HM Revenue & Customs

Annual Report and Accounts 2014-15

Introduction and performance

Who we are and what we do

We are an effective, efficient and impartial tax, payments and customs authority. We collect the money that pays for the UK's public services and help families and individuals with targeted financial support. We help the honest majority to get their tax right and make it hard for the dishonest minority to cheat the system.

We are also one of the UK's biggest organisations: we have around 56,000 full-time equivalent employees in 170 offices across the UK, collecting tax and duties from 45 million individuals and 5.2 million businesses, and pay tax credits to 4.6 million households and Child Benefit to 7.5 million families.

We contribute to the country's economic and social wellbeing and support growth. The UK is the world's seventh largest economy and the second largest in the EU and we play our part by making it as easy as possible for industry and business to trade.

Our key objectives, set by the government, are to:

- maximise revenues
- make sustainable cost savings
- improve the service that we give our customers.

To these, we have added a fourth objective: include and involve our people in how we meet these key objectives and ensure that we invest in their skills, capability and the experience they have of working in HMRC.

We work closely with HM Treasury through the Policy Partnership to deliver effective tax policy which meets government objectives, working together on policy design through to implementation. We are uniquely placed to provide advice on the implementation of tax policies using our considerable expertise, knowledge and insight of our customers and their behaviour, tax compliance and tax legislation.

We also work with a number of other government departments to help deliver their objectives; for example, in collecting student loans and in enforcing the National Minimum Wage.

"Our work is challenging, but by winning the leading case against Eclipse 35 at the Court of Appeal we protected about £635 million in tax and sent out a strong warning against involvement in avoidance schemes."

Christina Parkinson
Solicitor's Office,
London

Our achievements in 2014-15

Maximise revenues

£517.7bn

£11.9 billion more than in 2013-14.
In 2014-15, total revenue increased by £11.9 billion, or 2.4 per cent, to £517.7 billion as a result of growth in the UK economy and increased compliance activity by HMRC to tackle tax evasion and avoidance, fraud, error and debt.

Make sustainable cost savings

£210m

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

Achieving more...

£26.6 billion
Record compliance revenues

£768 million
Compliance revenue from new Accelerated Payments legislation

£9.79 billion
Tax protected through successful litigation

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

1,289
Prosecutions for tax offences following our investigations

with less...

170
HMRC offices, compared to 539 in 2005

19 million
Fewer sheets of paper we printed

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

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

£17 million
Savings made to our estates running costs

Improve the service that we give our customers

10.2m

Self Assessment returns submitted by midnight on 31 January 2015.
We improved our handling of the peaks in demand during the January Self Assessment and July tax credits deadlines, but we missed our phone and post targets overall. We continue to invest in digital services for customers.

Include and involve our people

1,404

The number of events our employees attended during Phase 1 and 2 of Building our Future.
The increasing expectations placed on us from customers requires new ways of working and digital services that are more focused on customers. Building our Future will ensure that we have the right people, skills and locations to deliver this.

and delivering...

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

2.4 million
Businesses subscribed to Your Tax Account

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

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

410,000
Tax credits customers who renewed their claims online

with our people

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

4,500
Of our people were promoted

50
Joined our first-ever tax apprenticeship programme

77
Of our people serve as reserves in the Armed Forces

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

Foreword

Lin Homer
Chief Executive and Permanent Secretary

Foreword by Lin Homer

Welcome to our Annual Report and Accounts for 2014-15. It has been another good year for HMRC and we have delivered record results in some areas – although we know that there is still more to do to deliver a consistent service to all our customers.

We generate, protect and secure the money that pays for the UK's public services – and I am delighted to report that we generated a total of £517.7 billion in tax revenues last year – £11.9 billion more than in 2013-14. The impact of our compliance activities has increased again this year – realising record results with £26.6 billion achieved this year against £23.9 billion in 2013-14. This means our compliance revenues have increased over each year of the last Spending Review period – a truly fantastic achievement that is due to the thousands of hard-working, dedicated people at HMRC.

Last year, we protected more than £9 billion in tax revenues through legal action in the courts, and we secured important new compliance powers, such as Accelerated Payments for tax avoiders, and a Diverted Profits Tax for multinationals which try to move their profits to other countries.

We have significantly reduced error and fraud in the tax credits system to a new all-time low of 4.4 per cent in 2013-14, the third consecutive annual decrease. The figure for 2012-13 has also been revised, down from seven per cent to 5.3 per cent. In real terms that means error and fraud now stands at £1.26 billion – almost £1 billion less compared to 2010-11. This shows that the improvements we are making in how we detect error and fraud are really making a difference.

We also introduced a new telephone and mobile service for people who need extra help with their tax and entitlements; launched the Employment Allowance, which is already giving more than a million employers a National Insurance rebate worth up to £2,000; and put in place arrangements so that customers could pre-register for the new Marriage Allowance, ahead of its going live this tax year. We also increased the number of subscribers to Your Tax Account to more than two million – further evidence of the progress we are making to move more of our services online, to make it easier for businesses and individuals to deal with their tax affairs.

One of our challenges is to handle the peaks in demand for our services throughout the year, to make sure that we deliver a consistent level of service. So I was pleased that we further improved the way we managed both the tax credits renewals and Self Assessment deadlines last year. By the 31 July tax credits renewals deadline, we received more than three million applications, including 410,000 through our new online renewals service. And by the 31 January Self Assessment deadline, we received more than 10.2 million returns, a record 85.5 per cent of which were online.

The percentage of calls we handled last year dropped to 72.5 per cent from 79 per cent in 2013-14, and we also missed our 80 per cent target for turning around customer post in 15 working days – 70 per cent last year from 83 per cent in 2013-14. We tried to achieve a more consistent performance over the past year in how we deal with the millions of customer calls and items of post that HMRC receives, by being flexible in moving people between different tasks in response to changing levels of demand, but our customer service in this area was not good enough.

We were able to maintain our performance in processing tax credits and Child Benefit claims and changes of circumstance in 15 days for UK claims and in 88 days for international claims – well within our target of 22 days and 92 days respectively.

We have also faced a difficult start to the new financial year. The introduction of a number of longer-term changes, such as a new telephony system late last year, has led to longer call handling times – reducing the number of calls we can take in a day. In our effort to limit these impacts, we prioritised our phone service over the post, which led to an increase in the levels of post on hand, and reduced service levels for customers contacting us by post too.

The new government expects all departments to make further efficiency savings – and we will continue to work hard to reduce our costs where we can sustainably afford to do so. Last year we made £210 million of cost reductions, bringing our total sustainable cost savings over the past four years to £991 million – exceeding our target by £25 million. We achieved this by continuing the long-term reductions to our workforce in some areas, while recruiting in other areas where we need specialist skills.

Looking to the future, we want to create a modern tax, payments and customs authority that builds on work already underway across the department. In his budget statement just a few days ago, the Chancellor announced that we had been given a total of £1.3 billion to help fund our transformation, compliance work and new policies and targets. It demonstrates the government's confidence in our ability to deliver for the UK – showing how central our work is to their agenda. In return, we have been set the challenge of raising an additional £5 billion a year.

There are six specific areas that together will deliver the transformation we need to achieve:

- personalising online accounts, to give us and our customers a single view of their dealings with HMRC
- continuing to move the reporting and payment of tax closer to real-time
- making it easier for people to get their taxes and entitlements right
- targeting wrongdoing
- investing in a highly-skilled workforce
- investing in cutting-edge IT.

We plan to introduce personalised online tax accounts for all UK businesses and individuals, building on the services currently being used by two million small businesses. These accounts will bring all of a taxpayer's affairs together into a single place, giving them an up-to-date view of their liabilities and showing them how their tax has been calculated.

Online accounts will better enable businesses and individuals to report and pay the tax due throughout the year in 'real-time', reducing the scope for error, evasion and the build-up of debts.

Having a Single Financial Account that brings together information about pensions, employment and savings will make it easier for people to get it right first time – allowing them to pay what they owe without having to give HMRC information that we already hold.

By designing out error and making it harder for the dishonest minority to cheat, our specialist compliance teams can target wrongdoing more efficiently and will be able to focus on high-yield tax avoiders, evaders and organised criminal gangs, working on complex and challenging cases that will require enhanced legal, digital and analytical skills.

A bright spotlight was focused on our compliance activities in early 2015, following international media coverage of offshore tax evasion. HMRC was challenged about our handling of the issue, but also whether our approach is truly even-handed in dealing with multinational companies, smaller businesses and individual taxpayers.

Let me be really clear: we expect all our customers – regardless of size or influence – to pay what they legitimately owe and we will bring those who don't to account, applying the most appropriate civil and criminal sanctions.

Investing in a more highly-skilled workforce that has cutting-edge IT systems at its disposal will help them meet the challenges ahead, as our work becomes more complex, and relies less on manual, routine work.

As we start a new Parliament, the new government will be tasking HMRC to crack down even further on tax evasion and avoidance. It is my firm belief that HMRC is in a very strong place to meet this new challenge, building on our impressive record of achievement and our clear vision for the future for our customers, our people and for the UK.

Lin Homer
Chief Executive and Permanent Secretary

We have generated increased revenues in every year of the last Spending Review period – a truly fantastic achievement that is due to the thousands of hard-working, dedicated people at HMRC.

Performance

Strategic report – reviewing our performance

At a glance…
Our performance has continued to improve against our three key objectives: maximising revenues, improving the service that we give our customers and making sustainable cost savings. We still have more to do to achieve consistent customer service levels across the year.

Maximising revenues

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

In summary, and compared to 2013-14:

- Income tax (32 per cent of total revenue), and National Insurance Contributions (21 per cent of total revenue) increased one per cent due to higher levels of employment and higher wages
- Value Added Tax (22 per cent of revenue) increased five per cent as a result of significant increases in receipts for the automotive, business services and more notably, the manufacturing sectors. Household spending has also been rising steadily
- Corporation Tax (eight per cent of total revenue) increased three per cent as a result of improvements to profits across all sectors, but particularly the financial sector
- Hydrocarbon oil duties, stamp taxes, alcohol and tobacco duties accounted for 12 per cent of revenues and a number of other taxes, including Capital Gains Tax, Inheritance Tax and Air Passenger Duty, accounted for the remaining five per cent. There were some significant increases in Capital Gains Tax £1.8 billion (46 per cent), Climate Change Levy £0.6 billion (50 per cent) and Bank Levy £0.5 billion (23 per cent) during the year.

"My team's work on investigating and disrupting criminals stops millions of pounds being stolen from the UK Exchequer each year – it's complex and time-consuming, but immensely satisfying."

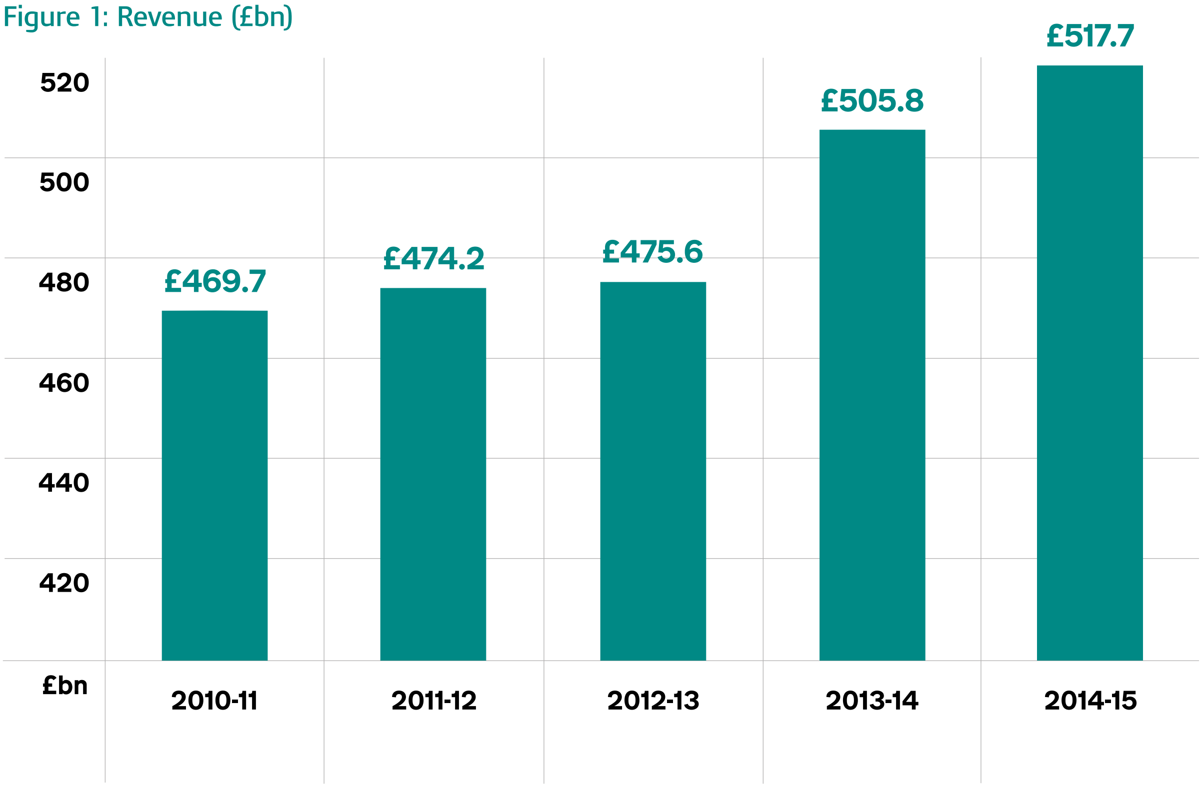
Julian Saldanha
VAT Missing Trader Intra-Community Fraud, Ipswich

These increases have been offset by some significant decreases in some of the smaller taxes. Petroleum Revenue Tax decreased by £1.1 billion (100 per cent) mainly due to a significant fall in oil and gas prices. Capital Taxes decreased by £0.4 billion (80 per cent) as expected, as revenue for current and future withholding tax liabilities was significantly lower than past charges. Tobacco revenue decreased by £0.3 billion (3.1 per cent) as a result of a continuing decline in smoking.

Full information of the tax revenue collected by HMRC, with year-on-year comparisons, can be found in the Trust Statement at page 98.

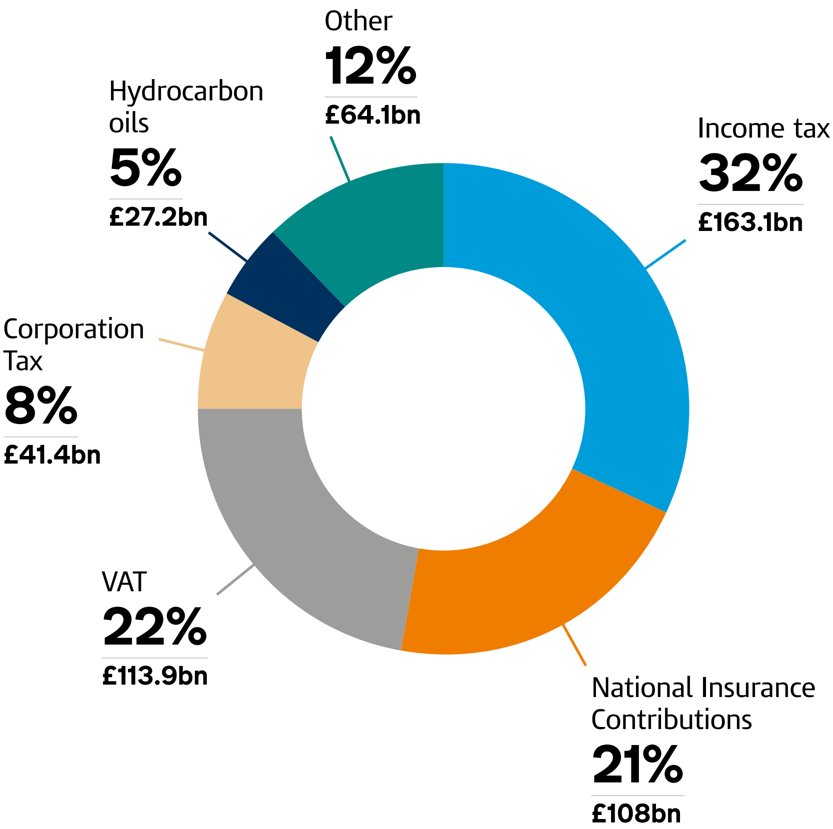
Our strong performance in increasing compliance yield this financial year, and over the Spending Review period since 2010, is a result of continuing to help customers get their tax and payments affairs right. We tailor our approach according to risk and customer behaviours, making the most of new technology,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

Figure 1: Revenue (£bn)



During the last year we collected and secured £26.6 billion from our compliance work, more than in any previous year and £2.7 billion more than in 2013-14.

Figure 2: Tax revenue – where the money comes from



The total amount of tax revenue that we should collect is driven by the overall level of activity in the economy and the rates of taxation, allowances and reliefs set by the Treasury.

Compliance yield – 2014-15 performance

While the vast majority of individuals and businesses pay what they owe, we also need to work very hard each year to make sure that those who try to cheat the system also pay what they should. We refer to the amount of revenue that we either collect or protect from our compliance activities as 'compliance yield' and we explain this in more detail on page 14.

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

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

It includes not only cash collected but an estimate of the amount of revenue we prevent being lost together with an estimate of the impact of our current compliance interventions on future customer behaviour. For the first time this year, compliance yield also captures the impact of the new Accelerated Payments regime, which requires up-front payment from users of tax avoidance schemes.

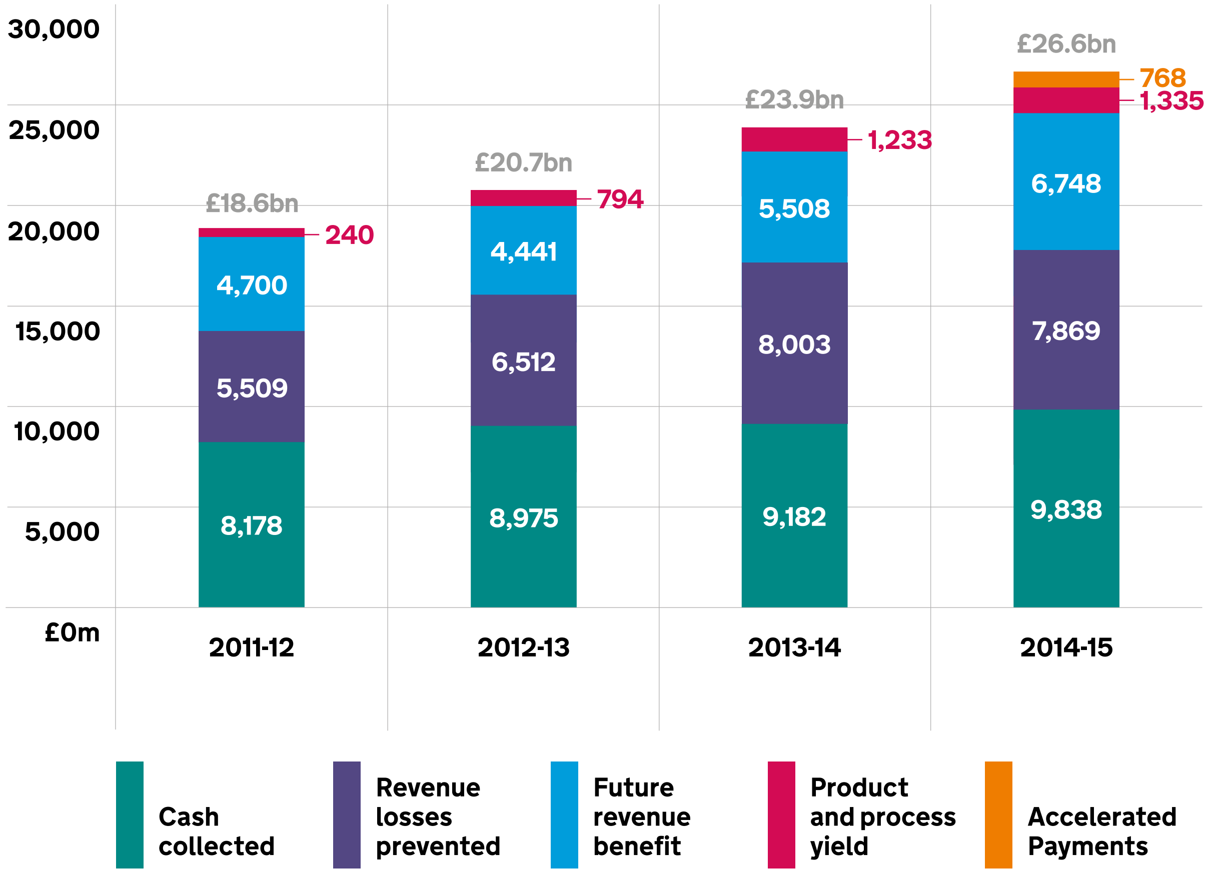
The main components are:

- **£9.8 billion** of cash collected – the amount of additional compliance revenue due when we identify past non-compliance, multiplied by a discount rate to reflect the fact that some of the amounts we identify will not be collected, due to insolvency, for example. While the amounts of tax due from these cases is very clear, we cannot trace every compliance assessment through to final payment, so there is an element of estimation involved in this figure
- **£7.9 billion** of revenue protected – the value of our activities where we have prevented revenue from being lost to the Exchequer; for example, by stopping a fraudulent repayment claim. It also includes the impact of our compliance work to disrupt criminal activity
- **£6.7 billion** of future revenue benefit – the effects of our compliance interventions on customers' behaviour
- **£1.3 billion** of product and process yield – an estimate of the impact in each year of largely legislative changes made in the government's 2010 Spending Review period that closed tax loopholes to reduce opportunities to avoid or evade tax
- **£768 million** of revenue from Accelerated Payments notices – the disputed amounts of tax that some people using tax avoidance schemes are now required to pay upfront within 90 days, as well as the estimated behavioural change already generated by the policy.

"Our customers include some of the UK's wealthiest individuals and we make sure they pay what they owe – we've delivered more than £450 million in additional revenue benefit since 2011."

Kevin Hubbard
Assistant Director, Affluent Unit,
Nottingham

Figure 3: Total compliance revenue (£m)



Technical notes are available online, setting out how we calculate yield in more detail.

We tackle non-compliance through a wide range of targeted activities that include:

- working closely with the 2,000 largest and most complex businesses in the UK. In 2014-15, we generated £7.3 billion of compliance yield from these businesses
- preventing £2 billion from being lost to the UK through tax avoidance and evasion through our enforcement activity and legal action, against a target of £1.79 billion
- tackling tax avoidance schemes in the courts though our legal and counter-avoidance directorates. We protected an estimated £635 million in tax in just one court case after the Court of Appeal ruled against a tax avoidance scheme run by Eclipse Film Partners (No 35) LLP
- generating compliance yield of more than £414 million from the UK's 6,000 wealthiest individuals, as a result of work carried out by our High Net Worth Unit, which has more than 400 specialists dealing with customers who each have a net worth of £20 million or more
- analysing income received by UK businesses from millions of credit and debit card transactions – known as 'merchant acquirer' data. This is a powerful tool for HMRC in tackling tax evasion and has already had a significant impact on bringing in additional revenue, by helping identify those breaking the rules. It has also resulted in a number of prosecutions
- continuing to prevent offshore non-compliance and encourage voluntary disclosure working with other countries multilaterally in the context of international agreements such as the OECD's Common Reporting Standard. The total revenue from the Liechtenstein Disclosure Facility alone, since opening in 2009, passed £1 billion last year

- prosecuting 1,289 cases, predominately for tax-related crimes – securing a collective total of 407 years in prison sentences
- extraditing ten people back to the UK who were wanted for revenue fraud worth an estimated £46.4 million. We continue to pursue all individuals overseas who are wanted in the UK for tax crime.

Accelerated Payments

At a glance…

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

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

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

The new system does not change the amount of tax that should be paid or affect anyone's right to pursue their dispute with us, if they feel they are legally entitled to the tax advantage claimed by the avoidance scheme. Instead, it sets out who holds the money while the dispute is resolved. Should they win their case, we will repay the tax with interest.

Figure 4: Accelerated Payments

Accelerated Payments notices issued	Forecast payments received by March 2015	Actual payments received by March 2015	Refunded after legal challenges	Net value
10,000	£210 million	£596 million	£28 million	£568 million

For the first time, we also issued 379 'follower notices' to tax avoidance users. Follower notices urge tax avoiders to pay the disputed tax they owe after court rulings in similar cases find in our favour. We issued follower notices with a collective value of more than £170 million in 2014-15. If someone who has received a follower notice does not settle their dispute they may be liable to a penalty of up to 50 per cent of ther tax and/or National Insurance Contributions in dispute.

Between 1-2pm on 31 January, more than 29,540 people filed a #SelfAssessment tax return online, nearly 500 a minute.

http://ow.ly/ldX5c

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

We also started to target high-risk promoters of tax avoidance schemes in an attempt to change their behaviour, taking the first steps towards, among other things, naming them publicly with a view to disrupting their business model and protecting tax worth tens of millions of pounds.

The estimated compliance revenue protected by Accelerated Payments, through making the use of avoidance schemes less attractive to existing and potential avoidance schemes users, was £200 million in 2014-15.

Compliance yield performance over the Spending Review period

Our 2010 Spending Review settlement and subsequent fiscal events, such as Budget and Autumn Statement announcements, have required us to deliver a number of compliance yield improvements. The table shows that we have met these targets each year over the period.

Figure 5: Our compliance yield targets over the Spending Review period (£bn)

	2011-12	2012-13	2013-14	2014-15
Original baseline	13.0	13.0	13.0	13.0
2012 baseline adjustment to reflect new scoring rules for future revenue benefit	1.7	1.7	1.7	1.7
Baseline error adjustment[1]	1.9	1.9	1.9	1.9
Sub total — revised baseline	**16.6**	**16.6**	**16.6**	**16.6**
Targeted performance increment from SR10	2.0	4.0	5.0	7.0
Extra target increments added by subsequent fiscal events		0.0	0.4	1.1
Amounts expected from Accelerated Payments				0.4
Amount of stretch added to performance expectations[2]			1.1	0.9
Target	**18.6**	**20.6**	**23.0**	**26.0**
Outturn	**18.6**	**20.7**	**23.9**	**26.6**

1 As part of the 2013-14 audit, an error was found in the calculation of the baseline which should have been £1.9 billion higher.
2 Stretch refers to agreed increase to targets agreed with HM Treasury to reflect in-year performance.

We reported in detail in our 2013-14 Annual Report about an error we had made in the calculation of our compliance yield performance baseline. We have corrected this error and it is fully reflected in our 2014-15 compliance yield target.

For the first time, in 2014-15, the compliance yield target included the expected impact of the new Accelerated Payments legislation, and consequently our compliance yield includes the outturn performance of this policy. This means that the coverage of the compliance yield measure is wider than it was in previous years, but this change is necessary to fully reflect the increasing range of compliance activity and to report in a way that is consistent with the basis of our targets.

There is one other change in the coverage of reported compliance yield over the period. The impact of one of our SR10 re-investment projects to increase the extent of our debt collection activity was excluded from compliance yield in 2013-14 because of a delay with the availability of the underlying data. The impact of the work is included in 2014-15 (£576 million).

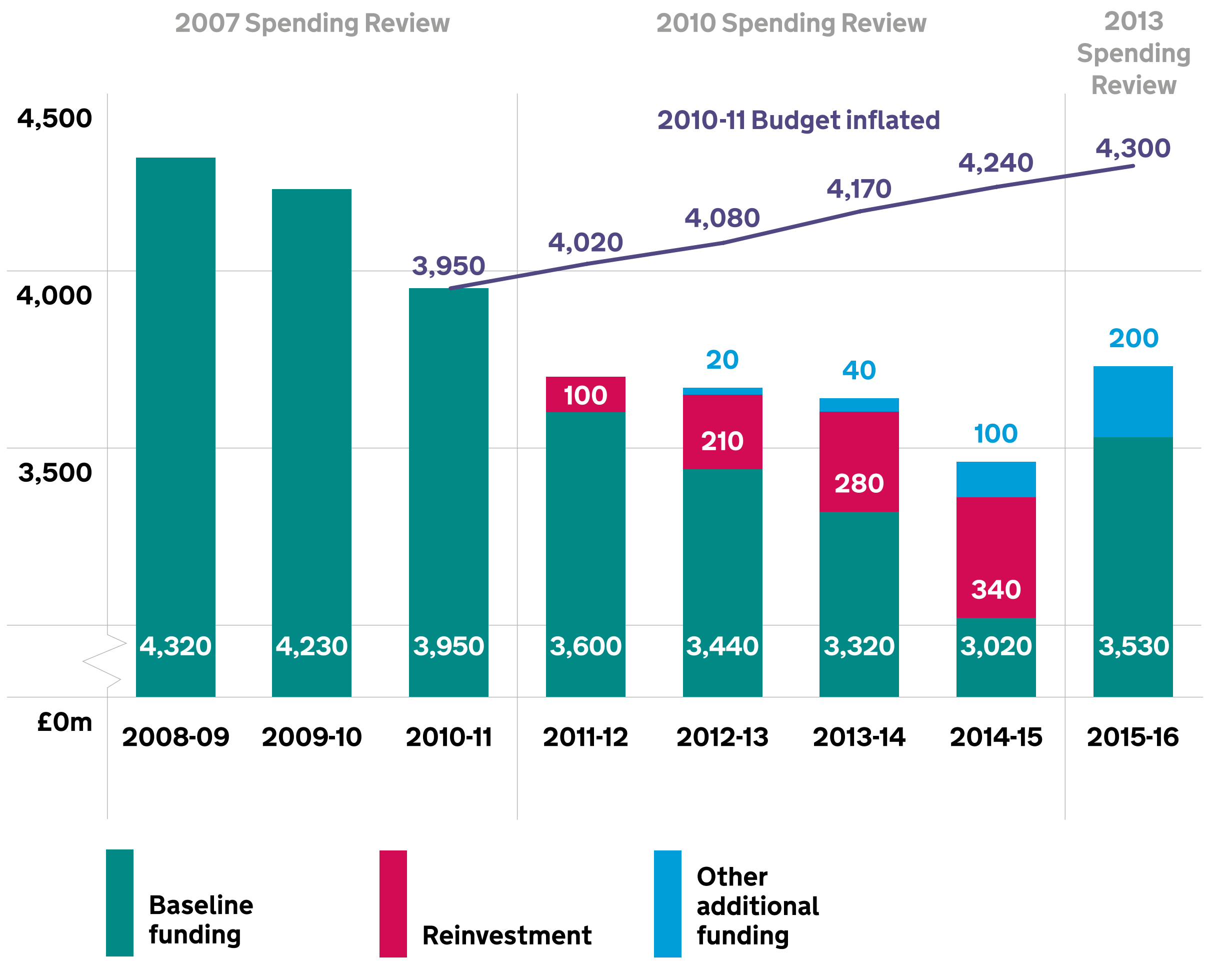
Reducing costs and providing value for money

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

One of our priorities is to continue to drive down the day-to-day costs of running the tax system to deliver better value for money for the taxpayer and the country.

The chart below shows the scale of efficiency saving we have made over the Spending Review period. This is the difference between our budget projections for 2010-11 to 2015-16 (the purple line) and our baseline funding. It also shows £917 million that was re-invested into compliance work, and further investment for new initiatives; for example, implementing Accelerated Payments.

Figure 6: HMRC expenditure 2008-09 to 2015-16



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

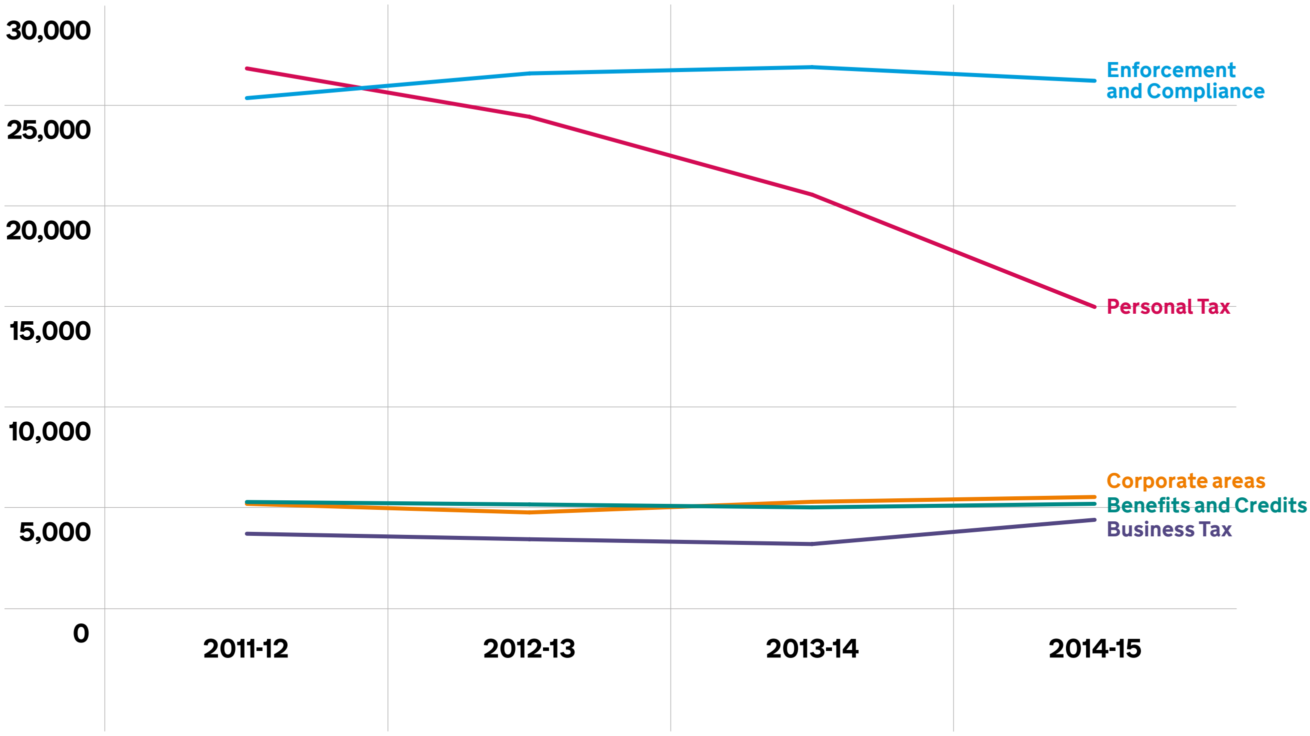
In 2014-15, we continued to transform in size and shape and delivered a further £210 million in sustainable cost savings. This means that in 2014-15, our spending was almost £1 billion less than it would have been compared to 2010-11. The following table sets out how the further sustainable savings in the last year of £210 million relate to our spending.

Figure 7: Reconciliation of sustainable cost savings (£m)

	2013-14	2014-15	Saving
Resource departmental expenditure limit outturn (excluding VOA)	3,645	3,465	
Less:			
Depreciation adjustment	-226	-237	
Re-investment to tackle non-compliance in the tax system	-284	-342	
Ring-fenced funding e.g. from autumn statements and spending reviews	-106	-145	
Non-permanent staff outside the scope of spending reviews	-81	-32	
Adjustment for inflation	34		
	2,982	**2,709**	273
Less one-off savings			-63
Sustainable efficiency savings			**210**

We have made these savings by changing the way we work right across the department, but particularly in our customer operations areas. By increasing automation, we no longer have to manually process 16 million routine work items to keep people's records up to date. We have supported more of our customers to file online and introduced new digital services, for example, to enable tax credits customers to renew online. We have changed our processes so customers have less need to contact us, such as stopping 25 million outputs (for example, coding notices to people with no tax liability). We have also improved training for our staff so they can more easily move between areas of work.

Figure 8: HMRC staff numbers (FTE)



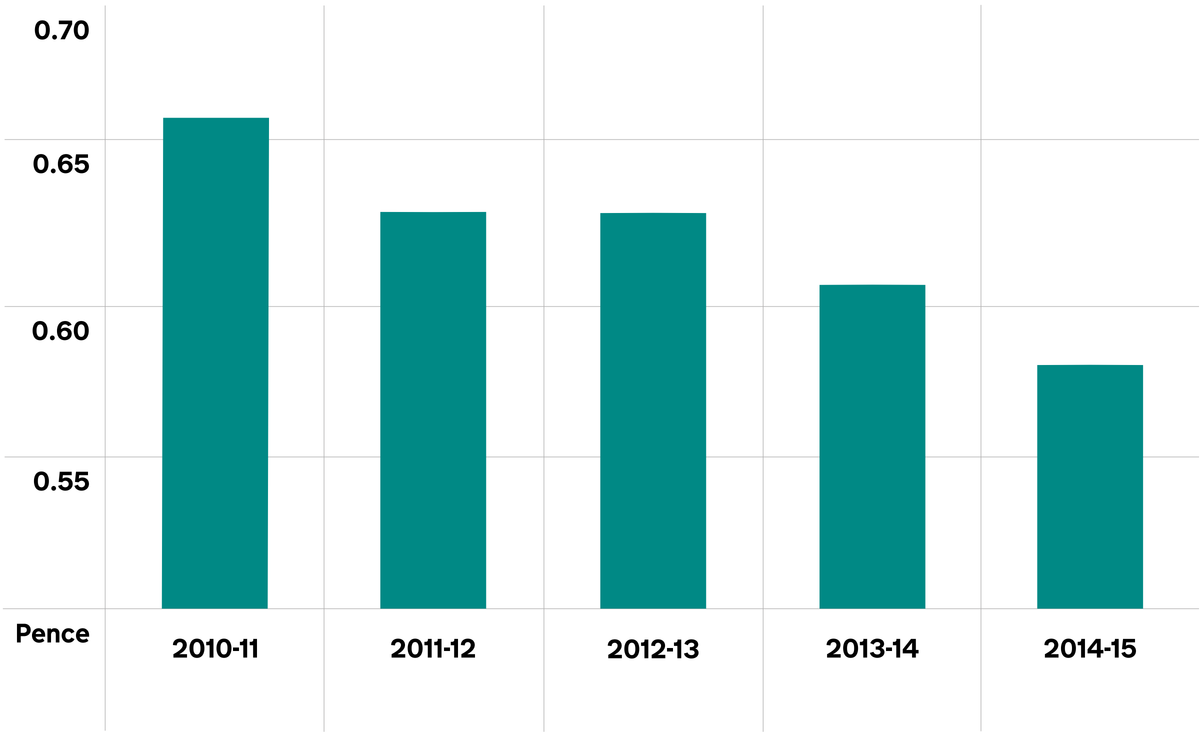
We reduced the total number of full-time equivalent (FTE) staff in post over the 2010 Spending Review period from 67,000 to 56,000 in 2014-15.

The significant reduction in our estate also meant we saved another £17 million in estates running costs in 2014-15 and £235 million over the Spending Review period.

We also made a further £14 million in new sustainable IT savings last year through changes to existing contracts and realising the benefits of the shift from paper to digital. That means we made a total of £424 million savings in IT over the Spending Review period.

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

Figure 9: Overall cost of collection (pence per £ collected)

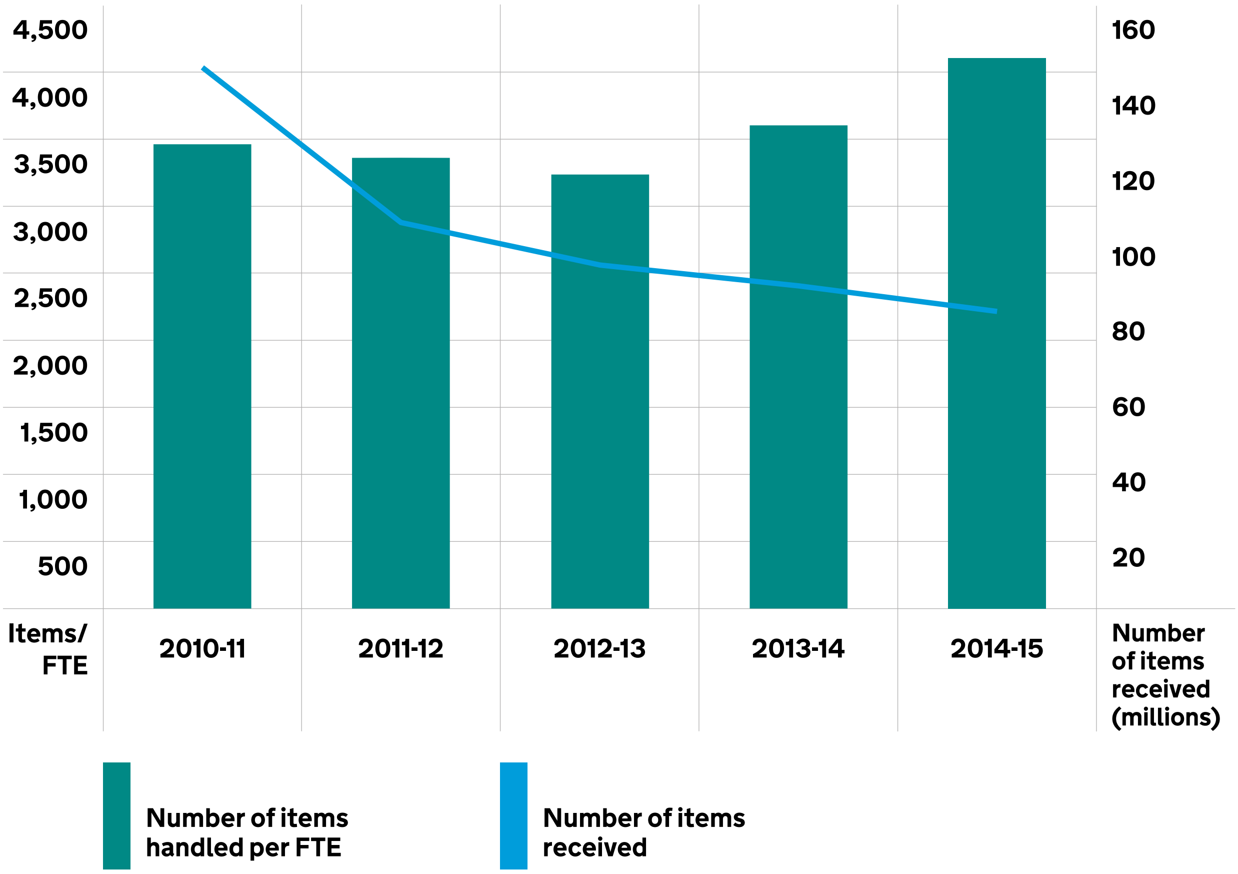


"We're working at the forefront of data-led compliance – making the most of all the details we now get on debit and credit card payments to improve our hit rate for identifying people in the hidden economy."

Chas Coysh
Merchant Acquirers Data,
Systems Evasion and Audit Team,
London

We have successfully reduced unnecessary customer contact and seen demand for phone and post contact decrease, which has enabled us to make cost savings. The chart below shows that our people working in customer contact have increased their productivity, supported by improvements such as Intelligent Telephony Automation. This increase has not been sufficiently large enough however, for us to maintain our customer service performance targets in 2014-15.

Figure 10: Customer contact items* handled per full-time equivalent (FTE) employee and demand



* Customer calls and post to Personal Tax Operations' teams

Improving customer services

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

We know that good service can help customers get things right, whether that is paying the right amount of tax or receiving the payments to which they are entitled. In the past, we have not provided a good enough level of service when customer demands have been at their highest. So last year, we worked hard to make sure that customers received a more consistent level of service throughout the year.

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

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

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

On phone handling, the number of call attempts we handled fell to 72.5 per cent from 79 per cent in 2013-14, against our target of 80 per cent. And we only turned around 70 per cent of the post we received last year within 15 days, below our target of 80 per cent and less than the 83 per cent we achieved in 2013-14.

We exceeded our targets for processing new tax credits and Child Benefit claims and changes of circumstances: achieving 15 days for UK claims, against a target of 22 days, and 88 days for international claims, against a target of 92 days.

Figure 11: Call attempts handled (per cent)

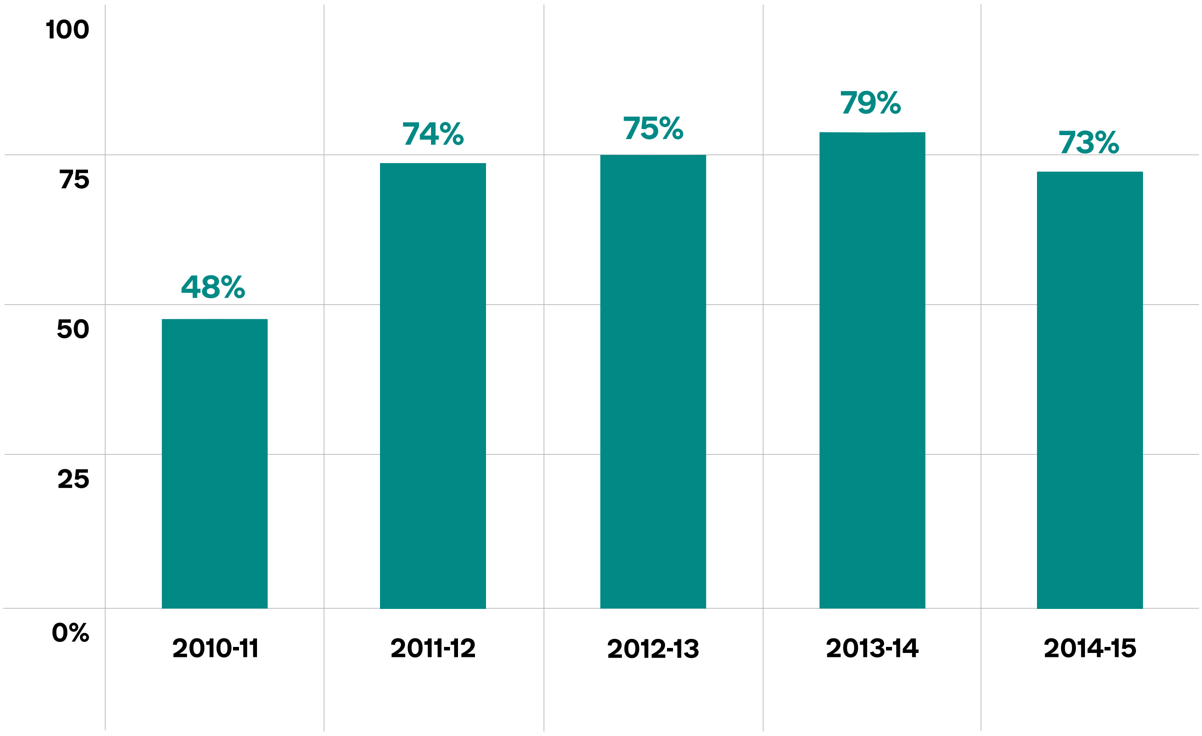
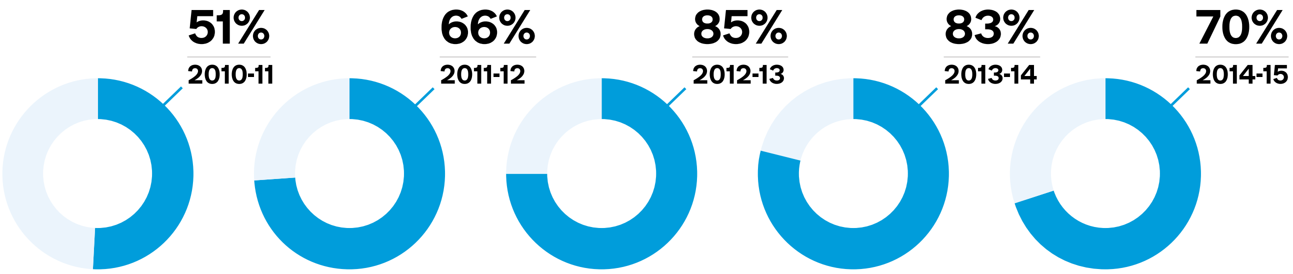


Figure 12: Post handled within 15 working days (per cent)



During the year, we made many changes to our processes to improve the service that we give our customers, but our performance was affected by teething problems with new systems, and in some cases we were too optimistic about how quickly and smoothly we could manage the changes we were making. Given the millions of transactions we deal with each year, a reduction in the speed of our IT systems by, say just a few seconds, can have significant impacts on our performance.

Some of the improvements we made included:

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

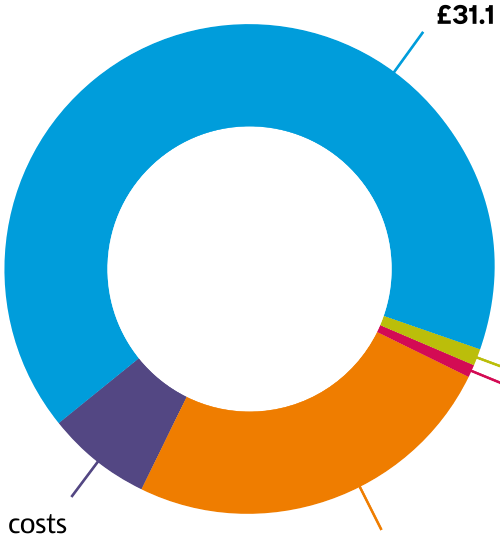
We know that we still have more to do to achieve the consistent customer service levels expected of us. So, we are continuing to invest in modern, digital services and changing how we operate and handle our 50 million customer calls and 15 million items of post – modernising the way we work and automating as much as we can to improve customer service and to be more efficient.

Over time, new systems such as Real Time Information for PAYE (RTI) will help us work more efficiently, by automatically reflecting changes in customers' circumstances in their tax code during the year, rather than at the end of the year. This will help us to increase the number of customers who pay the right amount of tax without the need for us or them to intervene after the end of the tax year, reducing the 3.5 million overpayments and 2.5 million underpayments that we had to deal with in 2014-15.

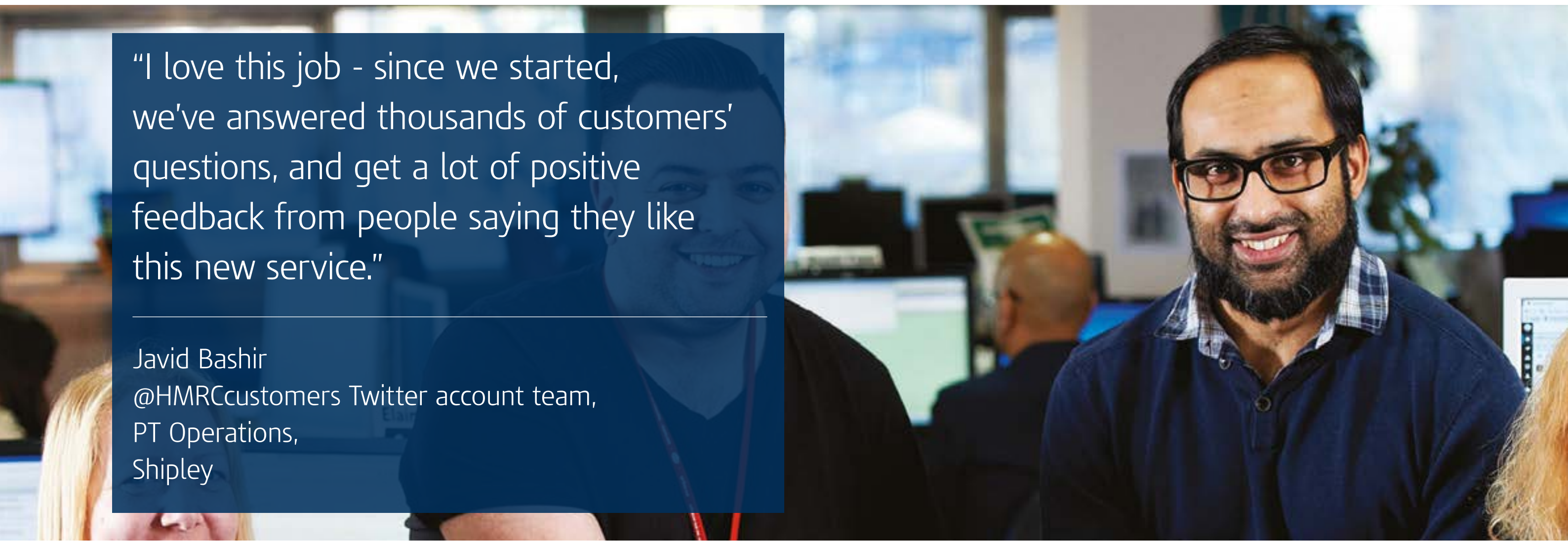
Total departmental expenditure

What we spend in addition to the administrative costs of running the department includes significant costs relating to the National Insurance Fund and payments to external customers, including personal tax credits and Child Benefit.

Figure 13: What we spend



The chart above does not include non-budget expenditure of £4.7 billion relating to payments to the National Insurance Fund, which were made by HMRC on behalf of HM Treasury. More information can be found at Note 5 of the Resource Accounts on page 152. For more detail about what we spend see Statistical Table 1 on pages 84-86.



"I love this job - since we started, we've answered thousands of customers' questions, and get a lot of positive feedback from people saying they like this new service."

Javid Bashir
@HMRCcustomers Twitter account team,
PT Operations,
Shipley

Figure 14: In summary: key performance indicators

The following table sets out in more detail our main performance data compared to the previous year.

	2013-14	2014-15
Creating sustainable cost reductions		
Unit costs (pence per £ collected/paid out)		
Collecting income tax (Self Assessment and Pay As You Earn)	0.93	0.83
Collecting Corporation Tax	0.77	0.71
Collecting National Insurance Contributions	0.25	0.27
Collecting VAT	0.64	0.64
Administering personal tax credits	1.41	1.42
Administering Child Benefit	0.55	0.51
Compliance yield performance		
Cash collected from compliance	£9.2bn	£9.8bn
Future revenue benefit	£5.5bn	£6.7bn
Revenue loss prevented	£8bn	£7.9bn
Product and process yield	£1.2bn	£1.3bn
Accelerated Payments	–	£0.8bn
Total revenue raised	**£23.9bn**	**£26.6bn**
Payment on time – proportion of businesses and individuals who pay tax on time – using VAT as lead indicator	86.9%	86.8%
	2012-13	2013-14
Personal tax credits error and fraud – amount of tax credits money claimed by people who are not entitled to it	£1.5bn (5.3%)	£1.3bn (4.4%)
	2011-12	2012-13
Tax gap – difference between all the tax theoretically due and tax actually collected	6.6% (£33bn)	6.8% (£34bn)
Stabilising and improving customer service	2013-14	2014-15
% of post cleared within 15 working days of receipt	82.6%	70%
% of post cleared within 15 working days of receipt passing HMRC quality standards	91.3%	93.1%
% of post cleared within 40 working days of receipt	96.9%	93.9%
% of post cleared within 40 working days of receipt passing HMRC quality standards	91.2%	93.0%
% of call attempts handled by our contact centres	79.2%	72.5%
% of return transactions carried out online (12 months to quarter end e-returns, SA, PAYE, VAT, CT and Stamp Duty Land Tax)	96.7%	97.1%
Increase/decrease (-) in cost for all customers dealing with us (compared to March 2010)	+£15.3m	-£335m
Increase/decrease (-) in cost for business customers dealing with us (compared to March 2010)	+£44.29m	-£272m
Customers find us straightforward to deal with - all customers rolling annual score out of 100 (margin for error in brackets)	72.8 (±2.4)	71.2 (±2.6)

124 For more detailed information about our performance go to **page 124** of the Resource Accounts

Lin Homer
Principal Accounting Officer
15 July 2015

Delivery against our 2014-16 Business Plan

At a glance…

We are on track fully or partially to deliver 26 of the 30 main external commitments made in our 2014-16 Business Plan, covering key areas of our work such as generating revenue, making payments, and tackling fraud and error. We haven't delivered yet on the remaining four, which cover our customer call and post handling targets, employee engagement and sickness absence.

When we published our latest HMRC Business Plan in April 2014 we committed ourselves to delivering further improvements to how we maximise revenues, improve customer service, make sustainable cost efficiencies and include and involve our people in how we meet these key objectives.

The table below sets out the main external commitments, what business plan priorities we have delivered on so far, and what we still need to deliver by the end of 2016.

Figure 15: Business Plan commitments

R Not on track
A Delayed
G On track, or complete

Business Plan commitments	Status
Bringing in more money	
Revenue and benefits	
We will deliver additional compliance revenues of £26.3 billion in 2015-16.	G
We will use specialist teams to identify individuals with hidden assets in the UK or offshore. Our 'affluent' teams are expected to deliver £520 million by 2015-16.	G
We will make far more use of the customer information we collect to exploit sources of data, which will allow us to track sales of £400 billion a year through the use of credit cards.	G
We will strengthen our work to make sure migrants from the European Economic Area claim the right amount of Child Benefit and Child Tax Credit, by introducing a range of new compliance checks.	A
Tax avoidance	
We will continue to reduce the estimated £3.1 billion lost due to tax avoidance each year, by reducing the opportunities to become involved in tax avoidance, and using targeted communications that emphasise the pitfalls of tax avoidance and our success in tackling it.	G
We will enhance our capability to tackle multinational enterprises which seek to avoid UK tax by shifting profits from the UK, including creating a Large Business taskforce and implementing the new Diverted Profits Tax.	G
We will continue to prevent offshore non-compliance using agreements with foreign countries, such as the Liechtenstein Disclosure Facility, UK/Swiss Agreement and voluntary disclosure facilities with Crown Dependencies and Overseas Territories.	G
Fraud and error	
We will reduce fraud and error by using real time information supplied by customers and employers to risk assess which groups of customers are most likely to be non compliant.	G
Criminals	
We will strengthen our capacity to disrupt the activities of organised criminal gangs operating in the illicit road fuel market, through the introduction of a new fuel marker from April 2015 and the expansion of our road fuel testing unit.	G

Continued

Business Plan commitments	Status
Debt	
We will use new ways of collecting debt, so all relevant government departments and bodies can access a range of private sector debt collection, analytics and enforcement services – known as the Debt Market Integrator.	A
We will use new powers to modernise the way we collect debt, and tackle the persistent minority who refuse to pay what they owe, by recovering money from debtors' bank and building society accounts, including ISAs.	G
Serving our customers	
Putting our customers at the heart of everything we do	
We will make it ever-easier for our customers to do business with us online, by testing new channels and services, including making payments through telephony self-service.	A
We will pre-populate Self Assessment returns with employment income, meaning customers won't have to fill in the details on pay.	A
We will start preparing for the replacement of the annual tax return in favour of a single, digital account for all customers by providing five million small businesses and ten million individuals with their own digital tax accounts by early 2016.	A
We will use SMS messaging to reassure customers that their information has been received, or that their case is being dealt with.	G
We will make 'webchat' and email alerts available for Self Assessment customers who can already complete their returns entirely online.	A
We will enable tax credits customers to use their online tax account to manage their claim, report changes and renew online.	G
Customer service	
We will achieve a consistent level of service across our helplines, handling at least 80 per cent of calls in 2015-16. In 2014-15 we answered 72.5 per cent of calls.	R
We will reply to at least 80 per cent of customer correspondence and complaints within 15 working days and 95 per cent in 40 days. In 2014-15 we turned around 70 per cent of post within 15 working days and 93.9 per cent of post within 40 days.	R
We will increase to 75.8 per cent the proportion of customers who find HMRC straightforward to deal with	A
For our benefits and credits customers we will continue to handle all new claims and changes of circumstances for UK customers within 22 days.	G
For our benefits and credits customers we will continue to handle all new claims and changes of circumstances for international customers within 92 days.	G
Making savings, efficiencies and innovation	
Make sustainable cost savings	
We will make sustainable cost savings of £205 million.	G
Workforce	
We will continue the national conversation we are having with our people through Building our Future, while at the same time responding to feedback from events, to ensure we make continuous improvement in our delivery of future phases.	G
We will develop and implement a new leadership academy for more than 4,000 of our senior leaders at grade 7 and above, to build leadership and management capability.	G
We will build a stronger employer/employee relationship, while maintaining effective union relationships.	A
We will increase the percentage of employees who feel that they have the skills required to do their job to 91 per cent in 2015-16.	A
We will improve employee engagement by continuing to work towards our ambition of achieving the Civil Service Employee Engagement Index benchmark (59 per cent in 2014). The Employee Engagement Index from the Civil Service People Survey 2014 was 43%. The Employee Engagement Index from the Pulse Survey in March 2015 was 42%.	R
We will improve engagement among the Senior Civil Service, by maintaining or exceeding the Civil Service Employee Engagement Index benchmark (which was 74 per cent in 2014).	G
We will reduce the average working days lost per employee to 7.0. In 2014-15 the average working days lost was 7.98 days against the target of 7.0 days.	R

* For information about the risks to delivering our 2014-16 Business Plan commitments see page 52 of the Governance Statement.

For more information about our 2014 16 Business Plan visit www.gov.uk

Debt, complaints and powers

How we manage debt

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

Our debt balance

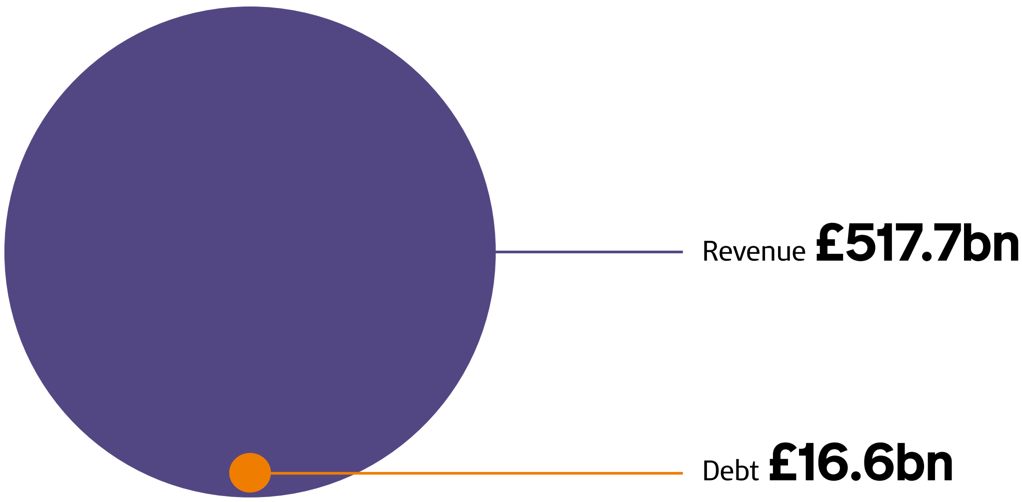
The debt balance is a snapshot of the total amount of debt owed at any given time. It includes debt that has been created in year, as well as older debt outstanding from previous years. The total amount of debt owed to HMRC last year was £16.6 billion. This comprised taxes, duties, penalties, and interest charges owed by individuals and businesses, as well as £3.6 billion of tax credits overpayments that we are trying to recover. This represents a year-on-year reduction of £160 million.

Money due to HMRC

We make it as easy as possible for our customers to pay what they owe by offering a range of payment methods and facilities.

Where customers are unable or unwilling to pay on time, we pursue outstanding amounts quickly and efficiently. We collected £41 billion using our debt collection powers in 2014-15. The majority of this debt is repaid in the same year, but some is old debt from previous years that is recovered more slowly.

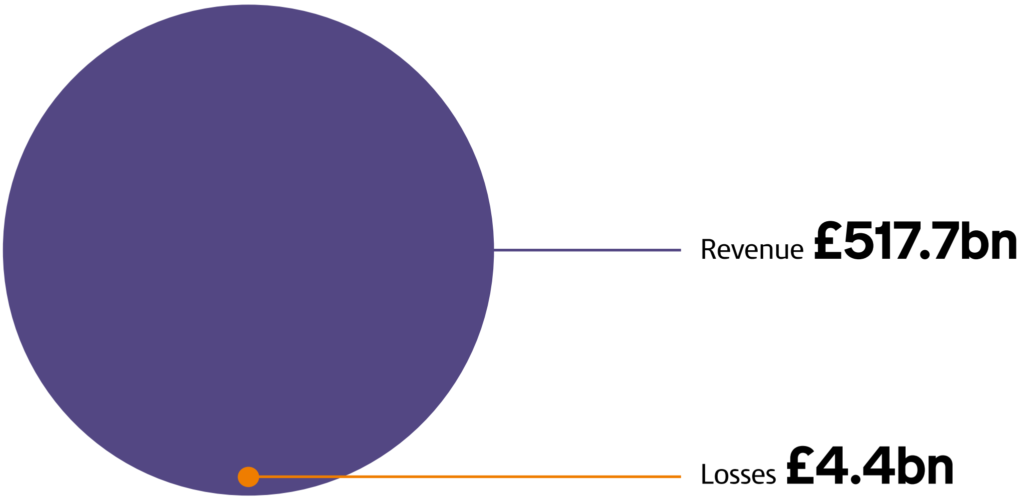
Figure 16: Debt in pursuit compared to revenue



We are able to offer Time to Pay arrangements to individuals and viable businesses which need more time to pay us what they owe, due to temporary financial difficulties. At the end of March 2015, we had agreed arrangements worth more than £2.7 billion – an increase of £761 million since April 2013.

Losses, which occur when we formally cease collection activity, and are mainly driven by individual and business insolvencies, totalled £4.4 billion, which was a reduction of £900 million on the previous year.

Figure 17: Losses compared to revenue



Further information about revenue losses can be found on page 114 of the Trust Statement

We use private sector debt collection agencies (DCAs) to help with our debt collection activities. From August 2014, we increased our use of DCAs in the initial stages of tax credits debt collection to send letters, text messages and make telephone calls on our behalf. DCAs collected £220.5 million in overdue tax and tax credits payments in 2014-15 – an increase of £7.3 million on the previous year.

Figure 18: Total due

	Mar 2014	Mar 2015
Total due (receivables £ billion)*	**30.8**	**32.9**
Made up of:		
Payment deadline not yet reached	7.5	8.7
Under dispute, appeal or investigation	3.5	4.1
Contractual payments in place	3.1	3.5
Actively being pursued or enforced	16.7	16.6
Includes:		
Time to Pay arrangements	1.9	2.7
Subject to legal proceedings	0.9	1.2

* See note 4 (page 110) of the Trust Statement for a definition and fuller details of tax receivables and note 6.2 (page 154) of the Resource Accounts for fuller details of tax credits receivables.

Complaints

HMRC deals with 45 million individuals and 5.2 million businesses. Each year we receive and respond to 50 million phone calls and 15 million letters from Self Assessment and PAYE customers. Given the sheer size and scale of our organisation, it is inevitable that we will sometimes make mistakes and receive complaints from customers.

We want our response to complaints to be among the best in government, and to ensure that we learn from feedback from customers, so that we can continuously improve our services and reduce future complaints.

During the last financial year, our increasing focus on tax credits error and fraud, debt recovery and compliance more broadly, has generated more contact and complaints from some customer groups. We received 74,427 complaints, compared to 64,729 in 2013-14. Despite this increase, we have successfully resolved 98.6 per cent of complaints handled by our two-tier internal complaints process.

When a customer is unhappy with the outcome of a complaint to HMRC, they can take their case to the Adjudicator, who acts as a fair and unbiased referee of complaints about HMRC and the Valuation Office Agency. The current Adjudicator is Judy Clements OBE.

Customers who are unhappy with the Adjudicator's decision can ask their MP to refer their complaint to the Parliamentary and Health Service Ombudsman, Dame Julie Mellor. The Ombudsman investigates complaints that individuals have been treated unfairly or have received poor service from government departments, other public organisations and the NHS in England.

Details of HMRC complaints referred to the Adjudicator and the Ombudsman in 2013-14, following Adjudicator investigation, are shown in the table below. Our 2014-15 performance will appear in their annual reports, which are due to be published later this year.

Figure 19: Complaints to the Adjudicator and Parliamentary and Health Service Ombudsman

	Adjudicator 2013-14	Ombudsman 2013
Number of HMRC complaints accepted for investigation	1,087	69
Number of investigations reported on	2,311[1]	40[2]
Number of cases upheld in full	1,229 (53.2%)	6 (15%)
Number of cases upheld in part	844 (36.5%)	4 (10%)
Number of cases not upheld	173 (7.5%)	27 (67.5%)

1 For completeness, 65 cases were withdrawn by customers. These cases represent the outstanding 2.8 per cent of cases settled by the Adjudicator.

2 For completeness, three cases were resolved through intervention (without a formal investigation). These cases represent the outstanding 7.5 per cent of cases settled by the Ombudsman.

We want our response to complaints to be among the best in government, and to ensure that we learn from feedback from customers, so that we can continuously improve our services and reduce future complaints.

We continue to try to resolve customer difficulties at the earliest possible opportunity, without the need for them to escalate their complaints.

We recognise that the number of complaints referred to and upheld by the Adjudicator is still too high.

Since February 2013, the Tax Assurance Commissioner, Edward Troup, has been leading work to improve the way we respond to complaints and learn from what customers tell us. This includes being able to 'stand in the customer's shoes' and improve our processes using this valuable feedback.

Our focus over the last financial year has been on sustaining those improvements, and continuing to develop and refine them, so we can maximise the benefits from complaints information and use them to make viable changes to how we work.

Detentions and warrants

HMRC is responsible for investigating a range of criminal offences involving tax fraud by individuals and organised crime groups. This means our criminal investigators have the power to arrest anyone whom they reasonably suspect of being involved in or committing a tax-related offence.

Figure 20: Detentions and warrants

		2014-15
1	**The number of individuals kept in detention for up to 24 hours (in a police station or Border Force suite)**	
	where the detention is as a result of an arrest by HMRC	510
	where the detention is as a result of an arrest by another government agency, either at, or immediately before, adoption by HMRC for criminal investigation	246
	where the detention is as a result of voluntary attendance	198
2	**The number of individuals detained for more than 24 hours, but less than 36 hours, and subsequently released without charge (Section 42, Police and Criminal Evidence Act)**	5
3	**The number of individuals for whom warrants of further detention beyond 36 hours (Section 43, Police and Criminal Evidence Act)**	
	authorised	Nil
	refused	Nil
	In relation to each warrant of further detention (authorised under Section 43, Police and Criminal Evidence Act)	
	the period of further detention authorised	Nil
	the total period spent in detention	Nil
	whether the person was charged or released	Nil
4	**The number of intimate searches under Section 55 of the Police and Criminal Evidence Act carried out in relation to suspects in our cases detained in police or Border Force custody**	Nil

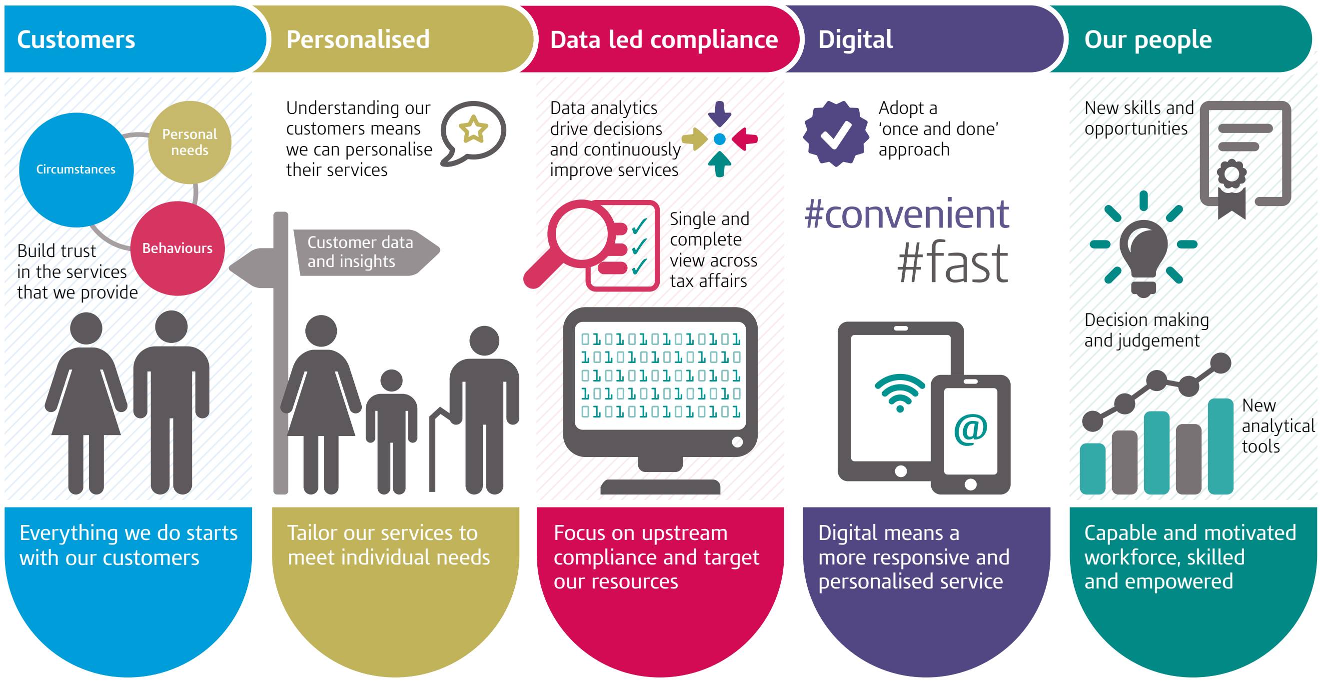
Delivering a high-quality tax and payments system

We are transforming the way we work to put customers at the heart of everything we do. That means redesigning our processes around them, rather than the taxes they pay or benefits they receive. We will create multi-channel digital services that everyone who has a choice will want to use. We will automate many of our processes that are currently done manually, making them quicker and more efficient.

By making better use of the data and intelligence we have about our customers, we can personalise those services according to their behaviours and their needs at the time. We will also bring everything together in one place, so customers can deal with us once and be done, not multiple times with multiple people. We will also provide the same service for their agents and intermediaries.

Better use of personalised data will also enable us to change the way we do our compliance work. Our focus will be on helping people to get their taxes and entitlements right in the first place, promoting compliant behaviour and preventing error from happening at all, and then targeting our enforcement response at those who deliberately seek to cheat the system.

This will all be achieved by building on our digital achievements, rolling out new online services to individuals and businesses successively over the coming months and years. We will equip our operations with the modern IT services and platforms they need to run effectively, and give our people the tools they need to do their jobs more efficiently.



New criminal offences announced in clampdown on tax evasion.
More information here:

http://ow.ly/KwUOj

Simplifying the tax system

HMRC contributes to the government's better regulation agenda by simplifying the administration of the tax system, making it easier for customers to deal with us and reducing their costs and ours.

We achieved our two commitments to reduce costs for all customers and reduce the annual tax administration cost to businesses by £250 million over the four years to March 2015. We delivered estimated savings for all customers of more than £335 million a year, which included £272 million in savings for business customers by March 2015. We worked hard to deliver cost reductions of £538 million so we could offset £203 million in administrative increases that support delivery of government policies, such as the Patent Box regime, the Bank Levy and changes to pensions tax relief.

The rollout of more digital services for businesses has been at the heart of these savings, including Your Tax Account. More than 1.9 million PAYE schemes with employees and pensioners have also reported PAYE in real time, submitting almost 45 million individual live PAYE records. All our customers have benefited from initiatives designed to reduce the need to contact us and the transition from 0845 to 03 prefix helplines.

At the 2014 Autumn Statement we published 'Supporting Small Business: Making tax easier, quicker and simpler' which sets out how we have improved tax administration for small businesses by delivering sustained improvements recommended by the Office of Tax Simplification (OTS).

We worked closely with the OTS in a number of other areas, to deliver greater simplification and tackle complexity in legislation. For example, the Finance Act 2015 includes a number of OTS recommendations around employee benefits which will streamline processes and reduce considerably the numbers of P11D forms that have to be completed by employers.

We are also scrutinised by an independent panel, the Administrative Burdens Advisory Board, which supports small businesses by working with HMRC to advise on where costs can be reduced through more efficient tax administration. The board provides constructive challenge and support to help create a simpler and easier tax system for small business and in its annual report considers that: "HMRC has made, and continues to make progress, with some welcome and significant improvements delivered or in train." The board has also introduced an online facility for small businesses to provide feedback on areas they would like improving.

Read more about how we have improved tax administration for small businesses by visiting www.gov.uk

"Our checks prevent losses of more than £200 million from incorrect benefits and credits claims, but equally importantly, make sure most claimants are getting the correct financial support that's so vital to them."

Tracey Ellis-Bromhead
Benefits and Credits, Undeclared Partner Team, Liverpool

Sustainability

Overview

The three pillars of sustainability – economic, social and environmental impact – apply to all aspects of our work. They are central to our strategic role in collecting taxes and duties, administering tax credits and Child Benefit, how we engage with our customers, our people and local surroundings, and our contribution to cost savings across government.

Governance arrangements and plans

We report progress against the environment targets set for us by government, and those we have set ourselves, to the Home Affairs sub-committee leading on the Greening Government Commitments, the Department for the Environment and Rural Affairs and HMRC's Performance Committee. The external body, Carbon Smart, verify all our environment data.

Our Environment Champion makes sure that environmental impacts are included in high-level decision making, and environmental thinking influences how we interact with our customers and manage our suppliers and estate. He is supported by our Environment Committee, sustainability practitioners and an army of more than 500 green volunteers.

Meeting our targets

Last year marked the final year of the 2010-15 Greening Government Commitments for sustainable operations and procurement. Overall, we made savings over and above the levels required in all areas, except water.

Figure 21: Sustainability targets

Greening Government commitment	Government reduction target 2015	Position at 31 March 2015	Position on target
Greenhouse gas emissions	25%	35%	Exceeded
Waste	25%	56%	Exceeded
Water	6m^3 per FTE (efficiency target)	7.80m^3 per FTE	Not met
Paper	10%	40%	Exceeded
Domestic flights	20%	29%	Exceeded

Improving water efficiency has been our biggest challenge, albeit one that we have been tackling through active management of leaks and water surveys. Business travel has attracted close scrutiny, but it is also a necessity for us as a large operational department with offices spread throughout the UK. While our travel requirements are increasing, in line with our commitment to deploy more employees on frontline activities and improve the visibility of senior leaders, road travel is declining in favour of more sustainable options. For example, rail travel was up by two per cent in 2014-15, and more than 290,000 audio conferences took place during the year. Due to the increase in frontline activity, 1,500 extra flights were undertaken in 2014-15. However, we have still made a 29 per cent reduction since 2009-10.

Our successes include saving paper and cutting waste. We printed 19 million fewer sheets of paper last year. We also cut 2,500 tonnes from the amount of waste we send to landfill and we reused or recycled all of our IT waste.

Mainstreaming sustainability

We continue to mainstream sustainability in our policies, plans, stakeholder engagement and people initiatives. For example, sustainability assessments are included in all new policy initiatives and sustainability is featuring in plans for the future of HMRC.

Sustainable estate

We have processes in place to meet the Building Research Establishment Environmental Assessment Methodology (BREEAM) international benchmark for buildings. The environment standard ISO14001 has been awarded for our headquarters office at 100 Parliament Street, London and this certification is also maintained by our primary private sector provider. The impact of extreme weather on our ability to deliver our services and enable employees to work in a safe environment is built into our planning and strategies. Data from the Environment Agency is helping us to identify and monitor offices which are at risk of flooding – we have completed a Flood Risk Assessment identifying sites liable to flooding. Site inspections have been completed and specific risks are now informing site business continuity plans.

Biodiversity

Biodiversity habitat surveys at a number of key sites have identified 14 priority areas for biodiversity action, including at our office in Darwin House, Shropshire where we are working with the local Wildlife Trust to support restoration of woodland that once formed part of Charles Darwin's home.

Sustainable procurement

We continue to use the CAESER (Corporate Assessment of Environmental, Social and Economic Responsibility) tool to manage supply chain risks, including sustainability. Our total direct and indirect spend with small and medium enterprises (SMEs) exceeded the 16 per cent target agreed with Cabinet Office, which was a positive outcome, given the complexity and length of our IT and estates contracts. The majority of our sourcing of materials and assets complies with government buying standards, with the only exception being for paper purchases, where there has been an insufficient supply of recycled paper that meets both our needs and requirement for competitive pricing.

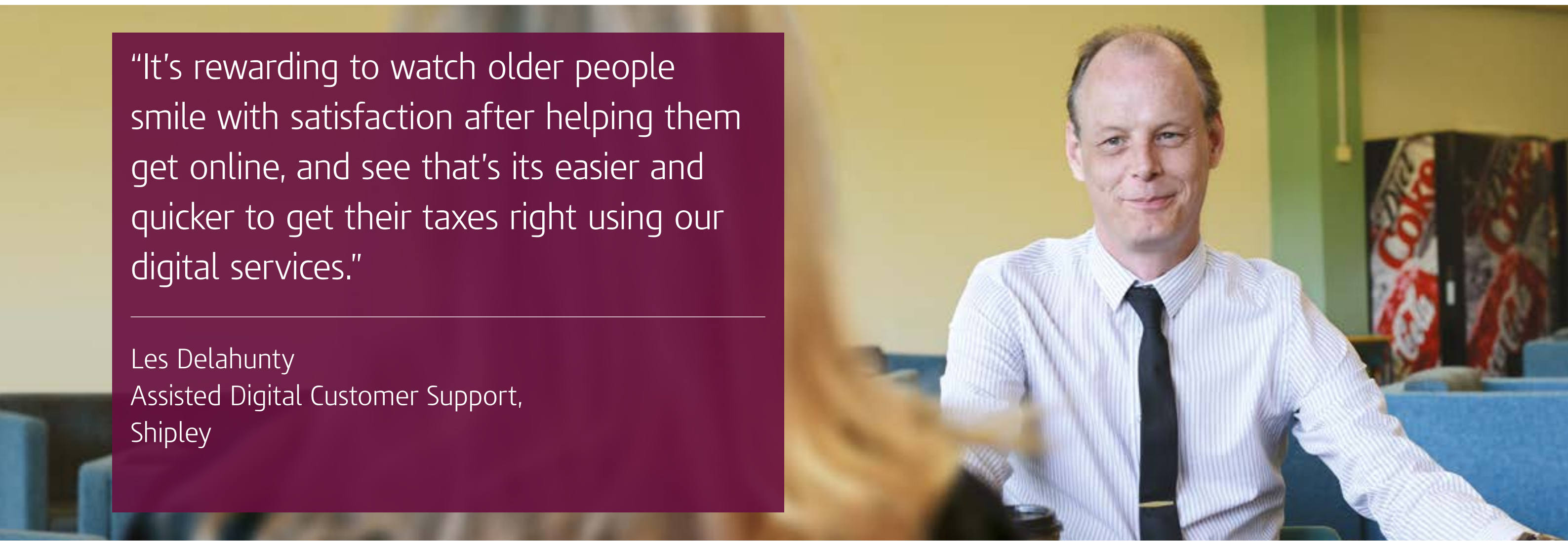
Supporting our communities

Last year we committed funding of £2 million to the Voluntary and Community Sector to help our customers to understand and comply with their tax obligations and claim their correct entitlements. We also gave 4,693 days of employee time to community activity by encouraging our employees to work with voluntary organisations and schools and to participate in civic duties; for example, as magistrates and school governors. Through our partnership with Go-On UK, we helped members of the public to go online for the first time. We also worked with The Prince's Trust and Inspiring the Future to raise the aspirations of young people and assist them in making informed career choices. Further work took place with UK and international agencies to support effective civil governments overseas.

Charitable giving

In November 2014, our employees raised more than £67,000 for the BBC's Children in Need appeal and volunteers at our Contact Centres in Bathgate, Cardiff and Manchester took telephone pledges from members of the public on the appeal night. Employees made further donations totalling more than £908,000 to other good causes of their choice through our on-line payroll giving arrangements. In June 2014, we were awarded a Gold Quality Mark from the Institute of Fundraising for the seventh year running.

For more information about our commitment to being a sustainable organisation visit www.gov.uk



"It's rewarding to watch older people smile with satisfaction after helping them get online, and see that's its easier and quicker to get their taxes right using our digital services."

Les Delahunty
Assisted Digital Customer Support,
Shipley

Long-term liabilities

We have four Private Finance Initiative (PFI) contracts which are:

- Mapeley STEPS Contractor Ltd, relating to the private sector provision of serviced accommodation across the majority of the departmental estate. The end year of the contract is 2021-22
- Exchequer Partnerships, relating to the provision of serviced accommodation at our 100 Parliament Street headquarters. The end year of the contract is 2037-38
- Newcastle Estates Partnership, relating to the provision of serviced accommodation at a number of sites in the Newcastle-upon-Tyne area, including the redevelopment of the Benton Park View site. The end year of the contract is 2029-30
- Bootle PFI solutions 1998, relating to the provision of serviced accommodation at St John's House, Bootle. The end year of the contract is 2025-26.

Prior to January 2015, HMRC had a significant IT Public Private Partnership contract, which is included within the Resource Accounts on page 120. This was called ASPIRE, and the contract was to deliver a significant proportion of HMRC and Valuation Office Agency IT infrastructure with Capgemini as the prime contractor and other outsourcing partners including Fujitsu.

In 2012, we completed a major renegotiation and restructuring of the contract to deliver significant price reductions and are now working directly with Capgemini, Fujitsu and and Accenture, taking more control over managing our IT suppliers.

Description of departmental reporting cycle

We published our main estimate for 2014-15 in April 2014 as part of the Central Government Supply Estimates – Main Supply Estimates. We also applied for a supplementary estimate, details of which are available in the Central Government Supply Estimates – Supplementary Estimates, published in February 2015. These documents are in the public domain and can be accessed from the government website at www.gov.uk.

Publicity and advertising

We spent about £10 million on advertising campaigns to support our operations in 2014-15. Our major campaigns focused on prompting tax credits customers to renew their claims on time, encouraging Self Assessment customers to file and pay what they owed before the deadline, encouraging tax evaders to change their behaviour and declare all their income and encouraging eligible UK businesses to claim the new Employment Allowance.

We also informed married couples and civil partners about the Marriage Allowance, ahead of its starting in 2015-16 and, as in previous years, we ran an advertising campaign to recruit candidates for our graduate recruitment programme.

Lin Homer
Principal Accounting Officer
15 July 2015