

We are proactive in working with organisations that represent our customers – from large and small business groups to professional accountancy bodies and charities which deal with customers who need extra help. We listen to and act on their feedback in a number of ways to ensure that their expertise helps us to fine tune the way we work.

Stakeholder events

We hold two conferences each year for our external stakeholders to build engagement with, and awareness of, our work. The audience for these events includes representatives from tax agents, professional bodies, legal professionals, tax campaigning organisations, academics, customer and Voluntary Community Sector (VCS) organisations, and the media. Both events provide an opportunity to highlight our commitment to transparency and to working in partnership with our stakeholders.

Feedback from these events has confirmed that our stakeholders welcome the opportunity to ask questions and hear at first-hand how we are doing. This includes highlighting where we need to do more and our plans for meeting the changing needs of our customers through, for example, the introduction of new digital services.

Stakeholder surveys

We undertake annual qualitative research with Parliamentarians, stakeholders and journalists. The results are enabling us to gauge stakeholders' perceptions of HMRC and track improvements over time. This insight is also helping to inform our future engagement work including, for example, on highlighting how, and where, we need to strengthen our support for Parliamentarians and their support staff.

Consultative groups

We seek the advice of our stakeholders to help us with our day-to-day and future work. We have a number of consultative forums for businesses, individuals, agents and representative bodies which meet regularly to deal with a wide range of strategic and operational issues.



David Gauke: @HMRCgovuk's '10 things a tax avoidance scheme promoter won't always tell you' sets out the risks of signing up to a scheme.'

This is from our @HMRCconferences account

Case studies

Taxpayer Data Standards Forum (TDSF)

The TDSF is a group of 15 expert external stakeholders representing the payroll community, who work with us to deliver better outcomes for employees and pensioners, as well as employers and pension providers. We collectively identified an issue with new employees, which increased the risk of them overpaying or underpaying tax, as on many occasions they were unable to give their employers enough information about their tax affairs for the right tax code to be issued to them from day one. This meant a temporary code had to be issued – resulting in tax being underpaid or overpaid in some cases.

The TDSF identified a change to our systems, which allowed us to correct the tax code more quickly and prevent under or overpayments building up. They also helped improve our guidance on transfer mergers and successions and influenced recent proposals for changes to PAYE.

Administrative Burdens Advisory Board (ABAB)

ABAB is an independent board, which brings together the business knowledge and expertise of business people and professionals from different backgrounds to support and test the department in our efforts to make tax easier, quicker and simpler for small businesses. By way of an example, during collaborative working on the implementation of Real Time Information for PAYE and the review of business benefits, ABAB raised concerns that the continued use of an employer end-of-year checklist imposed unnecessary burdens on businesses for limited value to HMRC. Through sharing of data and open debate it was agreed to remove the checklist, reducing the overall burden on business by an estimated £35 million.



For more information about the work of the Administrative Burdens Advisory Board visit www.gov.uk

"ABAB is a critical friend to HMRC and we have welcomed the candid debate about the direction HMRC is taking and the challenges it faces in doing so. ABAB's aim is to help make a difference to the experience small and medium-sized businesses have in dealing with HMRC."

Teresa Graham, Chair of the Administrative Burdens Advisory Board

Directors' report

This section explains our approach to pension liabilities, whether any of our senior management have financial interests outside of HMRC, and how we've performed in managing our sickness absence rates. We also have a statutory duty to report any serious data-related incidents. More information about our Board and its responsibilities, including how we are organised, can be found in the Governance Statement on page 39.

Pension liabilities

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The defined benefit scheme within the PCSPS is unfunded and is contributory. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of defined contribution schemes, the department recognises the contributions payable for the year.

The Valuation Office Agency merged with The Rent Service on 1 April 2009, taking on employees who are members of the Local Government Pension Scheme (LGPS). Further information can be found within the Valuation Office Agency accounts.

For more information about pension options, see page 80 of the Remuneration Report and for details about pension figures, see page 147 of the Resource Accounts.

Register of interests

Senior managers within HMRC, including the non-executives, are required to complete a declaration of any interests. No significant company directorships or other interests were held by Board members which may have conflicted with their management responsibilities. Note 22 to the Resource Accounts confirms that no member of the Board, including non-executives, has any related-party interests.

Published sickness absence data

We set ourselves a target to reduce the average number of days lost to sickness absence, known as average working days lost, or AWDL, based on the number of full-time equivalent employees to 7.0 in 2014-15. We missed our target, ending the year at 7.98. We still plan to reduce AWDL by pursuing our approach of balancing active management of attendance, with activities aimed at promoting people's health and wellbeing. We continue to build and develop the skills, capability and confidence of managers to deal with sickness absence in line with our procedures and policy, which aims to support the employee to return to work if possible. During the year our priorities have been to implement organisational change in HMRC in a way which takes account of the potential impact on people.

We have continued to promote better awareness of stress, in terms of how to manage it and build personal resilience, whatever the cause. Managers carry out assurance checks to ensure sickness absence is being managed in line with procedures and to provide coaching where necessary. The rise in long-term absence of 21 days or more has led to more case conferencing, including with occupational health experts, to help achieve the best outcomes for employees and for HMRC. A new Mental Health Advocate role has been created to provide extra support in this important area. We are also working with [Macmillan Cancer Support](#) to raise manager awareness and help in the support management of people affected by cancer.

Personal data-related incidents

All government departments are required to publish information about any serious data-related incidents, which have to be reported to the [Information Commissioner](#).

Figure 30: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office (ICO) in 2014-15

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
October 2014	An employee sent a password-protected spreadsheet containing customer details to a prearranged named individual at a financial institution. It was later discovered that data relating to customers who had no relationship with the financial institution had been included in error.	The data was a mixture of names, addresses and other personal data items, but did not include full bank account details. The ICO considered that the data was not particularly sensitive and was unlikely to cause the data subjects substantial damage or distress.	7,573	We contacted financial institutions to advise them that their customers' data had been disclosed.
November 2014	Two batches of cheques, sent to a third-party service provider for processing, were 'signed for' as received, but identified as missing.	The data would have included names and some bank account details. The ICO recognised that HMRC guidance was in place, and recommended that key guidance be communicated to employees to ensure that they are regularly reminded of data protection obligations.	263	We notified customers.
January 2015	An employee carried out a mail merge to issue a number of statutory notices. An error was made, which caused the data to become misaligned, resulting in the despatch of letters to the wrong addresses.	The data included names, customer reference numbers and other references. The ICO considered it unlikely that substantial damage or distress would be suffered by the affected customers.	304	We notified customers.

Other protected personal data-related incidents in 2014-15

Incidents which did not require reporting to the Information Commissioner were recorded centrally within the department and are set out in the table below. Small, localised incidents are not recorded centrally and are not included in these figures. Figures for 2013-14 are shown in brackets.

Figure 31: Summary of other protected personal data related incidents in 2014-15

Category	Nature of incident	Total
I	Loss of inadequately-protected electronic equipment, devices or paper documents from secured government premises	2 (4)
II	Loss of inadequately-protected electronic equipment, devices or paper documents from outside secured government premises	5 (7)
III	Insecure disposal of inadequately-protected electronic equipment, devices or paper documents	1 (0)
IV	Unauthorised disclosure	28 (32)
V	Other	2 (0)

Statement on information risk

The number of centrally-managed security incidents impacting on protected personal data in HMRC reduced from 43 to 38 in 2014-15. A further 6,000 mostly minor incidents potentially impacted on customers. The number of customers affected by these centrally-managed incidents is 10,768, which is a significant increase from the previous financial year and is largely the result of a single incident affecting 7,573 customers.

Further action on information risk

We deal with millions of customers every year and tens of millions of paper and electronic interactions. We continue to take the issue of data security extremely seriously and continually look to improve the security of customer information. We use security incident reports and analysis to understand and reduce security risk, so we can make sure the department is seen as a trusted and professional organisation.



Lin Homer
Principal Accounting Officer
15 July 2015



We launched our new Cyber Security Command Centre in April 2015 to safeguard our online services and networks against hackers and other threats. It provides the latest tools and technology to help our cyber experts detect and respond to evolving cyber security threats to our people and customers.

People

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

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

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

We again increased the revenue we bring in, to £517.7 billion – a new record. We also brought in record compliance revenues of £26.6 billion and made £210 million in cost efficiencies. And we achieved this while making real and steady improvements in our customer service.

In January, we had a record-breaking Self Assessment peak, with more than 10.2 million returns received by the deadline, 85.5 per cent of which were sent online. On deadline day, we answered 99.9 per cent of calls first time.

This was our biggest digital event ever – and how we managed this peak, and last year's tax credits peak, was a great example of how we are changing. More than 1,500 colleagues moved between lines of business to help deliver that work and it shows that, when we work flexibly and collaboratively, it delivers both for our customers and for our people.

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

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

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

Last autumn, we also welcomed around 50 people to join our first-ever tax apprenticeship programme. We are taking on more than 200 operational delivery apprentices this year, and we will see more than 100 people join our digital teams on apprentice and graduate schemes by the end of 2015.

Transforming HMRC by reducing costs, improving the customer experience, maximising revenues and involving and investing in our people, means transforming the style of leadership in HMRC.

The Civil Service Leadership Statement, which was published in February, sets out the expectations of, and standards for, leaders in the Civil Service, with a focus on the themes of inspiring, confident, and empowering.

To create the necessary momentum, we need to invest in our senior colleagues and support them to develop their leadership skills. One of the ways we will do this is through a new Leadership Academy – which went live at the beginning of May 2015 and represents a major, long-term investment in our leaders.

We will support people to develop core leadership skills, as well as the additional skills specific to the role they do, by asking our leaders – SCS to Grade 7s – to invest a minimum of five days in their continuous development as a leader each year for the next five years. The principal focus will be people leadership, complemented by specific strategic leadership priorities, such as digital and commercial.

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

Diversity and inclusion

We want our workforce to reflect the diversity of our customers and to develop and use the collective experience of that diverse workforce to deliver a high-quality service.

In January 2015, we published our diversity data in accordance with the requirements of the Equality Act 2010. The data shows the diverse make-up of our employees and highlights the actions we have in place to develop under-represented groups and address equality issues in the workplace. In support of our actions, we have Executive Committee Champions and employee networks in place for eight diversity strands. The networks offer people the opportunity to share experiences, comment on new initiatives and ensure that everyone in the workforce is treated fairly and can give of their best.

We are proud to be recognised and acknowledged as a leader in terms of our approach towards equality, diversity and inclusion. Our approach has gained external recognition and we have won a number of awards. For example, *The Times* put the department in the top 50 employers for women, for the third year running. We were winners in the Business Disability Form (BDF) ICT award category for delivering IT accessibility for our employees and ranked joint 27th on Stonewall's Top 100 Employers list for 2015. Our LGB&T staff network was also highly commended by Stonewall.

Disabled staff are employed across all grades and locations. We operate the Guaranteed Interview Scheme and have an established team dedicated to ensuring reasonable adjustments. We are raising awareness of mental health issues to ensure that sufficient support is available to managers and staff, and we are offering development opportunities for people from Black, Asian and Minority Ethnic (BAME) backgrounds, as well as other minority groups. We continue to improve access to our services for disabled customers and to raise awareness of their needs with our frontline staff. We are committed to improve representation rates, particularly at senior levels. We have set ourselves goals at Senior Civil Service (SCS) and grades 6 and 7.

Figure 32: Number of male and female employees

	Female	Male	Total 31 March 2015
Directors General	4	5	9
Directors and deputy directors	115	181	296
All other employees	37,110	26,873	63,983

The Senior Civil Service (SCS) provides high-level support to government ministers, assisting in the development and implementation of government policy, and to ensure the effective management of services. A broad group of 3,900 professionals are employed in 55 government departments and agencies across the UK.

Figure 33: SCS employees by pay band

Grade	Number at 1 April 2014	Number at 1 April 2015	Percentage change
Permanent Secretary	2	2	0%
SCS3	8	7	-12.5%
SCS2	41	42	+2.44%
SCS1	274	262	-4.4%
Totals	325	313	-3.7%
Out on loan/secondment (not included in the above)	16	18	+12.5%

SCS employee numbers

The overall total of 313 SCS employees comprises 295 in HMRC and 18 in the VOA. The slight decrease in SCS employees total is due to an increase in the number of loans/secondments and a number of SCS employees leaving before the end of the year and their replacements not joining HMRC until after 1 April 2015.

SCS posts

The total number of SCS posts reduced from 400 at the end of 2009 to 357 at 1 April 2015. There are 335 posts in HMRC and 22 posts in the VOA. The number of posts continued to be monitored closely to ensure SCS structures mirror changes in the overall size of the organisation. The number of SCS posts generally exceeds headcount of permanent SCS due to ongoing recruitment for vacant posts. A number of these vacant posts are filled by non-SCS pay bands on temporary promotion.

SCS recruitment

We have adopted rigorous governance, assessment and selection in our SCS recruitment practices to put the right people with the right skills in key roles and enhance our leadership capability. Governance over the number and nature of SCS posts remains with HMRC, but from 1 August 2014 Civil Service Resourcing (CSR) has handled the recruitment process.

A total of 77 HMRC and VOA posts were advertised during the last year, with a number of appointments made on promotion into and within the SCS from HMRC and across the Civil Service:

- 56 posts were advertised across Whitehall
- 21 posts were advertised via external recruitment campaigns.

Non-SCS recruitment

The way we recruit and redeploy our people supports the drive to transform HMRC into a more flexible, transparent and modern organisation, offering customers a more highly-personalised service that they will increasingly access online. We are continuing to build our workforce of the future by redeploying people across the organisation, using team moves and recruitment campaigns.

Last year, we redeployed 2,754 people into Enforcement and Compliance and promoted 4,566 people across the department. This includes 2,500 promotions within Enforcement and Compliance and around 1,000 promotions from grade AA to AO, as our need for AAs is reducing. In 2014-15, where essential to business delivery, we recruited 2,160 people, 207 on fixed-term contracts and 1,953 permanently. A total of 7,000 people left HMRC in 2014-15.

Reporting on the tax arrangements of public sector appointees

All government departments and their arm's length bodies which employ appointees 'off payroll' for more than six months have to report to the Treasury about the financial arrangement, to make sure it is transparent and that the appointee in question is paying the right amount of tax and National Insurance.

We have reviewed the way we employ appointees to ensure our processes are robust. We have the right to request assurances, and do so, from the appointees in relation to monies received from HMRC. We can terminate the individual's contract if these assurances are not provided. The tables below outline the off payroll arrangements for 2014-15.

Figure 34: All existing off-payroll engagements, as of 31 March 2015, for more than £220 per day and that last for longer than six months

	HMRC	Valuation Office Agency
Number of existing engagements as of 31 March 2015	30	3
Length of existing engagements:		
Less than one year at time of reporting	9	2
Between one and two years at time of reporting	14	1
Between two and three years at time of reporting	5	Nil
Between three and four years at time of reporting	2	Nil
Four or more years at time of reporting	Nil	Nil

All existing off-payroll engagements, outlined above, have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Figure 35: All new off-payroll engagements, as of 31 March 2015, for more than £220 per day and that last for longer than six months

	HMRC	Valuation Office Agency
New engagements, or those that reached six months in duration	14	6
Right to request information about income tax and National Insurance Contributions	14	6
Requests for information made	14	6
Information has been received	13	4
Information has not been received	1*	2
Engagement terminated as a result of information not being received	Nil	2

* The individual has left the department and we continue to seek the necessary information and assurances where appropriate.

Figure 36: Board members, and/or, senior officials with significant* financial responsibility

Number of individuals who are Board members and/or senior officials with significant financial responsibility	HMRC	Valuation Office Agency
On payroll	66	7
Off payroll	Nil	Nil

* Significant financial responsibility relates to HMRC directors and above, plus other senior positions with financial accountability or controlling roles, such as finance and programme directors.

Consultancy and temporary employees

We occasionally use professional service providers to help with specialist work – including consultancy, contingent labour, learning, legal advice, translation, interpretation and research services. We only use these services when the department does not have the necessary skills internally, or where an independent external expert opinion on a complex issue is required.

External advisers provide us with technological expertise to help with delivery of strategic objectives and major programmes. Contingent labour is used to deploy specialist expertise quickly, drive change and deliver increased efficiency with tight resources.

We continue to implement the Cabinet Office directive to reduce the use of consultants across central government. This directive, and the austerity measures introduced from May 2010, has seen a significant reduction in spend on consultancy. We continue to look for ways of achieving savings and introduced new procurement tools to improve our data analysis and share best practice in the employment of consultants with different parts of the department.

Our spending on consultancy increased to £566,676 in 2014-15, from £336,000 in 2013-14. This was due to an investment in IT expertise to support and deliver efficiencies from our modernisation of HMRC's IT and digital infrastructure. This is still a significant reduction from the £1.1 million we spent in 2011-12, £10.1 million in 2010-11 and £47 million in 2009-10. Our figures are based on the Cabinet Office definition of consultancy, which is narrower in scope than the definition we use in the Resource Accounts.

Total consultancy and contingent labour spend for the Valuation Office Agency for 2014-15 is £1.82 million.

Health and safety

The safety and wellbeing of our people is an important priority for HMRC and last year our main focus was on our commitment to support the Public Health Responsibility Deal and the Time to Change Pledges to reduce discrimination and stigma around mental health issues in the workplace. Supporting employees, raising awareness and building manager capability and confidence in this area is key, and as part of our strategy we launched a mental health advocacy service and guidance, which signposts our people who need extra support to the clinical and pastoral support available both within and outside the department.

We have started to roll out the provision of automated external defibrillators and we are providing training to first aiders at those locations. A new employee safety checks process also helps improve the personal safety of employees who work away from the office.

We actively encourage our employees to report accidents, ill health, or instances of work-related stress to their managers at an early stage and we provide this information to directors monthly as part of highlighting trends, establishing risk areas and informing health and safety performance. We received recognition from the Royal Society for the Prevention of Accidents with a silver award for our occupational health and safety management system.

Our estates team work with a number of private sector partners who provide property services across the whole HMRC estate. Each partner is responsible for ensuring compliance with health and safety legislation and we monitor their performance closely. Management of health and safety at site level has been further enhanced through changes to our network of senior responsible managers, with additional resources committed to fire and building-related safety.

We have to report some incidents to the Health and Safety Executive under the Reporting of Diseases and Dangerous Occurrences Regulations, known as RIDDOR. Most of the incidents in the 'specified injuries' category were minor fractures due to slips, trips or falls on our estate, or as part of the work activity. Incidents reported in the 'over seven-day' category (in Great Britain; and over three days in Northern Ireland) are injuries where a person, due to an accident at work, is unable to work as normal for those periods.

Figure 37: Reporting of Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR): reports to the Health and Safety Executive

RIDDOR incidents	2012-13	2013-14	2014-15
Fatal injuries	0	0	0
Specified injuries	15	19	13
Dangerous occurrences	1	0	0
Over three-day injuries	16	0	3
Over seven-day injuries	40	35	32
Diseases	6	4	3
Total	78	58	51

Non-RIDDOR incidents	2012-13	2013-14	2014-15
Upper limb disorder	135	100	80
Stress	708	926	831
Slips/trips/fall	554	474	429
Violence and verbal abuse	322	272	353
Acoustic	37	119	23
Bite (animal/insect)	181	98	100
Burns	114	134	87
Contact with moving machinery	11	15	12
Cut	86	98	74
Electrical	22	29	23
Environmental	327	364	269
Exposure to hazardous substances	12	71	47
Fall from height	9	4	8
Lifting/carrying injury	46	69	51
Road traffic accident	194	194	188
Struck by moving vehicle	22	25	17
Struck by moving / flying object	100	88	86
Other *	678	587	453
Total	3,558	3,667	3,131

* H&S incident categories are selected by the investigating officer on the reporting form. 'Other' is typically self-selected where more than one category applies. We are reviewing the incident categories to reduce the opportunity to select 'other' and more accurately capture the causal factor(s) leading to the incident.

Valuation Office Agency

The Valuation Office Agency (VOA) is an executive agency of HMRC and provides the property valuations and advice required to support taxation and benefits. The Agency employs just under 3,500 full-time equivalent people in 70 offices across England, Wales and Scotland.

The VOA is responsible for maintaining the valuation lists of 24.8 million domestic properties and approximately 1.9 million non-domestic properties across England and Wales, which enable the collection of council tax and business rates by local authorities. The VOA's work also enables the payment of significant sums of housing benefits, the collection of key national taxes by HMRC and the setting of fair rents. Additionally the VOA, through its Property Services team, provides property valuations and expert advice to the wider public sector, enabling public bodies to make the best use of their property assets.

The Agency's vision is that: "The VOA's customers have confidence in its valuations and advice. As a modern professional organisation, with expert and committed people, we act fairly, consistently and efficiently."

To help achieve its vision, the VOA has four strategic objectives:

- Target and achieve customer trust
- Drive quality and consistency through improved processes
- Develop and sustain the right capabilities
- Sustainably reduce costs and improve value for money.

The VOA delivered another strong operational performance in 2014-15. By the end of March 2015, the VOA had cleared 149,000 of 168,000 (88 per cent) business rates appeals covered by the Chancellor's 2013 Autumn Statement commitment to clear 95 per cent of appeals received before 30 September 2013 by July 2015. The VOA also began work on the national revaluation of all non-domestic property for business rates purposes, which will come into effect on 1 April 2017.

Where customers challenged their council tax band (formally or informally) 99 per cent of customers received a decision within two months. The VOA's operational work is supported by four Network Support Offices, which handled 322,000 business rates and council tax calls in 2014-15 and resolved many enquiries at the first point of contact.

VOA's Housing Allowances, Statutory Valuations and Property Services teams met or exceeded all of their timeliness and quality targets, and Property Services provided £15.99 million of professional property advice to its customers, which included high-profile projects such as the High-Speed 2 rail link.

The VOA further developed its information, analysis and policy functions, to improve the information and advice it provides to its clients and delivery partners across government. This included working with the Office for National Statistics to provide house rental price data for the Retail and Consumer Price Indices and the new experimental Index of Private Housing Rental Prices. The VOA also continued to work closely with HM Treasury and the Department for Communities and Local Government on the Administrative Review of Business Rates in England.

Work on the VOA's transformation programme continued – which includes changes for its IT, estates, data, customer contact and people. As part of these changes, the VOA moved its internet presence to the new GOV.UK website, reduced its estate by approximately 3,300m² and continued co-locating some of its offices with other government departments.



For more information about the work of the Valuation Office Agency visit www.gov.uk

How we share data

Being transparent in our work is vital to ensure the fairness, impartiality and accountability of HMRC. Our approach is to look at ways of sharing our data within our legal framework and to be mindful of our duty to protect customers' privacy, while safeguarding the effective operation of the tax system.

The Tax Transparency Sector Board, established in 2012, has continued to drive our publication activities, contributing and advising on our open data strategy. They have hosted a number of discussions with external organisations, contributing to improve our understanding of the value and use of tax information to the broader benefit of UK citizens.

This group has been influential in the debate on the release of some of HMRC's key data; gathering views, for example, on the controlled sharing of non-financial VAT registration data, which now forms part of the Small Business Enterprise and Employment (SBEE) Act.

As part of the discussions around data sharing, we worked on a clause also included in the SBEE Act, to release publicly non-financial data on exporters (mirroring similar information already published on importers).

We have also given different interest groups the opportunity to tell us their opinions on the way data sharing proposals should be implemented.

We have:

- engaged in open policy-making discussions that contributed to the development of a civil service-wide policy paper on data sharing and the introduction of a National Information Infrastructure by the Cabinet Office
- attended public debates, including an event sponsored by the Chartered Institute of Taxation, about our data-sharing proposals
- held direct conversations with civil society and privacy groups on the merits of sharing data for the public benefit
- provided personal tax summaries to around 22 million taxpayers, explaining how their income tax and National Insurance contributions have been calculated and how the government has spent their money
- regularly issued national statistics and data on our spending and procurement, as well as information on how our organisation is structured and performs
- made anonymous information available through the HMRC Datalab, which is an accredited safe and secure facility for the research community to access our data for high-level analysis.



For more information about the work of the Tax Transparency Sector Board visit www.gov.uk

Remuneration report

The remuneration report contains information about senior employees and covers our policies on salaries, bonuses and benefits in kind, as well as on performance assessment and contract termination.

Remuneration policy

The Senior Civil Service (SCS) is a pool of senior leaders employed across government, with a common framework of terms and conditions. SCS pay and conditions are not delegated to individual departments. Recommendations on SCS pay are provided by the [Review Body on Senior Salaries](#) in an annual report to the Prime Minister.

The government responds to its recommendations, and departments are then informed about its decision by the Cabinet Office. SCS pay and non-consolidated awards at HMRC are decided by the department's Remuneration Committee in line with this central guidance.

Before making its recommendation, the Review Body considers:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of employees
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target.

The Review Body also considers wider economic factors and the affordability of its recommendations.

Service contracts

There is a legal requirement that all civil service appointments must be made on merit, and on the basis of fair and open competition. The recruitment principles published by the [Civil Service Commission](#) explain the limited circumstances when other appointments can be made.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No such compensation payments were made to senior managers during 2014-15.

Performance management system

HMRC has two permanent secretaries: the Chief Executive Officer and the Tax Assurance Commissioner. Below them are three levels of senior civil servant: director general, director and deputy director, which are underpinned by a job evaluation scheme that creates a consistent way of comparing the relative value of jobs within and across departments. A pay award that averaged one per cent of the total SCS paybill was implemented from 1 April 2014.

Remuneration committees

The Main Remuneration Committee comprises the Chief Executive, all directors general, and an independent observer. The committee makes performance decisions for directors and signs off the sub-committee performance recommendations for deputy directors and the performance of deputy directors is moderated at director general-led remuneration committees, in line with Cabinet Office performance guidance to meet the performance group allocations.

The Permanent Secretaries moderate the performance and non-consolidated awards for directors general with advice from an independent observer. The performance of the Valuation Office Agency's Accounting Officer is assessed by HMRC's Principal Accounting Officer and moderated by the Main Remuneration Committee, which also sets the reward level.

The performance and reward arrangements for our Permanent Secretaries are managed by the [Cabinet Office](#).

Pay awards

There are two financial elements that make up SCS pay: base pay and non-consolidated performance-related pay. Both elements are linked to performance, but are considered and awarded separately.

Base pay awards in 2014-15 were only paid to 'Top' and 'Achieving' performers whose pay falls below the median of their pay range and all awards were capped at this level, with the exception of one individual. Delivery of performance against objectives is rewarded through a non-consolidated performance award for those who make the biggest contributions. Non-consolidated performance awards for 2014-15 were made to SCS in the 'Top' performance group only, based on 2013-14 performance.

SCS members are ranked from strongest to weakest on their performance and are allocated to three performance groups: Top (top 25 per cent of performers), Achieving (next 65 per cent of performers) and Low (bottom ten per cent of performers).

Performance assessments consider whether:

- business objectives within the performance contract have been met
- the corporate, capability and development objectives in the performance contract have been met
- leadership behaviours and professional skills elements of the common framework have been demonstrated
- the degree of difficulty or ease of meeting the objectives in the light of actual events has been reflected.

Non-consolidated performance award decisions are monitored to guard against bias or discrimination. The value of non-consolidated awards paid in 2014-15 for performance in 2013-14 were set as:

- SCS1 – £9,500
- SCS2 – £12,500
- SCS3 – did not exceed the Cabinet Office limit of £17,000.

Policy on notice periods and termination payments

We follow the standard policy for SCS notice periods and termination payments contained in the Civil Service Management Code.

The following sections provide details of the service contracts, salaries and pension entitlements of the department's most senior officials. Where there is no end date of term, it means their appointment is on a permanent basis.

Figure 38: Single total figure of remuneration and pension benefits (senior officials)

Senior officials	Single total figure of remuneration and pension benefits ¹									
	Salary (£000)		Bonus payments (£000)		Benefits in kind (to the nearest £100)		Pension benefits (£000) ²		Total (£000)	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Lin Homer CB Chief Executive and Permanent Secretary From 23 January 2012	180-185	180-185	15-20	15-20	600	200	20-25	70-75	220-225	270-275
Edward Troup Tax Assurance Commissioner and Permanent Secretary From 28 August 2012	150-155	150-155	—	—	500	800	30-35	45-50	185-190	200-205
Simon Bowles Chief Finance Officer 17 March 2009 – 25 March 2015	185-190	180-185 (185-190 full-year equivalent)	—	—	500	100	70-75 ³	65-70	255-260	255-260
Mark Dearnley Chief Digital and Information Officer 1 October 2013 – 30 September 2016	85-90 (175-180 full-year equivalent)	175-180	—	—	400	300	20-25	65-70	110-115	245-250
Jennie Granger Director General Enforcement and Compliance 1 October 2012 – 30 September 2017	150-155	150-155	5-10	—	500	300	55-60	55-60	215-220	205-210
William Hague Chief People Officer From 23 September 2013	65-70 (130-135 full-year equivalent)	135-140	—	—	400	300	85-90	110-115	155-160	250-255
Jim Harra Director General Business Tax From 16 April 2012	130-135	130-135	10-15	—	500	100	20-25	30-35	165-170	165-170
Justin Holliday⁴ Interim Chief Finance Officer From 9 March 2015	—	5-10 (145-150 full-year equivalent)	—	—	—	—	—	0-5	—	10-15 (145-150 full-year equivalent)

Continued

Senior officials	Single total figure of remuneration and pension benefits ¹									
	Salary (£000)		Bonus payments (£000)		Benefits in kind (to the nearest £100)		Pension benefits (£000) ²		Total (£000)	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Nick Lodge Director General Benefits and Credits From 6 August 2012	120-125	130-135	10-15	15-20	500	400	80-85	100-105	220-225	250-255
Ruth Owen Director General Personal Tax From 1 September 2012	130-135	135-140	5-10	15-20	500	100	45-50	35-40	190-195	190-195

¹ These disclosures have been subject to external audit.

² The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The value of pension benefits can vary year to year due to a number of factors: the date an individual joined the department; the date an individual left the department; an individual receiving a higher pay increase in one year compared to another year.

³ MyCSP have recalculated the pension benefits for Nuvo members and this has resulted in a change to the pension benefits range previously reported for Simon Bowles. No other Board member's reported range changed as a result of the recalculations.

⁴ In June 2015, Justin Holliday was confirmed as the new Chief Finance Officer following an external recruitment exercise.

Salary

Salary covers both pensionable and non-pensionable amounts and includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department.

Bonuses

Bonuses are based on performance levels achieved in the previous year and are made as part of the appraisal process.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HMRC as taxable, such as hospitality provided at external development events.

Pay multiples

The pay multiple is the ratio between the remuneration of the highest paid director in the department and the mid-point of the pay range – known as the median. This represents the pay of the employee that lies in the middle of the pay distribution of all employees, excluding the highest-paid director. Total pay includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash-equivalent transfer value of pensions.

The banded pay of the highest paid director in HMRC in 2014-15 was £200,000-£205,000 (2013-14, £195,000-£200,000). This was 8.5 times (2013-14, 8.7 times) the median remuneration of the workforce, which was £23,805 (2013-14, £22,669). The 2013-14 figure is restated, following a change in the methodology in accordance with published guidance.

In 2014-15, as in 2013-14, no employees received pay in excess of the highest-paid director. Remuneration ranged from £2,000-£2,500 to £200,000-£205,000 (2013-14 £2,000-£2,500 to £195,000-£200,000).

The calculation for both 2013-14 and 2014-15 combines workforce pay for both HMRC and the Valuation Office Agency. The 2014-15 median has increased to just above the HMRC officer pay minimum. In 2013-14 and 2012-13 the median was equivalent to HMRC's officer national minimum of £22,669.

The increase in the median is due to reduction of the administrative assistant and assistant officer proportion of the total workforce, and the increase in the proportion in grades from officer to grade 7.

Non-Executive Board Members

The department's Board comprises both senior operational management and external appointees. The fees of the external appointees are detailed below. Non-Executive Board members are appointed for a fixed term of usually three years.

Figure 39: Single total figure of remuneration (Non-Executive Board Members)

Non-Executive directors	Single total figure of remuneration ¹					
	Fees (£000)		Benefits in kind (to the nearest £100)		Total (£000)	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Ian Barlow (Lead Non-Executive) 20 February 2012 – 31 August 2015	45-50	45-50	100	–	50-55	45-50
Volker Beckers 1 January 2013 – 31 March 2015	15-20	15-20	100	–	20-25	15-20
Edwina Dunn 1 January 2013 – 31 December 2015	5-10 (10-15 full-year equivalent)	10-15	100	–	5-10 (10-15 full-year equivalent)	10-15
Philippa Hird 2 January 2009 – 30 June 2014	30-35	5-10 (30-35 full-year equivalent)	100	–	35-40	5-10 (30-35 full-year equivalent)
Norman Pickavance 1 January 2013 – 31 July 2014	10-15	5-10 (15-20 full-year equivalent)	300	–	15-20	5-10 (15-20 full-year equivalent)
Simon Ricketts 1 September 2014 – 31 August 2017	–	5-10 (10-15 full-year equivalent)	–	–	–	5-10 (10-15 full-year equivalent)
Mervyn Walker 1 September 2014 – 31 August 2017	–	10-15 (15-20 full-year equivalent)	–	–	–	10-15 (15-20 full-year equivalent)
John Whiting 1 April 2013 – 31 March 2016	15-20	15-20	100	–	20-25	15-20

¹ These disclosures have been subject to external audit.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. Civil servants are able to choose one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded, with the cost of benefits paid for by funding that is voted on by Parliament each year.

Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5 per cent and 6.85 per cent of pensionable earnings for classic and 3.5 per cent and 8.85 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos, a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the [Civil Service pension arrangements](#) can be found on the website.

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members have joined the new scheme. Further details of this [new scheme](#) are available on their website.

Figure 40: Pension benefits¹

	Accrued pension at pension age as at 31 March 2015 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2015 (to the nearest £000)	CETV at 31 March 2014 (to the nearest £000)	Real increase in CETV (to the nearest £000)	Employer contribution to partnership pension account (to the nearest £000)
Lin Homer CB² Permanent Secretary and Chief Executive	115-120	2.5-5	2,174	2,011	66	–
Edward Troup² Tax Assurance Commissioner	25-30	2.5-5	510	434	45	–
Simon Bowles³ Chief Finance Officer	25-30	2.5-5	414 ⁵	346	44	–
Mark Dearnley³ Chief Digital and Information Officer	5-10	2.5-5	64	21	27	–
Jennie Granger³ Director General Enforcement and Compliance	5-10	2.5-5	130	75	37	–
William Hague² Chief People Officer	30-35	5-7.5	336	260	52	–
Jim Harra⁴ Director General Business Tax	50-55 (Plus 160-165 lump sum)	2.5-5 (Plus 5-7.5 lump sum)	974	903	24	–
Justin Holliday² Interim Chief Finance Officer	45-50	0-2.5	588	586 ⁶	1	–
Nick Lodge⁴ Director General Benefits and Credits	50-55 (Plus 150-155 lump sum)	2.5-5 (Plus 12.5-15 lump sum)	973	845	83	–
Ruth Owen⁴ Director General Personal Tax	40-45 (Plus 125-130 lump sum)	0-2.5 (Plus 5-7.5 lump sum)	646	592	21	–

¹ These disclosures have been subject to external audit² Member of the Premium Scheme³ Member of the Nuvos Scheme⁴ Member of the Classic Scheme⁵ CETV at 25 March 2015⁶ CETV at 8 March 2015

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Lin Homer
Principal Accounting Officer
15 July 2015

Statistical tables

Table 1: Total departmental spending (£000)

This table provides further detail by category on HMRC spending.

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Resource DEL							
HMRC administration	3,596,631	3,345,192	3,311,468	3,289,624	3,292,167	3,106,554	3,226,646
Departmental unallocated provision	—	—	—	—	—	—	34,631
VOA administration	644	1,298	5,835	-1,978	-2,085	-2,420	1
Utilised provisions	54,283	48,381	47,599	40,954	33,160	31,057	166,488
National Insurance Fund	433,818	411,362	340,644	334,541	322,125	328,902	296,960
Total resource DEL	4,085,376	3,806,233	3,705,546	3,663,141	3,645,367	3,464,093	3,724,726
Of which¹:							
Staff costs	2,510,589	2,421,423	2,373,043	2,270,672	2,260,253	2,171,463	2,115,913
Purchase of goods and services	1,417,643	1,153,093	1,086,949	1,069,561	1,130,017	1,061,320	1,372,374
Income from sales of goods and services	-339,163	-310,604	-329,140	-313,498	-321,142	-342,428	-414,499
Current grants to persons and non-profit bodies (net)	8,572	40,628	11,240	29,944	4,012	4,214	972
Current grants abroad (net)	627	595	576	594	449	424	450
Rentals	271,867	259,820	265,590	262,455	225,422	184,626	234,455
Depreciation ²	203,386	215,373	217,296	226,075	233,890	275,817	271,373
Change in pension scheme liabilities	2,963	—	—	1,255	2,788	2,975	—
Other resource	8,892	25,905	79,992	116,083	109,678	105,682	109,057
Unallocated funds – resource	—	—	—	—	—	—	34,631
	4,085,376	3,806,233	3,705,546	3,663,141	3,645,367	3,464,093	3,724,726

Continued

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Resources AME							
Social benefits and grants	12,179,253	12,259,046	12,134,533	12,160,117	11,492,064	11,601,947	11,668,374
Providing payments in lieu of tax relief to certain bodies	154,513	176,852	101,532	57,134	76,396	99,703	105,083
Filing incentive payments	100,069	—	—	—	—	—	—
HMRC administration	106,926	64,776	3,967	19,596	24,631	70,610	30,000
Payments to add capacity	—	—	—	—	—	2,732	—
VOA – payments of rates to local authorities on behalf of certain bodies	32,049	39,603	47,537	55,747	60,085	65,939	74,190
VOA administration	5,416	5,126	1,139	-398	825	963	1
Utilised provisions	-141,317	-185,491	-56,271	-41,500	-33,383	-31,068	-166,788
Personal tax credits	27,600,898	28,870,775	29,914,314	29,699,832	29,329,220	29,123,165	29,453,632
Other reliefs and allowances	416,046	492,718	634,429	739,496	1,624,497	1,997,314	2,106,675
Total resource AME	40,453,853	41,723,405	42,781,180	42,690,024	42,574,335	42,931,305	43,271,167
Of which:							
Purchase of goods and services	48,327	52,360	79,369	74,927	74,442	85,715	78,200
Income from sales of goods and service	-2,155	-2,365	-2,846	-3,312	-3,702	-4,064	-4,010
Currant grants to persons and non-profit bodies (net)	40,078,530	41,378,570	42,386,319	42,200,664	41,963,365	42,037,716	42,019,946
Subsidies to private sector companies	272,963	308,509	443,358	465,118	551,816	764,666	1,313,818
Depreciation ²	-3,034	40,054	-9,270	-489	2,859	2,072	1
Take up of provisions	234,910	136,108	14,376	3,829	20,219	69,501	30,000
Release of provision	-175,507	-196,050	-142,802	-41,500	-33,383	-31,068	-166,788
Other resources	-181	6,219	12,676	-9,213	-1,281	6,767	—
	40,453,853	41,723,405	42,781,180	42,690,024	42,574,335	42,931,305	43,271,167
Resource budget							
Total resource DEL	4,085,376	3,806,233	3,705,546	3,663,141	3,645,367	3,464,093	3,724,726
Total resource AME	40,453,853	41,723,405	42,781,180	42,690,024	42,574,335	42,931,305	43,271,167
Total resource budget	44,539,229	45,529,638	46,486,726	46,353,165	46,219,702	46,395,398	46,995,893
Of which:							
Depreciation ²	200,352	255,427	208,026	225,586	236,749	277,889	271,374

Continued

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Capital DEL							
HMRC administration	214,312	161,073	215,064	190,063	211,019	223,985	154,079
Departmental unallocated provision	–	–	–	–	–	–	1,441
VOA administration	14,432	7,334	5,156	3,968	7,101	7,694	7,300
Total capital DEL	228,744	168,407	220,220	194,031	218,120	231,679	162,820
Of which:							
Capital grants to persons and non-profit bodies (net)	–	–	–	–	–	–	–
Purchase of assets	232,902	172,696	221,589	199,245	220,229	237,864	162,379
Income from sales of assets	-4,158	-4,289	-1,369	-5,214	-2,109	-6,185	-1,000
Unallocated funds – capital	–	–	–	–	–	–	1,441
	228,744	168,407	220,220	194,031	218,120	231,679	162,820
Capital AME							
Social benefits and grants	306,302	226,677	86,255	547	223	11	300
Utilise provisions	80,691	113,996	–	–	–	–	–
Total capital AME	386,993	340,673	86,255	547	223	11	300
Of which:							
Capital grants to persons and non-profit bodies (net)	386,993	340,673	86,255	547	223	11	300
	386,993	340,673	86,255	547	223	11	300
Capital budget							
Total capital DEL	228,744	168,407	220,220	194,031	218,120	231,679	162,820
Total capital AME	386,993	340,673	86,255	547	223	11	300
Total capital budget	615,737	509,080	306,475	194,578	218,343	231,690	163,120
Departmental spending							
Total resource budget	44,539,229	45,529,638	46,486,726	46,353,165	46,219,702	46,395,398	46,995,893
Total depreciation	-200,352	-255,427	-208,026	-225,586	-236,749	-277,889	-271,374
Total capital budget	615,737	509,080	306,475	194,578	218,343	231,690	163,120
Total departmental spending	44,954,614	45,783,291	46,585,175	46,322,157	46,201,296	46,349,199	46,887,639
Of which							
Total DEL	4,110,734	3,759,267	3,708,470	3,631,097	3,629,597	3,419,955	3,616,173
Total AME	40,843,880	42,024,024	42,876,705	42,691,060	42,571,699	42,929,244	43,271,466
	44,954,614	45,783,291	46,585,175	46,322,157	46,201,296	46,349,199	46,887,639

¹ Figures for 2012-13 have been restated to correct some spend classification misalignments reported in prior year accounts.

² Includes impairments.

Table 2: Public spending control (£m)

This table provides details of the Main Estimate (submitted 29 April 2014) for HMRC spending and the Supplementary Estimate (submitted 11 February 2015) which provide the Final Estimate (Provision) shown. It then shows the actual spend (outturn) against the Final Provision.

	Main Estimate	Supplementary Estimate (adjustment)	Final provision	2014-15 Outturn
Resource DEL				
Voted				
HMRC administration	3,278	-101	3,178	3,107
Departmental unallocated provision	35	-35	0	0
VOA administration	0	0	0	-2
Utilised provisions	39	0	39	31
Non-voted				
National Insurance Fund	302	0	302	329
Total spending DEL	3,654	-136	3,519	3,465
Resource AME				
Voted				
Social benefits and grants	11,703	132	11,835	11,602
Providing payments in lieu of tax relief to certain bodies	172	-74	98	100
e-filing incentive payments	0	0	0	0
HMRC administration	30	115	145	71
Payments to add capacity	8	0	8	3
VOA – payments of rates to local authorities on behalf of certain bodies	73	0	73	66
VOA administration	0	0	0	1
Utilised provisions	-40	0	-40	-31
Non-voted				
Personal tax credits	29,695	797	30,492	29,123
Other relief and allowances	1,914	97	2,011	1,997
Total spending AME	43,555	1,067	44,622	42,932
Capital DEL				
HMRC administration	163	78	241	224
Departmental unallocated provision	1	-1	0	0
VOA administration	9	0	9	8
Total capital spending DEL	173	77	250	232
Capital AME				
Social benefits and grants	1	0	1	0
Total capital spending AME	1	0	1	0

Table 3: Capital employed continued (£m)

This table shows a breakdown of HMRC's assets and liabilities, it also shows how capital employed is calculated.

	2009-10 Outturn	2010-11 ¹ Outturn	2011-12 ² Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Non-current assets							
Tangible							
Land	24.0	24.0	28.9	28.9	28.9	50.0	50.0
Buildings	359.3	328.5	285.1	253.0	232.3	282.0	291.6
Accomm refurbishment	74.2	70.2	84.7	74.6	75.2	65.0	72.3
Office and computer equipment	97.7	84.4	82.7	66.1	66.3	84.2	73.0
Vehicles	6.1	4.7	8.9	7.0	9.7	9.7	9.9
Furniture and fittings	36.3	35.0	31.4	29.0	26.2	26.2	26.9
Assets under construction	38.2	30.6	10.5	22.5	23.1	11.4	12.3
Scientific aids	4.4	2.9	4.0	3.7	2.6	1.6	1.4
Total tangible	640.2	580.3	536.2	484.8	464.3	530.1	537.3
Intangible							
Software licences	13.4	13.5	10.0	6.4	6.7	4.4	3.8
Developed computer software	1,003.0	1,058.0	1,031.5	1,040.7	1,020.7	1,019.9	998.5
Website development costs ³	0.0	0.0	1.4	3.9	5.2	6.6	5.7
Assets under construction	182.7	135.6	162.5	143.8	160.2	172.0	154.7
Total intangible	1,199.1	1,207.1	1,205.4	1,194.8	1,192.8	1,202.9	1,162.7
Total tangible	640.2	580.3	536.2	484.8	464.3	530.1	537.3
Total intangible	1,199.1	1,207.1	1,205.4	1,194.8	1,192.8	1,202.9	1,162.7
Receivables > 1 Year	0.0	1,093.0	1,099.3	1,214.4	1,467.5	1,740.6	1,810.2
Total non-current assets	1,839.3	2,880.4	2,840.9	2,894.0	3,124.6	3,473.6	3,510.1
Total current assets	287.1	885.8	782.8	963.7	1,078.9	1,348.3	1,403.0
Total assets	2,126.4	3,766.2	3,623.7	3,857.7	4,203.5	4,821.9	4,913.1

Continued

	2009-10 Outturn	2010-11 ¹ Outturn	2011-12 ² Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Liabilities							
Liabilities < 1 Year	-1,100.4	-1,918.8	-1,975.0	-1,998.6	-2,720.0	-2,837.7	-2,950.8
Liabilities > 1 Year	-201.4	-418.8	-381.1	-344.3	-335.1	-311.2	-326.1
Provisions	-355.9	-296.0	-168.9	-129.6	-116.4	-152.7	-161.8
Total liabilities	-1,657.7	-2,633.6	-2,525.0	-2,472.5	-3,171.5	-3,301.6	-3,438.8
Capital employed							
Assets	2,126.4	3,766.2	3,623.7	3,857.7	4,203.5	4,821.9	4,913.1
Liabilities	-1,657.7	-2,633.6	-2,525.0	-2,472.5	-3,171.5	-3,301.6	-3,438.8
Total capital employed	468.7	1,132.6	1,098.7	1,385.2	1,032.0	1,520.3	1,474.4

¹ The figures for 2010-11 have been restated to include receivables and payables for tax credits that transferred to the Resource Accounts from the Trust Statement in 2011-12 under clear line of sight.

² The approach agreed with HM Treasury has been that certain penalty charges relating to income tax have been treated as income within the Resource Account and offset against HMRC expenditure. The treatment ceased from 1 April 2012 and the penalty charges are now reported within the Trust Statement as Consolidated Fund Extra Receipts.

³ Website development costs, previously reported within developed computer software, have been reported as a separate intangible category in line with IFRS disclosure requirements.

NOTE: These figures agree with those included in the relevant audited published Resource Accounts except where restated for machinery of government changes.

Table 4: Administration budget (£000)

This table shows HMRC administration expenditure, utilised provisions and the administration element of the National Insurance Fund. This table does not include programme expenditure.

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Resource DEL							
HMRC administration	3,483,369	3,217,450	871,766	849,599	777,741	706,563	711,733
Departmental unallocated provision	–	–	–	–	–	–	34,631
Utilised provisions	54,283	48,381	40,850	32,971	26,156	18,831	13,902
National Insurance Fund	–	–	48,953	64,838	60,254	71,647	71,109
Total administration budget	3,537,652	3,265,831	961,569	947,408	864,151	797,041	831,375
Of which:							
Staff costs	2,510,589	2,421,423	335,549	303,503	306,449	311,376	307,750
Purchase of goods and services	861,565	643,079	413,024	391,306	401,842	354,374	349,325
Income from sales of goods and service	-316,102	-296,264	-88,623	-59,518	-68,469	-95,341	-127,000
Current grants to persons and non-profit bodies (net)	–	–	1,999	2,001	2,981	3,027	–
Rentals	271,867	259,820	178,377	195,916	139,403	116,203	151,170
Depreciations	201,586	213,166	66,611	55,000	67,232	96,617	77,300
Change in pension scheme liabilities	2,963	–	–	–	–	–	–
Other resource	5,184	24,607	54,632	59,200	14,713	10,785	38,199
Unallocated funds - resource	–	–	–	–	–	–	34,631
	3,537,652	3,265,831	961,569	947,408	864,151	797,041	831,375

Table 5: Staff numbers

This table reflects the average number of full-time equivalent persons employed during the year.

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn
Core department			
Permanent staff ¹	61,568	59,494	57,510
Others ²	3,577	3,692	1,401
Total	65,145	63,186	58,911
Valuation Office Agency (VOA)			
Permanent Staff	3,418	3,408	3,346
Others ²	74	112	91
Total	3,492	3,520	3,437

¹ The "permanent staff" figures include numbers of staff engaged on capital projects.

2014-15: core department 105 (2013-14: core department 51; 2012-13: core department 0).

² The "others" figures include values for contingent labour and consultants.

2014-15: core department 109, VOA 17 (2013-14: core department 125, VOA 9; 2012-13: core department 105, VOA 12).

Explanatory notes for tables 6, 7 and 8. (Pages 92-94)

- Tables 6, 7 and 8 show analyses of the department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2014 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.
- 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.
- TES is a cash equivalent 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 2014.
- The data includes both identifiable and non-identifiable 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 and cannot be disseminated by individual country or region is considered to be non-identifiable.
- 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.
- The functional analyses of spending in Table 8 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 A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

Table 6: Total identifiable expenditure on services by region and country, 2009-10 to 2013-14 (£m)

	2009-10	2010-11	2011-12	2012-13	2013-14
Region					
North East	1,535	1,584	1,649	1,729	1,680
North West	4,298	4,447	4,668	4,902	4,791
Yorkshire and the Humber	3,171	3,281	3,452	3,628	3,544
East Midlands	2,534	2,631	2,751	2,886	2,813
West Midlands	3,390	3,521	3,715	3,904	3,822
East	2,940	3,061	3,209	3,357	3,241
London	4,695	4,899	5,246	5,517	5,402
South East	4,069	4,225	4,415	4,609	4,402
South West	2,668	2,770	2,897	3,034	2,944
Total England	29,300	30,418	32,002	33,567	32,640
Country					
England	29,300	30,418	32,002	33,567	32,640
Scotland	2,713	2,776	2,865	2,996	2,877
Wales	1,767	1,825	1,908	2,003	1,948
Northern Ireland	1,169	1,221	1,296	1,362	1,342
Total UK identifiable expenditure	34,948	36,239	38,071	39,927	38,807
Outside UK	62	62	76	118	141
Total identifiable expenditure	35,010	36,301	38,147	40,045	38,948
Non-identifiable expenditure	4,194	3,846	3,728	3,632	3,575
Total expenditure on services	39,203	40,147	41,876	43,677	42,522

Table 7: Total identifiable expenditure on services by region and country, per head 2009-10 to 2013-14 (£ per head)

	2009-10	2010-11	2011-12	2012-13	2013-14
Region					
North East	596	612	635	692	644
North West	516	633	662	682	674
Yorkshire and the Humber	607	624	653	632	664
East Midlands	567	584	606	692	612
West Midlands	613	633	662	568	673
East	511	527	547	664	544
London	591	608	639	528	642
South East	479	493	510	528	501
South West	511	526	546	568	547
Country					
England	561	578	603	627	606
Scotland	522	532	541	564	540
Wales	581	598	623	651	632
Northern Ireland	652	676	714	747	733
UK identifiable expenditure per head	562	578	602	627	605

Table 8: Total identifiable expenditure on services by function, region and country for 2013-14 (£m)

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not identifiable	Totals
General public services																
Executive and legislative organisations, financial and fiscal affairs, external affairs	2	4	4	3	4	4	5	6	5	37	2	3	2	20	3,562	3,627
General public services not classified elsewhere	0	1	1	0	1	1	1	1	1	5	1	0	0	0	13	19
Total general public services	2	5	5	3	5	5	6	7	6	42	3	3	2	20	3,575	3,646
Economic affairs																
General economic, commercial and labour affairs	10	29	21	19	22	28	60	47	23	258	24	11	7	–	–	299
Mining, manufacturing and construction	0	0	0	0	0	0	0	0	0	0	0	0	0	–	–	0
R&D economic affairs	7	22	16	14	17	22	47	37	18	200	19	8	5	–	–	233
Total economic affairs	17	51	37	33	39	50	107	84	41	458	43	19	12	–	–	532
Environment protection																
Environment protection not classified elsewhere	0	0	0	0	0	0	1	0	0	4	0	0	0	–	–	5
Total environment protection	0	0	0	0	0	0	1	0	0	4	0	0	0	–	–	5
Social protection																
Old age (pensions)	2	5	3	3	3	5	4	10	8	44	4	3	1	3	–	55
Family and children (family benefits, income support and tax credits)	464	1,321	985	829	1,076	1,051	1,540	1,487	911	9,664	859	550	379	46	–	11,498
Housing	0	0	0	0	0	0	0	0	0	0	0	0	0	–	–	0
Social exclusion not classified elsewhere (family benefits, income support and tax credits)	1,194	3,408	2,513	1,943	2,699	2,128	3,740	2,813	1,977	22,415	1,966	1,372	946	71	0	26,771
Social protection not classified elsewhere	1	1	1	1	1	1	3	1	1	11	2	1	2	–	–	16
Total social protection	1,661	4,735	3,503	2,776	3,778	3,186	5,288	4,311	2,898	32,135	2,831	1,926	1,328	120	0	38,340
Total	1,680	4,791	3,544	2,813	3,822	3,241	5,402	4,402	2,944	32,640	2,877	1,948	1,342	141	3,575	42,522