



# Inland Revenue

The Government's Expenditure Plans  
2001-2004

This is part of a series of departmental reports and Main Estimates which, accompanied by the document *Public Expenditure: Statistical Analyses 2001-02*, present the Government's expenditure plans for 2001-2004. The plans were published in summary form in the Budget documentation.

The complete series is also available as a set at a discounted price.



# Inland Revenue

## The Government's Expenditure Plans 2001-2004

Presented to Parliament by the Paymaster General  
and the Chief Secretary to the Treasury by Command of Her Majesty

March 2001

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# Contents

	Page
INTRODUCTION .....	1
MEDIUM TERM STRATEGY .....	5
MODERNISING GOVERNMENT: .....	12
DELIVERING BETTER PUBLIC SERVICES .....	12
RESPONSIVE PUBLIC SERVICES .....	20
QUALITY PUBLIC SERVICES .....	26
INFORMATION AGE GOVERNMENT .....	27
VALUING PEOPLE .....	29
VALUE FOR MONEY .....	33
ENVIRONMENT .....	38
VALUATION OFFICE AGENCY .....	40
ANNEXES	
1. Resource Expenditure Plans .....	43
2. Main Estimate 2001-02 .....	57
3. Publicity Campaigns .....	74
4. Senior Civil Service Staff Pay Analysis .....	76
5. Committee of Public Accounts Recommendations .....	77
6. Publications and Further Information .....	79

# Introduction

I am pleased to introduce a report showing real achievement by the Revenue. This year we break new ground by including our medium term strategy and Main Estimate 2001/02 with this report.

For 2000/01, we are on course to collect more tax and national insurance contributions than ever before, with the costs of doing so at an all time low - 1.1p for every pound collected. This reflects our determination to demonstrate real and constant improvement in both the quality and the efficiency of our service. We are also set to meet the vast majority of our key targets - a tribute to the resilience and commitment of our people who achieved this while managing the challenges of change in all its forms.

From April - a year earlier than had originally been planned - people could file their self-assessment tax returns by Internet. Although take-up of this service has been relatively low in the first year (in line with the comparable experience of private sector companies), it marks a huge step towards a future in which e-business will become the norm for many of our customers. We already undertake more electronic transactions with them than any other Department, and are well on course to achieve the Government's target of 100% e-availability by 2005.

At the same time, we have to recognise that not all our customers will have the facility or the inclination to do business with us in this way. So an essential element in our future business direction is to provide them with the widest possible choice. Put simply, our strategy is to be, and to be seen as, an enabling as well as a regulating Department.

That means making it as easy as possible for individuals and companies to understand what they owe us or are due from us, and to pay it or get it. It does not mean lightening up on our enforcement and prosecution activities against tax cheats, but helping, educating and persuading more people to pay up on time. And, vitally, as tax credits assume an increasingly important role in achieving the Governments social and work incentive objectives, it means helping the people entitled to them to claim them and get paid quickly.

The appointment of Ian Schoolar as our first ever Marketing and Communications Director is a real milestone here. Ian will play a pivotal role in helping us to understand better what our customers want of us and how we can best segment them so as to provide a service tailored to the needs of particular groups. We also need to get over to people more clearly the link between tax and the public goods which it finances. Tax fraudsters cheat schools and hospitals and the rest of us who pay our share of their costs.

We are restructuring to reflect the changing nature of our business and to position ourselves as a thoroughly modern Department. That, too, poses challenges for our people, as they adapt to new ways while continuing to deliver a first rate day to day service, and I thank them for that. I should also like to record my particular thanks for her wisdom and help to Sue Wilson, who leaves the Departmental Board shortly after four years as a non-executive director; and my welcome to two new non-executives who join Kate Owen on the Board - Pat Stafford and Dorothy Dalton.

**Nick Montagu CB**

Chairman

## Purpose of this Report

This report sets out the plans of the Inland Revenue and reports progress on its objectives and performance. The report sets out the main changes in spending plans, compared with those in the 2000 Report (Cm 4617), and gives details of the department's results, future plans and priorities. Full details of spending plans and the Main Estimate are shown in Annexes 1 and 2.

### Status

The Inland Revenue is a Government Department managed by a Board of Commissioners appointed by Royal Warrant. The Board consists of:

Chairman: Nick Montagu CB

Deputy Chairmen: Tim Flesher  
Ann Chant CB

Head of Revenue Policy Dave Hartnett

Chief Executive Michael Johns CB  
Valuation Office Agency

The Chairman of the Board is directly accountable to the Chancellor of the Exchequer for the department's performance and expenditure.

The Board is assisted by a Departmental Board comprising the statutory Board and non-executive members, Sue Wilson CBE, Kate Owen (Vice President, BP Amoco), and Pat Stafford.

## Inland Revenue Values

**The success of the Inland Revenue depends on us all sharing common values**

### **...in our relations with others:**

- mutual respect
- integrity
- trusting people and earning their trust
- being open and approachable
- treating everyone fairly

### **...in working together:**

- fostering teamwork
- encouraging initiative and innovation
- taking a pride in our work
- having determination to achieve our goals

### **...and all managers providing leadership by together giving:**

- a clear direction
- encouragement and recognition
- visible support and training.

## Inland Revenue Public Service Agreement 2001 - 2004

The Government recognised at the time of the 1998 Comprehensive Spending Review that setting targets for central Government was a process that would need to be refined over time. In the 2000 Spending Review, which has set new plans for public spending for 2001-2004, the Government has further developed PSAs in order to prioritise the most important goals and reforms it wants to deliver. These targets are set out in the White Paper "Spending Review 2000: Public Service Agreements" (Cm 4808), July 2000 and will be fully reported on in the Spring 2002 departmental reports. The department's aim and objective and key performance targets for this period are:

**Aim** - To administer the tax system fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements.

### Objectives and Performance Targets

**Objective** : To collect the right revenue, and give the right entitlements, at the right time.

1. Deliver year on year improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements.
2. Deliver year on year reductions in compliance costs that act as a barrier to the establishment and growth of small businesses.
3. Ensure by 2005 that 100% of services are offered electronically, wherever possible through a common Government portal, and a take-up rate for these services of at least 50%.

### Value for Money

4. Improve value for money by achieving annual productivity gains of at least 2.5% per year until March 2004, without detriment to accuracy or customer satisfaction.
5. Achieve a 2.5 point improvement in customer service by 2004, as measured by an annual customer service index.

## Who is responsible for delivery?

The Board of the Inland Revenue is accountable to the Chancellor of the Exchequer. The Paymaster General has day to day responsibility and is responsible for delivering this PSA.

## **Our Service Commitment to you**

The Inland Revenue and Customs & Excise are committed to serving your needs well by:

### **Acting Fairly and Impartially**

We:

- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

### **Communicating effectively with you**

We aim to provide:

- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

### **Providing good quality service**

We aim to:

- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

### **Taking responsibility for our service**

- We publish annually our customer service aims and achievements
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

### **We can provide better service if you help us by:**

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

# Medium Term Strategy

Our traditional core business has been to ensure that the right people paid the right amount of tax at the right time.

We are now undertaking new forms of business alongside administering direct taxes and collecting National Insurance contributions. Amongst other things, we are now responsible for policy on National Insurance and, through tax credits, for developing and implementing a major element of the government's plans for welfare reform. We also help enforce the National Minimum Wage and collect repayments of student loans.

The long term outcome that we want to achieve is that people see us as an enabling as well as a regulating organisation - in other words, an organisation that will help its customers meet their responsibilities, obtain what is their due, as well as dealing effectively with those who seek to evade their responsibilities.

We have developed a medium strategy covering the period 2001-2004 setting out the changes we want to make to achieve our aim and objectives. This will be updated annually. A summary is shown below.

## Our Medium Term Strategy

This takes into account

- the external context within which the Department must operate and to which it must respond
- how changes will be put in place - the Department's plan in broad outline
- the performance which the Department has undertaken to deliver, and our own expectations in that regard, and
- the shape the Department needs to adopt so that it can meet those commitments.

### Environment and Drivers

The main features in the external environment and the principal drivers which form the backdrop to the Department's strategic decisions are

### Political and Economic Trends

- Modernising Government - the reforms flowing from the White Paper
- globalisation and the tax base - opportunities for the UK economy in a global economy but threats to the tax base
- Europe and the euro - enlargement, integration of tax policy, impact of the euro since January 1999
- the Internet - anticipated growth in use against declining cost.

### **Social Trends**

- demographic changes - an ageing population and more flexible approach to retirement.
- attitudes and values - increased expectations for services, including the public sector; impact of Human Rights Act and alternatives to nuclear family.
- changes in working patterns - more people with multiple employments; distance working.
- new technologies - increased dependency on IT systems; shortages of IT skills worldwide.

### **External Drivers**

We see the top external drivers as

- government plans for tax credits and welfare reform
- the Modernising Government agenda, for example the expectation that government will join up its services, and focus on desired outcomes
- the policy to reduce burdens on small businesses
- pensions reform.

### **Internal Drivers**

The top internal drivers that we need to address are

- our ability to cope with the pace of change facing the Department
- need to give equal weight to all areas of our business
- our age profile
- integrating new IT systems with ageing ones
- need to improve information and knowledge management.
- establishing a new image for a changing department
- need for new skills to change the Department and work in new environments.

## Performance Targets

There are four fundamental attributes of our operational performance which we must always strive to improve

- compliance i.e. the extent to which obligations - our customers and our own - are met
- the burdens and responsibilities we place on others and, at any given time, how well we enable them to deal with them.
- our own productivity, and
- our customers' overall opinion of us.

Our new PSA (see page 3) and SDA for 2001-2004 which is available at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk) commit us to improve each of them. Our PSA target - relating to electronic services - reflects the fact that the Government has decided that electronic service delivery and take-up of those services is a key enabler to improving our efficiency, productivity and effectiveness, and reducing the burden we place on customers.

## Customers and Customer Services

Specific drivers include

- the expansion of **tax credits** which will widen our customer base, increase our contacts and cause us to consider "households", all of which will have potential impacts for our databases
- the need to provide multiple access and information transfer channels
  - face to face contact, through local offices and other locations
  - telephone
  - email and electronic channels including "self-service"
- the need for availability of services outside traditional business hours
- the need for complete and accurate responses at the first point of contact
- increased closer working with DSS and DfEE on tax credits and welfare reform and with Customs and Excise to improve customer service and compliance.

Over the next three years, we assume that

- with the growing customer base face to face contact is unlikely to reduce
- using an incremental approach based on our existing call centres, by 2004 around 80% of telephone work currently handled in local offices will have migrated to call/contact centres
- by 2004, the amount of paper contact to local offices will have reduced by 50% from current levels.

We will expand our **e-business** through three probable stages

- a wide-ranging extension of our existing services, mainly to add an electronic channel without undermining our existing business approach
- developing joined up services - a more radical transformation of how we operate - but not covering **all** of our activity
- with commercial and other partners, the exploration of ideas for fundamentally different ways in which we might work.

By 2005 we will:

- devise new ways of electronic working with businesses to minimise their compliance burdens
- support electronic interactions with agents and an expanding range of intermediaries
- support the delivery of "joined up" services spanning a number of government services.
- exploit e-services to support
  - alternative working patterns for our staff
  - staff training
  - staff coaching.

Our new approaches to the way we communicate with our customers will require radical approaches to the design of our content - so that our staff can provide a range of information in the course of any one contact, and to facilitate self-service and e-mail communications. The new Marketing Director (Ian Scholar) will lead the development of a communication strategy.

### **Organisation**

We will change our internal organisation to provide a more flexible organisational structure that

- allows all our areas of work to be matched to available skills and resources;
- supports new ways of working;
- improves delivery of services
- improves customers' perception of the Inland Revenue
- enables customers to contact the Inland Revenue in the way they want to
- improves the quality of advice to ministers.

To do this we are

- reducing the English Regions from seven to four and switching around 500 staff previously employed in regional offices to front line services
- developing a structure of around 60 area directorates for our 500 plus local offices reflecting DETR boundaries
- creating national business streams for receivables and contact centres
- bringing together policy, technical and operational work to create business streams for Capital Taxes, Savings, Pensions and Share Schemes, Trusts, Stamp Taxes, Charities, Non - Residents and Oil Taxation
- expanding business support and work to tackle non-compliance.

We are planning that

- by 2004 around 50% of work currently handled in local offices to process tax returns and employer in-year and end of year documentation will have moved to electronic transmission
- by 2004 around 80% of returns will be processed remotely from the parent office, and 100% in the case of offices in IR London.

In relation to our accounting and payments systems we have

- an Accounting and payments Programme to manage all the changes required to our business processes and supporting systems needed to cope with our expanding business, replacement of obsolescent systems, potential payment across departmental boundaries, plans for Whole of Government Accounts and the Euro.
- plans for increased use of electronic payment methods and a decrease in cheque and giro processing, but it is likely that we will still be processing both throughout the next three years.

For our receivables management, we will

- restructure our collection work, create new IT support and a consistent national process
- focus residual local collection activity on 'pure' local recovery action, such as court appearances and 'door knocking'
- develop with Customs and Excise a joint approach to dealing with insolvent companies, and business rescues via voluntary arrangements.

### **People and Culture**

If we are to achieve the Department's medium term goals we need to change aspects of our "culture" which are seen as ownership focused, insular and task-oriented. In doing this we can build on the different attitudes to our jobs and work which made possible the very significant changes which we have already made over the last decade. What we plan to do has to take account of the increasing average age of our employees (from 35.5 in 1985 to 39.7 now) and the need to manage a retirement bulge around the end of this decade.

### **Enabling and Ensuring Compliance**

We recognise that the vast majority of our customers comply with their legal obligations. For those who do not, or who find it difficult to do so, we believe that encouraging and assisting them and at the same time making it cheaper, simpler and more convenient is the most effective way of enabling them to comply. But it is equally important that we continue our persuading and enforcing role, making this as effective as possible and providing additional resources where they are needed. To integrate this approach we need both to understand better the causes of non-compliance and develop outcome based performance indicators that capture the combined impact of our enabling and regulatory activity. We are examining our training, resource deployment, targeting and opportunities for working with other parts of government, to ensure we are tackling the right cases of potential non-compliance and our staff have the right skills to deal with them effectively. The Strategy includes, research, customer education, greater use of teamwork and more sophisticated risk assessment and use of information.

### **IT Systems and Support**

We will continue to outsource our IT development and support, managing the risks associated with our major contracts with EDS and Accenture. We intend an open competition to provide for our IT services beyond the end of our EDS contract in 2004. As well as demonstrating value for money through this process, our objectives are to ensure continuity of the taxation system, minimise disruption, and to provide a capability for change and flexibility. We will start the re-competition process at or around the beginning of 2002 and some initial research activities will be undertaken over the next twelve months.

The key systems design principles for the medium term are

- build software to be reusable where we can, so that we can put together solutions by assembling existing packages of software, rather than building from scratch
- invest in technologies and skills needed to connect systems, or system components, together. This includes linking old and new systems together, to maximise the investment in our legacy system base
- use centre-of-market technologies rather than leading edge
- replace old systems where necessary
- ensure our systems follow best security practice to safeguard customers' records.

**Making Change Happen**

To achieve the changes required by this Medium Term Strategy the Department will make particular use of quality and productivity initiatives (particularly EFQM and the Better Quality Services initiative). So far as possible work will be conducted through formal programmes to give a coherent management framework for the projects delivering what is needed to make the changes a reality. Current programmes cover

- Electronic Services
- Employers
- Small businesses
- Contact Centres
- Euro
- Infrastructure Management
- Management Information Systems
- National Insurance
- Organisation
- People
- Tax Credits
- Accounting and payments
- Receivables.

To be successful, it will be vital to manage the many dependencies between these programmes.

# Modernising Government: Delivering Better Public Services

In setting out its expenditure plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR), the Government set new priorities for public spending. The Government also committed to linking extra investment to modernisation and reform to raise standards and improve the quality of public services. The White Paper, “Public Services for the Future: Modernisation, Reform, Accountability” (Cm 4181), December 1998 and its supplement published in March 1999 (Cm 4315) delivered this commitment by publishing for the first time Public Service Agreements (PSA) with measurable targets for the full range of Government’s objectives. The Revenue’s aims and objectives and report on progress against them are shown below.

The White Paper, “Modernising Government”, published in March 1999 is a statement of the Government’s vision for reform and modernisation of the delivery of Public Services. These principles provide a means of achieving the results of the PSA targets.

## Inland Revenue Aim and Objectives (CSR 1998)

### Aim

To provide the best possible tax, national insurance contribution and valuation services.

### Objectives

To meet this aim by providing fair, efficient and effective tax and valuation services through meeting the following objectives:

- Bringing into the Exchequer the taxes, national insurance contributions and other receipts, maintaining contributory records and disbursing tax reliefs and credits, for which the Revenue are responsible.
- Providing Ministers with high quality analysis and advice on direct tax and national insurance contribution policy reflecting the government’s tax objectives.
- Providing high quality valuation services for rating council tax and other public sector purposes.
- Collecting the contributions in lieu of rates paid by government departments and others.

Our Public Service Agreement set key performance targets and milestones to be achieved over the period of this plan.

## Progress

Progress on the department’s key targets and forecasts for 1999/00-2001/02 aimed at achieving our departmental objectives are set out alongside our public service agreement targets in the tables that follow.

## **Objective 1: Bringing into the Exchequer the taxes, national insurance contributions and other receipts, maintaining contributory records and disbursing tax reliefs and credits, for which the Revenue are responsible**

<b>Public service agreement targets 1999 to 2002</b>	<b>Performance measures and indicators</b>	<b>Note</b>	<b>2000/01 target/forecast</b>	<b>2000/01 progress</b>
(i) Collect the amount of forecast UK Revenue yield from the direct taxes and from National Insurance to factors outside the department's control. The actual amount will be agreed annually with the Minister ;	Total net receipts of taxes, duties and National Insurance Contributions (£bn)		£202b	on course
	Costs/receipts ratio		1.10 (F)	on course
	<i>Receivables Management</i>			
	Amount of assessed and self assessed tax overdue for over three months £b		2.1	not yet assessed
	% of assessed and self assessed tax collected		91	not yet assessed
	PAYE - in year weighted target for % employer payments		87	on course
	% of days on which all cheques £100,000 or over are banked on day of receipt by our Accounts Offices		100	on course
	% of days on which 99% or more of all cheques are banked on day of receipt by our Accounts Offices		99.2	on course
	Quality - % score		82	not yet assessed
	<i>Compliance</i>			
	% of SA returns received by 31 January 2001		90	on course
	% of compliance enquiries/reviews worked to a "satisfactory or better" standard	1	88	not yet assessed
	Companies - number of full* and aspect* enquiries taken up		68,000	on course
	Individuals - number of full* and aspect* enquiries taken up		103,000	on course

	Employers - number of reviews taken up	2	29,000	on course
	<i>National Insurance Contributions</i>			
	% notifications recorded by 31 December		90	on course
	% notifications recorded by 31 March		98	on course
(ii) As part of the Government's plans to increase incentives to work, introduce the new Working Families Tax Credit and Disabled Person's Tax Credit from 5 October 1999. To achieve this the department will ensure the effective transfer of staff from the Benefits Agency to deal with the extra claims for tax credits;	WFTC all complete applications decided in 5 working days		95	slippage
(iii) By 31 March 2002 the department aims to achieve increased satisfaction of 5 points (to 70) in the index of customer service performance, measured by the current year;	Customer service performance indicator Score	3	67-69	65
	% of non SA Schedule E work dealt with accurately		95	not yet assessed
	% accuracy of SA cases		77	not yet assessed
	% of post fully dealt with within 15 working days		80	on course
	% of enquiry centre callers without appointments attended to within 15 minutes		95	on course
	% of calls answered at switchboard within 30 seconds		90	on course
	% of repayment claims in IROs processed within 20 working days		95	on course
(iv) Implement Corporation Tax Self Assessment (CTSA and Corporation Tax (CT) reform from 1 July 1999 to improve compliance;	Whether CTSA and CT reform implemented to plan		met	
(v) Implement the Construction Industry Scheme (CIS) from August 1999 to improve compliance;	Whether CIS implemented to plan		met	

(vi) On behalf of the Department of Trade and Industry the department will support the operation of the National Minimum Wage which became law on 1 April 1999. It will do so by providing advice and assistance to employers and workers by investigating complaints and where necessary by enforcing the Law, including minimum wage decisions by Employment Tribunals.	<i>Helpline</i>		
	Enquiries	50,000	
	Complaints	2,000	
	<i>Compliance Inspections</i>		
	Complaint cases completed	2,000	see footnote 4
	Other cases completed	8,000	

*\* A Full Enquiry addresses all significant risk of error within a return, including the risk that the return is fundamentally incorrect. For business taxpayers that includes an examination of the business accounts and the records on which they are based. An Aspect Enquiry falls short of a full, in-depth, examination of the whole return but instead concentrates on one or more aspects of it.*

<sup>1</sup> *Combines the existing quality targets for companies, individuals and employers.*

<sup>2</sup> *Following the transfer of the Contributions Agency to the Inland Revenue a completely new organisational structure for employer compliance was introduced to manage the combined work. Substantial time had to be given over to training and reorganisation. The target number of reviews was therefore set at a lower level than will be the case when the new structure is fully operational.*

<sup>3</sup> *The Customer Service Performance Indicator score covers all aspects of our service to customers (telephone contact, written contact, face to face contact, accuracy, forms, computer output, opening hours, speed of resolving enquiries, and remedying mistakes) and is based on an annual survey of all our main customer groups.*

<sup>4</sup> *Improvements in case selection techniques have resulted in a significant increase in the number of instances of non-compliance identified. However, as a result investigations are taking longer. This combined with the fact that slightly fewer people are coming forward to complain has put pressure on the original inspection targets and DTI are content that we will now aim to complete at least 7,500 compared with the original 10,000.*

## **Objective 2: providing Ministers with high quality analysis and advice on direct tax and national insurance contribution policy, reflecting the Government's tax objectives**

Our high level Public Service Agreement target to meet this objective (shared with HM Treasury and Customs and Excise) is to continue to develop the tax system so that it underpins the Government's strategy on sustainable development, encouraging work and enterprise and promoting fairness; and delivers environmental objectives. Towards this objective we have

- introduced the new Children's Tax Credit
- introduced stakeholder pensions
- introduced a new all-employee share ownership plan, and Enterprise Management Incentives
- made changes to the taxation of company cars
- enacted the first tranche of rewrite legislation, on capital allowances
- made further progress in aligning tax and NICs
- put in place extended international exchange of information arrangements
- taken forward the Grabiner recommendations
- continued planning for the introduction of new tax credits from 2003.

There are a number of new policy initiatives for 2001-02 which will help us to meet this target. They include:

- continuing to plan for the introduction of an employment tax credit and a new tax credit for families with children from 2003
- a higher Children's Tax Credit in the year a child is born
- a new system of statutory mileage rates
- 100 per cent capital allowances for flats over shops
- a stamp duty exemption for land and property transactions in disadvantaged areas
- an accelerated payable tax credit for the costs of cleaning up contaminated land
- taking forward the development of a R&D tax credit for large firms
- taking forward the development of a tax credit and related measures to encourage the development and distribution of vaccines and drugs.

### **Objective 3: providing high quality valuation services for rating, council tax and other public sector purposes.**

The Valuation Office Agency is an Executive Agency within the Inland Revenue providing valuation services to Government and the public sector in England, Wales and Scotland for various statutory and non-statutory purposes. Its work involves providing valuations for rating and council tax (England and Wales only), and for other public sector purposes; and for the provision of policy advice in these areas.

<b>Public service agreement target 1999 to 2002</b>	<b>Performance measure</b>	<b>1999/00 target/forecast</b>	<b>Result</b>
By 31 March 2000 to have ensured revaluation of some 1.7 million non-domestic properties for the new rating lists coming into force on 1 April 2000;	Number of revaluations completed by 31 March	1.7 million (F)	met
By 31 March 2000 to have collected at least 98% of contributions in lieu of rates (CILOR) due from government departments to ensure the smooth transfer to conventional rating.	Proportion of invoiced contributions collected	98%	met

## Department's Productivity and Operations

Public service agreement targets	Performance measures and indicators	Progress
The Department will deliver cumulative efficiency savings of at least 10 per cent of the 2001-02 Departmental Expenditure Limit by 31 March 2002 (i.e. £190 million).	Efficiency savings achieved (£m)	on course
By March each year agree with Ministers detailed targets covering accuracy, timeliness and efficiency of the administration of taxes, where possible demonstrating improvements in the cost receipts ratio for taxes and duties.	Targets agreed	met
By 1 April 1999 ensure the smooth merger with the Contributions Agency (the introduction of a "one-stop-shop" for tax and NICs to further reduce regulatory burdens on businesses).	Smooth merger achieved	met
By April 2000 ensure necessary computer support for PAYE, the operation of the WFTC and the collection of student loans.	Successful introduction of computer support	met
By 31 March 2002, subject to the outcome of the call centre pilot and implementation of the necessary IT infrastructure changes, achieve a roll out of at least 50% of the call centre strategy contained in the overall agreed programmes.	Extent of call centre roll out	on course
By 31 March 2002 have identified annual savings of at least £5million per year on estate spending.	Savings achieved	on course
By 30 September 1999 the Department will have ensured that its key IT systems embedded chips and procedures will not be adversely affected by the millennium date change.	Business continuity plans in place and full procedures for managing the millenium changeover in place	met
The Department will regularly and systematically review services and activities over a five year period in line with government policy as set out in the handbook 'Better Quality Service'. The Department will develop its review programme by September 1999 setting out those services and activities that will be	% of services and activities reviewed	on course

reviewed each year, with the intention to review at least 60% by value of services by March 2002.

The Department will contribute by 31 March 2002 towards the general improvement in UK productivity by increasing the availability of electronic communications between taxpayers and the Department to at least 30% of potential dealings.

% of dealings for which electronic communications available

on course

The Department will take steps to contribute to the reduction of public sector rates of average sickness absence by 20% by 2001 and by 30% by 2003. Proposed targets for reductions in the Departmental sickness absences will be made by February 1999.

rate of sickness absence

on course

Continue to improve compliance work to encourage greater voluntary compliance, and detect and deter non-compliance. A programme of enquiry and audit with key targets will be agreed in March each year.

targets agreed

met

To increase to 75% by 30 September 1999 the proportion of key designated procurement post holders who have, or are working towards a graduate level procurement qualification.

Maintaining the level of key designated posts

not met

Furthering the electronic procurement programme.

Number of users of GPC

not met

Where there is no accepted practice governing the timing of payments, the department will pay within 30 days of receipt of the goods or services, or the presentation of a valid invoice or similar demand for payment, whichever is later.

% undisputed invoices paid within 30 days

slippage

## Responsive Public Services

We are committed to delivering a first class responsive service in line with the Modernising Government White Paper, enabling our customers to do what is needed at the right time, at minimum cost.

Our aim is to provide services which fit the needs of customers and respond to their particular circumstances and to offer a range of high quality channels of delivery for those services, accessible and convenient for customers. In deciding how we do our business we will always consider the cost and convenience to customers of their dealings with us. In particular we will try to resolve customer problems by a single contact each time.

We continue to fully support Charter Mark, the Government's award scheme that recognises and encourages excellence in public services. 21 of our offices won the Charter Mark this year. The Stamp Office won for the third time and Kirkcaldy District for the second - considerable achievements, as the standards are raised with each re-application.

The 'Customer Service Awards', (an in-house competition), has been introduced, to reward the excellent work being done to save the Department and its customers time and money. In 2000, the overall winner was the Large Employer Compliance Office, with their 'Customer Account Manager' entry.

Modernising Government Initiatives include

- Business Support Teams providing education and support to new and small employers and businesses to help them understand and meet their tax and National Insurance Contributions obligations, including new obligations such as Working Families' Tax Credit (WFTC), Collection of Student Loan Repayments and Stakeholder Pensions.
- Reviewing our customer service standards and performance indicators for replying to correspondence, answering calls at the switchboard and attending to customers at our enquiry centres to identify improvements and ensure that they meet customer expectations and measure what is important to them. More generally, we are seeking to reform our performance indicators by way of the development of outcome based measures for each of our key customer groups.
- A programme to expand our services to customers with disabilities. Specialised media units provide written material in Braille, large print and on audio tape - with new technology allowing customers to routinely receive information in their preferred format. Other services, including home visits, form filling, textphones and sign language interpreters are also available. In partnership with DSS, we offer our DPTC customers access to Braille printed forms and assistance with forms completion. Our aim is to be more flexible in the way we provide help. Everyone in the Department has been briefed on disability awareness, to enable them to respond to individual customers' needs. The Inland Revenue is the first Government Department to win the RNIB's Accessibility Award for its website.
- Rolling out call/contact centres, providing a service to 50% of our customer base by April 2002.
- Paying by debit card. The experimental system where taxpayers can telephone us and pay by debit card has proved very popular. We are now making plans for the system to be introduced nationally. Initially this will be for SA taxpayers only.

- Introducing a national Budget Payment Plan (BPP) scheme. Following the success of our experiment involving SA taxpayers in the Newcastle area, we expect to announce before the end of 2001 that we will start to offer the BPP to all SA taxpayers. The BPP will provide taxpayers with a voluntary facility to make regular payments towards their SA liability, which we will collect by direct debit.
- Looking into the feasibility of allowing employers to pay PAYE/NIC by direct debit. The initial view is that the direct debit system being developed for SA can be extended to employers, but consultation with employers and representative groups has still to take place.
- Introducing in January 2001 a facility for taxpayers to pay by debit card over the Internet. This made use of an existing service provided by Alliance & Leicester Girobank. We are looking at how widely the service is used before considering whether and how we can provide such a facility as part of the Government Gateway. Also whether other financial suppliers might offer similar services. We will also consider providing the facility to sign up for direct debit services on the Internet.
- The arrangements in place for taxpayers wanting to pay us by CHAPS, BACS or cheque in Euro. We continue to provide guidance and save the taxpayer the expense of conversion.
- Researching whether there is any evidence that our ethnic minority customers are unfairly discriminated against. We will look at how our enforcement activities are conducted, as well as the way we provide support services. Our Tax Credit Office provides interpreters to deal with queries from customers to whom English is the second language.
- Simplifying our forms and leaflets and working with other government departments to produce combined products. For example, we are creating a link to the National Minimum Wage (NMW) pages on the IR Internet site from the DTI interactive website at [www.tiger.gov.uk](http://www.tiger.gov.uk). The link will take the enquirer to a page on the IR site, which will give them the option of completing an on-line complaint form about non-payment of the minimum wage or to submit an enquiry electronically. To enable enquiries to be made electronically we are looking to provide an e-mail facility from April 2001 that will be located at the NMW helpline in Longbenton.
- Working increasingly closely with a number of other Government departments including DETR (alignment of regional boundaries) and DSS (stakeholder pensions and tax credits). And liaising with a number of departments, such as DSS and Employment Services and local authorities, to test more integrated delivery of services.
- The Central Government 'Beacon Scheme' identifying the best performing parts of central government and spreading good practice. 4 of our offices were chosen as Beacons for 2000 and are now recognised as centres of excellence: Accounts Office Cumbernauld, Accounts Office Shipley, Capital and Savings Audit Unit and Dunfermline District.
- The 'European Foundation Quality Award 2000' and 'British Quality Foundation Award 2000'schemes. Our Accounts Office Cumbernauld won both and became the first public sector winner in the UK and Europe (and the first public sector office to win both).

## National Surveys

The Department has regularly sought users' views of the service it provides. It has conducted comprehensive national surveys of its main customer groups, to seek their judgement on the service, identify the issues they think are important in order for the Department to set priorities for service improvements.

## Customer Service Performance Indicator

Our customer service performance indicator is a means of measuring users' judgement or satisfaction with the service we provide. We survey seven of the Department's main customer groups simultaneously. Around 423,000 questionnaires are sent out in seven similar surveys by post. The indicator is constructed by asking customers' views of detailed aspects of service and combining them with customer judgement of importance. The indicators for each customer group are then combined to get an overall score.

We want it to be a 'customer driven' indicator. We generated many of the issues in the questionnaire through qualitative research so the survey covers issues customers tell us are important to them, not just those that the Department wanted to put forward. Because many of the issues asked about are common across customer groups it also allows us to look at them in a joined up way.

We achieved a "score" (out of a total of 100) of 65 in 1998, which increased to 66 in 1999 but slipped back to 65 in 2000. From 2001, we will be looking to establish a new indicator (incorporating many of the features of the old) which will encompass the Department's new customer groups (tax credit recipients; people paying National Insurance contributions, for example). And, where possible, we will look to supplement this by more regular research/surveys for specific customer groups. This should enable us to improve customer satisfaction still further.

## Other Surveys

Many of our local offices and Executive Offices run customer surveys to find out customer views of their service. Our main helplines (SA and Employer) also conduct their own surveys of customers regularly.

## Closer Working with Customs & Excise

We have reviewed the Closer Working Action Plan launched in September 1999. In many respects, Closer Working has become ingrained into the day to day conduct of our business, for example, delivering joined - up policy now forms a natural part of our normal business fabric. Based on the experience gained, we have re-focused the programme of Closer Working to achieve the strategic goal of maximising harmonisation in the area of business taxes, the main overlap between the departments. We are giving the highest priority to specific activities obtaining benefits in the areas of compliance and service synergies.

### Compliance synergies

- Intensifying the implementation of the recommendations of the Grabiner report on the hidden economy
  - We have rolled out a further 15 Joint Shadow Economy Teams to bring the total to 20. These comprise mixtures of Revenue and Customs staff, and in some cases now include staff from the DSS.
  - We now have two Joint Fashion Industry Teams, one in London and one in Leicester, working with Customs, the Health and Safety Executive and the DSS.
  - We are developing the national co-ordination of action on specific trade sectors identified as areas of focus.
  
- A joint service for the audit of computer based accounts is being developed and extended. For both Departments, it provides training for new auditors, Research & Development, software audits and support for high-level and large business assurance.
  
- We are materially increasing the amount of intelligence and information exchanged between the Departments
  - three joint data centres are to be established to deliver joint intelligence analysis capability
  - strategic threat assessments on taxpayer groupings are being developed
  - pilot work on joint data mining and risk analysis is being developed to target resources to highest risk areas and we aim to develop horizon scanning.

### Customer service synergies

- Joint teams have been established to handle all the business tax affairs of a number of large businesses in four test trade sectors. They are looking at ways in which we eliminate duplicated lines of enquiry and make it easier for businesses to comply with tax obligations.
  
- We are to set up a single unit covering company voluntary arrangements and will be combining our service handling all insolvency claims.
  
- Over the year we have continued to develop joined - up services to business through seminars, open days, websites and sharing each other's enquiry centres and hotlines and have launched a fully integrated Starting up in Business guide.

## Regulatory Reform

The Inland Revenue's Regulatory Reform Programme seeks to

- reduce burdens on business and individuals wherever possible by looking at both processes and regulations to remove regulatory burdens where the risk of deregulation is clearly outweighed by potential benefits, and
  
- improve the support service that we offer businesses to help them cope with regulatory burdens.

In 2000/2001 we have taken forward our commitment to Better Regulation by

- consultation
- reducing the cost and complexity of legislation and systems to reduce regulatory burdens, and
- better support
- commissioning more external research on the compliance costs of tax.

### **Consultation**

We consult widely to ensure those affected by regulatory proposals have their say. We have continued to consult with employers' representatives and the payroll industry on matters affecting employers and employees. And the Better Regulation Consultative Committee has met regularly to discuss general Better Regulation issues.

In January 2001 we adopted the Cabinet Office Code of Practice on Written Consultations and the Small Business Service Guidance on Implementation Periods.

We have consulted on a number of new measures to ensure they are introduced in a way that best meets the needs of those affected, whilst still meeting the Government's objectives for a fair and efficient tax system including

- simplifying National Insurance Contributions for Employers
- reform of the Taxation of Intellectual Property Goodwill and other Tangible Assets
- relief for Gains on Substantial Shareholdings
- the operation of Individual Savings Accounts
- corporate debt, financial instruments and foreign exchange gains and losses
- extension of Capital Gains Tax business assets taper relief
- starting up in business
- expansion of Enterprise Management Incentives
- Pay As You Earn internet Services and Discounts

We have also consulted with interested parties to help quantify the regulatory impact of new legislation and their comments are reflected in the final Regulatory Impact Assessments. Copies of consultation documents can be obtained from the Consultation pages on the Inland Revenue website.

### **Reducing the cost and complexity of legislation and systems to reduce regulatory burdens**

We are committed to getting new regulations right and looking for areas where existing regulation is unnecessary or inefficient. All regulatory proposals are scrutinised at an early stage to look at the risks, costs and benefits and any non-regulatory alternatives.

We accept that the cost of compliance with statutory obligations can be burdensome and recognise the importance of reducing the cost and complexity of regulations and systems wherever possible.

Budget 2001 contained a package of changes to simplify the operation of the tax system. This included

- a radical proposal to reduce regulatory burdens for small businesses through aligning their profits for tax purposes broadly with those reported in their accounts, providing scope to avoid dealing with the complexities of the tax system
- the introduction of a simpler system allowing creative artists (authors, composers, sculptors etc) to average profits over two consecutive years
- increasing to £50 the de minimis limits within corporation tax, self-employed income tax and VAT for business expenditure on gifts

The Inland Revenue introduces legislation through the annual Finance Bills and other primary legislation and through Statutory Instruments. During the year we have produced seven final Regulatory Impact Assessments (RIAs) and four draft RIAs. All of our RIAs are available on the Consultation pages of the Inland Revenue website, or on request.

### **Better Support**

We have made significant progress in identifying and listening to the concerns of businesses and in particular small businesses. Throughout the year we have worked closely with the new Small Business Service and Customs & Excise to deliver comprehensive cross-government support for small business and employers.

Building on the substantial help and support Government provides small businesses and employers in dealing with their other obligations we launched a new Starting up in Business guide on 10 January 2001. Sent to anyone registering as self-employed, it contains all the information they need to know about tax (including VAT), NICs, record keeping and where to go for further help.

There has been a positive reception to our Business Support Teams. These offer free help and support principally to new and small employers, through workshops on a range of tax and NICs issues and educational/support visits to employers' premises, to talk through the employer's responsibilities on payroll.

The Inland Revenue payroll software standard was introduced in March 2000 to encourage small employers to submit their returns electronically and use accredited software to calculate their payroll. To date two software providers have accredited products with a further eight products going through the process.

To help employers deal with their payroll obligations we launched a special site on the Inland Revenue Internet for employers giving general guidance and support along with sources of help. This incorporates a new diary/planner and improved presentation, navigation and links.

In February 2001 we made number of changes to the annual Employers Pack to shorten it and make it more user friendly. And the CD-ROM version of the Pack also introduced new navigational material to help the busy employer find desired material as speedily as possible.

### **Future Programme**

Looking to the future we will keep the tax system under review and listen to representations so that we can, where possible, remove complexities in the system.

We have an Employer Programme to specifically look at ways to reduce the burden on employers, increase customer satisfaction in the levels of support and service provided. Using consultation to better understand employers the Programme will be leading the way for simplifying legislation and process, improving forms and guidance, improving the employers web-site and co-ordinating employer work across the Department

To help get an understanding of business compliance costs, the Inland Revenue and Customs and Excise have embarked on a four year programme of research to look at the compliance costs of all their taxes. In the first year we look at the costs to business of dealing with VAT and corporation tax. The results of this research will help identify those areas of the tax system that are most burdensome to business and enable the Revenue Departments to look for ways of making improvements in those areas.

## Quality Public Services

Better Quality Service Reviews, begun in October 1999 are now well underway, with a number of reviews being completed. These include the Valuation Office Agency, Debt Management, Banking (including payment processing) and Learning Services.

We are using Better Quality Services as a key vehicle for improving the quality of all our services and for achieving joined-up Government. Each review focuses on the customer's real needs, evaluating how they can best be met and by whom. We also examine opportunities for advancing e-business.

Our programme for next year includes Enquiry Centres and services relating to Capital Taxes and Stamp Duties. The programme is flexible, to allow us to adapt to changes in Departmental strategies and the wider world of Government. Our aim is to conduct reviews jointly with HM Customs and Excise where practical, as part of our Closer Working Programme. We are on track to have reviewed 60% of the Department's work by March 2002.

We have been using Benchmarking as a review technique and we hope to extend its use to ensure continuous improvement of our business processes. We are also leading an interdepartmental benchmarking project on Pensions Administration on behalf of the Cabinet Office.

### Use of the EFQM Excellence Model

We make extensive use of the European Foundation for Quality Management (EFQM) Excellence Model throughout the Department. This has allowed us to increase the profile of improvement in all our work - ranging from policy-making through to local office service delivery. In a wider context there have been marked improvements in planning and prioritisation skills at all levels and a greater focus on identifying and sharing good practice.

The existing suggestions scheme already rewards suggestions that secure savings and IT improvements. We are now building upon use of the EFQM Excellence Model and other tools to develop a more dynamic approach to innovation which is encouraged and supported by leaders and managers at all levels.

# Information Age Government

## Electronic Services

The department published its E-services strategy on the internet [www.inlandrevenue.gov.uk/irstrategy/index.htm](http://www.inlandrevenue.gov.uk/irstrategy/index.htm) in November 2000. The strategy commits the department to a wide ranging programme of work designed to enable us to meet the government targets of offering 50% of our services electronically by 2002 and 100% by 2005.

The starting point for our e-strategy is the government's reform agenda. We will be exemplars in making the UK the natural place to do e business and will work with business to minimise their compliance burdens and reduce their costs in consequence. We will play an important part in helping to close the digital divide for individual citizens. And we will change people's perception of the Department so that we are seen as enabling as well as regulating.

## Our vision for e-business

Customers will

- be able to choose from a variety of ways of doing business with us
- have a variety of electronic entry routes.
- be able to deal with us via intermediaries
- be encouraged to use electronic channels
- be offered a variety of "joined up" services

Staff will be skilled to use the new tools and this will enable us to provide a better service and a more effective way of working.

## Our achievements and plans

Our internet service for Self Assessment taxpayers was introduced in April 2000, and further services for employers and agents will be introduced in 2001, as part of our leading role on the cross governmental Government Gateway project. We will continue to develop our award winning web site. We now use electronic purchasing and payment for over 90% of transactions and 30% of our services are already offered electronically.

## Our approach

Our approach will be driven first and foremost by the best understanding we can get of our customers' needs. We will

- trial new approaches and be ready to learn in the light of customer reaction
- encourage take up of our electronic services
- adopt common cross governmental standards
- increasingly conduct business through third parties
- work actively with other government departments to find ways of offering "joined up" services.

## **The programme**

The key components of our programme include setting up a dedicated e-services group, led by a Director of E Services (Barry Glassberg) and the development of an agreed set of intermediate goals and outcomes with a prioritisation process for proposed new initiatives. We have a rolling programme of work covering the key work streams - external services; internal services; joined up services; building up e capability; and business transformation.

# Valuing People

Our Human Resources (HR) Strategy is focused on delivering the Department's business objectives, working corporately and across business boundaries. HR activities are closely aligned with the Business Direction and the Medium Term Strategy and are designed to meet the challenges of the Civil Service Reform agenda and Modernising Government. Specific new challenges for HR arise from

- the introduction of, transition process to, and longer term aims of Area Management
- the development and implementation of an e-business strategy
- the changing role of the Inland Revenue and the introduction of new functions within it.

In responding to these challenges, we will

- integrate HR thinking and activity with the rest of the Department
- create a community of HR specialists able to support management and help transfer people skills and habits to them;
- use intranet technology creatively as an important tool to the above
- embed a learning strategy in all we do.

HR work has been grouped around four main themes:

- **IMPROVING THE WAY WE MOTIVATE AND MANAGE OUR PEOPLE.** We need a motivated, diverse workforce that is committed to delivering excellent service and improved productivity at lower cost to citizens.
- **ENHANCING LEADERSHIP & MANAGEMENT CAPABILITY.** We need professional managers who provide strong clear leadership at all levels to enable people to respond positively to the requirements of the Business Direction and deliver a consistent, high quality service to citizens and the government.
- **INVESTING IN OUR PEOPLE.** Our people need to deliver a high quality service to the Inland Revenue's customers and the government. We need a skilled, flexible workforce within an organisation that encourages and supports effective learning, maintains a healthy environment, and in which talent in its full diversity is identified and developed. All our people (including the Valuation Office Agency) are currently working in units recognised as Investors in People. Future strategy will see a move towards corporate recognition.
- **SUPPORTING ORGANISATIONAL AND CULTURAL CHANGE.** These are essential to achieve the Business Direction and the Medium Term Strategy as well as the wider aims of the Modernising Government agenda.

Projects have been established and brought together into a cohesive programme to ensure they deliver results in the most efficient and effective manner. The projects supporting the four themes are

## Reward & Recognition

In 2000 we introduced a new pay structure which allows more rapid progression to an appropriate rate for the job, retaining a clear link between performance and pay. Performance Management systems are being reviewed against the Civil Service Management Committee reports to develop an improved approach. This will be closely aligned with strategic business objectives, encourage continuous improvement and confront poor performance. It will continue to provide a link to pay for individuals, providing greater reward for more effective performers. We will produce better guidance for managers to improve non-monetary recognition.

We are also planning to pilot an approach to Team Incentives as recommended by the Public Services Productivity Panel Incentives report.

### **Diversity**

We aim to be an organisation that

- ensures we recruit and retain the very best people from the widest possible pool;
- values our people as individuals and the differences between them;
- harnesses those differences to improve our business performance to provide the best possible service for all our different customers;
- promotes diversity and equality in a proactive way, to underpin our business performance standards.

This year we:

- replaced our equal opportunities policy with a new diversity & equality policy which emphasises inclusiveness and valuing the differences in people to help us deliver more individual customer service;
- introduced a leading edge diversity course for all our Board members and Senior Civil Servants;
- designed and launched an internal diversity & equality website for all our staff;
- agreed demanding diversity targets for 2005 in our Service Delivery Agreement to increase the representation of women, people from ethnic minorities and people with disabilities in the parts of the Department and at the levels where they are under-represented;
- put together a programme of development workshops for all our managers, to be rolled out from 1 April 2001;
- took part in the Cabinet Office Diversity survey of staff perceptions. These will form a baseline to be used in conjunction with other performance measures to help track our progress more systematically.

### **Management Development**

The Business Direction and Medium Term Strategy place an almost unprecedented emphasis on creative and flexible management. Key to delivering the changes required will be our management capability. To develop our managers we are introducing a core set of management standards that we have successfully piloted. These will provide a basis for assessment and professional qualification and a clear framework for learning & development. We aim to provide timely, high quality training and development for managers that will include support in the workplace to apply what they have learned.

### **Leadership**

To complement the management standards, we are identifying key leadership qualities and skills required by managers in order to influence behaviours and for use within development and selection processes.

### **Feedback systems**

We aim to provide access to effective, value for money, feedback systems for the development of managers.

### **Competence Framework**

To complement the management standards, we are updating our competence framework to reflect the business needs of the Department and support cultural change. The new framework will underpin recruitment, development and selection.

### **Learning & Development Strategy**

We have developed a long term strategy for learning to support the Department's Business Direction and provide a framework for future development. The strategy seeks to enable all our people to contribute effectively to business results by learning to their full potential, using modern methods and within a supportive environment. We have begun to implement that strategy.

A Better Quality Services review of learning has been carried out jointly with Customs & Excise. The review has recommended a mix of internal restructuring and increasing external provision of training. An implementation plan is being drawn up in close consultation with Customs & Excise and all opportunities will be explored for efficiencies and savings through partnership working and shared solutions across the two Departments.

### **Job Advertising & Structured Selection**

We are progressively streamlining and improving our process for job selection to ensure the best possible match of skills and experience for each job. The process is being designed for transparency, to meet customer requirements and for cost effectiveness.

### **New Understanding**

We aim to better understand the state of the psychological contract within the Department. We will develop and communicate a clear understanding of what people can expect from the Department as an employer and what the Department expects of its people. We shall use this to inform the development of our HR policies.

Other work supporting these themes includes

### **Fit for Work**

We are actively seeking to create a culture in which people take sickness absence only when they are too ill to come to work. We have responded to the Government's target of reducing sickness absence from 1998 levels across the public sector by 20% in 2001 rising to 30% in 2003 with our 'Fit for Work' project. This is aimed positively at improving health and well-being and thereby reducing sickness absence. A reduction of 7% had been achieved at 31st December 2000.

### **Bringing In and Bringing On Talent**

Civil Service Reform this year has focused very much on the development and management of our people and we have actively contributed particularly to the *Bringing in and Bringing on Talent* Agenda. Our involvement has included running open competitions, and the direct recruitment of Fast-Streamers and graduate Trainee Inspectors. We have increased opportunities for all staff - into and out of the Revenue - for short and longer term loans and secondments with other organisations to refresh our skills base and broaden our experience. Internally we continue with our technical Core Professional Training, and we have also introduced a Professional Management Careers Programme looking to develop junior and middle management for the higher grades. We are now aiming to look more widely, together with the Trade Union Side, at issues of talent management right across the Department in the light of new demands and skills required by the business direction.

### **Culture and Values**

In order to underpin the Department's change agenda, we consider it important to survey our staff regularly. Research has been carried out this year to help us design a new format for a survey which will focus on the issues that most matter to our people.

**TUS Partnership**

Our Modernisation Agreement with the PCS was launched on 12 April 2000 to provide for the management of change through partnership between the Department and TUS. We were successful in our bid for funding from the DTI partnership fund and projects are now underway to identify effective ways of working in partnership in local offices.

**Human Resources Intranet**

We have established an intranet site, the "People" site, to share HR information and are vigorously promoting its growth and enhancing its value. A key aim is to use the current technological capacity to streamline HR processes and deliver an increasingly efficient HR service.

# Value for Money

## Resource Accounting and Budgeting

The 1 April 2001 will see the full implementation of Resource Accounting and Budgeting. We have produced both cash - only Appropriation Accounts and Resource Accounts for 1999/00. On 1/4/99 we merged with the Contributions Agency (CA) and £42m worth of assets were successfully brought onto the Department's balance sheet. The audited 1999/00 resource accounts were published in the Inland Revenue Annual Report 1999/00.

Following the success of Resource Budgeting experiments in three Executive Offices, we moved in April 2000 to Resource Budgeting for the whole Department (a year earlier than required by HM Treasury). We ensured a smooth transition from cash to resources by budgeting centrally for the main non-cash elements (depreciation, cost of capital charges, provisions). Information on these elements is, however, included in operating statements at local level so that the costs can be monitored and a track-record built-up for the future. In addition "shadow" Resource Estimates have been produced alongside cash Estimates for 2000/01. During 1999/00 we assessed feedback from those who attended the financial proficiency training introduced in 1998/99 to improve the financial management skills of key Departmental managers and their financial advisers. As a result the training programme has been revised, and pilots of new modules have been run. The training programme will be relaunched during 2001/02.

Detailed resource expenditure plans are set out in Annex 1. The Resource based Main Estimate and supporting tables are set out in detail in Annex 2.

## Procurement and Commercial Activities

The Department's Commercial Group continues to achieve significant success in professional procurement, not only through its own initiatives, but also in collaboration with many other Government Departments (notably HM Customs and Excise).

The development of our closer working commercial relationship with HM Customs and Excise continues to progress and substantial achievements have been gained from such areas as, the STEPS project, common terms and conditions and some £30 million per annum being spent through joint contracts. Collaboration with the Department of Social Security is also being pursued on a number of fronts, as an example, having successfully reviewed the two Departments' courier requirements, we are now commencing a joint tendering project.

An Agreement has been jointly produced by the Inland Revenue and HM Customs & Excise procurement and audit teams. It has been signed by the Heads of Procurement and Heads of Internal Audit in both Departments and represents a significant step in our closer working relationships. The Agreement builds upon and formalises the good working relationships already established between audit and procurement in both Departments.

The Inland Revenue's car purchase contracts continue to be used by 24 other Government Departments and Agencies, five of which have handed over to us the complete running of their fleet under Service Level Agreements.

Following on from the formation of the Office of Government Commerce (OGC), the Commercial Group has been leading work in many areas, which was to shape the OGC's early direction and delivery of targets. The Commercial Group was subsequently asked to lead a review on behalf of OGC involving the provision of vehicles and to support reviews on cellular phones and management consultancy.

A range of contracts to supply the Department's requirement for goods and services have been awarded. These new contracts not only provide improved service levels but also substantial cost savings for the Department.

During the year a new framework contract e-IROS was awarded for the supply of 'desktop' IT and telecommunications products. In line with the Government's collaborative working initiatives the contract was, from the outset, designed to allow other Departments access to the successful contractor's electronic product catalogue.

We continue to develop and build upon the benefits received from the Department's E-procurement activities and are well on the way to meeting the OGC's target that 90% of low value purchases are conducted electronically by March 2001.

Building upon the success of the pilot programme, full rollout of the Government Procurement Card (GPC) across the Department has been completed.

The procurement consultancy service provided by the Commercial Group for the House of Commons continues to work very well and the House is keen to build upon the work already undertaken. They now recognise the need for professional procurement and are currently considering how best to meet that requirement when the existing Service Level Agreement expires in March 2001

In order to enhance professionalism within procurement, significant training has been undertaken to increase the numbers of qualified staff and new arrangements have been introduced to encourage more continuing professional development for those who are already qualified.

## **Working with the Private Sector**

The Department has a well-established strategic IT partnership with EDS which gives it access to latest IT developments in a range of areas, such as e-commerce both internally and externally.

We also have a PFI contract with Accenture (formerly Anderson Consulting) for the running and enhancement of the NIRS2 system which runs to April 2004 with the potential to extend for three years. We have strengthened the partnership relationship and negotiated an extension to the PFI contract to develop the changes to NIRS needed to support the Government's NICS and welfare reform programme

Under the *Selling Into Wider Markets* initiative we look to exploit Departmental assets, in conjunction with the private sector as appropriate. We have arrangements with EDS for the department to benefit from any third party use of the assets used by EDS to provide Revenue services, and are exploring with them whether there is a market for the Windows NT rollout methodology developed jointly by the Revenue and EDS. We are also exploring and developing a number of other areas such as charging other organisations for use of our conference/training facilities.

## Public Private Partnership

The Department has signed five PFI projects contracts for the provision of serviced office accommodation. These are in Manchester, Stockport, Glasgow, Edinburgh and Bootle. The total capital investment by the private sector over the five projects is £70m. The department has two more signed PFI deals. The first is Newcastle Estates Development (NED) signed in 1997/98 for serviced office accommodation, where the total capital investment by the private sector is expected to be around £151m. The second is the National Insurance Recording system (NIRS2) signed in 1994/95. The amount of capital investment by the private sector for NIRS2 is commercially sensitive.

The Inland Revenue and Customs and Excise have undertaken a joint procurement exercise (known as STEPS) to transfer the ownership and management of their estates to a private sector partner. Under the terms of the contract, the partner, Mapeley will be required to provide the departments with serviced accommodation from April 2001.

### Projects involving Private Finance (£ million)

	Outturn 1999/00	Projection 2000/01	Projection 2001/02	Projection 2002/03	Projection 2003/04
Estimated gross publicly sponsored capital	129	199	104	120	118
Of which:					
- capital spending (by private sector) on PFI projects <sup>1</sup>	10	-	-	-	-
- capital spending by public sector under conventional procurement <sup>2</sup>	119	199	104	120	118
Net current payments by public sector under private finance contracts <sup>3</sup>	10	12	12	13	14
Of which (%):					
Central Government	100	100	100	100	100
Local Government	-	-	-	-	-
Public Corporations	-	-	-	-	-

<sup>1</sup> Capital spending by the private sector on deals signed (excluding NED, NIRS2 and STEPS)

<sup>2</sup> Excludes VOA

<sup>3</sup> Deals already signed (excluding NED and NIRS2 and STEPS)

## Departmental Investment Strategy

Capital expenditure plans are set out in table 5 annex 1. The STEPS project, together with other Public/Private Partnership initiatives, is expected to mean that the Capital employed by the department will reduce (table 3, annex 1). The Departmental Investment Strategy (DIS) available on the Department's website sets out in more detail the overall approach the Revenue is taking to all aspects of its capital expenditure.

## Invest to Save Budget

The Invest to Save Budget (ISB) is designed to help develop projects which bring together two or more public service bodies. The projects should enable the bodies concerned to deliver services in an innovative and more efficient manner. ISB is managed by the Treasury in consultations with the Cabinet Office.

The Revenue had success in five bids. These are as follows:

- Business with Government - The Revenue were the lead Department in Round 1. The funding secured was used to investigate the best way for new and developing businesses to access regulatory information to help them comply with the law. This has been subsumed into a package recommended by the Information Age Government Champions Group, and DTI are now taking this forward.
- Solicitors Document Scanning - To streamline the process for presenting documents to Court by enabling the evidence to be scanned and presented electronically.
- Citizen's School Leaver package - A pilot to provide a structured programme of information on Government services for pupils close to school leaving age.
- Occupational Pensions data links with DSS - A pilot to provide a single IT system for bodies giving tax approval to pension schemes.
- Electronic Transmission of Employee Information - To introduce an electronic NINO tracing and verification process to speed up contact between employer and Inland Revenue when an employee starts work. This will help to prevent fraud.

## Invest to Save

### Funding shown in £K

Round One	£K	1999/2000	2000/2001	2001/2002	2002/2003
Solicitors Scanning Project	Current	151	595	595	0
	Capital	595	0	0	0
Business with Govt.	Current	210	0	0	0
	Capital	0	0	0	0
<b>Round Two</b>					
Citizen's School Leaver package	Current	0	77	27	0
	Capital	0	0	0	0
Occupational Pensions data links with DSS	Current	0	70	0	0
	Capital	0	5	0	0
<b>Round Three</b>					
Electronic Transmission of Employee Information	Current	0	0	447	42
	Capital	0	0	0	0
<b>Round One</b>					
<b>Funds agreed by Treasury in Letter 22 December 1998</b>					
<b>Round Two</b>					
<b>Funds agreed by Treasury in Letter 8 February 2000</b>					
<b>Round Three</b>					
<b>Funds agreed by Treasury in Letter 16 February 2001</b>					

## Long Term Capital Projects

There are no new long term capital projects planned ie projects that are estimated to cost more than £5 million and take three or more years to complete.

## Environment

The Government continues to consider environmental objectives alongside its economic and social objectives. In developing policy the Government gives consideration to the merits of using fiscal measures to support sustainable development of our towns and cities. Our Green Minister is Stephen Timms Financial Secretary to The Treasury.

In 2000 - 2001 the Chancellor of the Exchequer announced a number of tax measures to help meet the Government's environmental objectives and promote sustainable growth

- introduction of a measure giving companies an enhanced tax deduction of 150% for the costs that they incur when cleaning up contaminated land that they have acquired
- introduction of a new scheme to enable property owners and occupiers to claim up-front tax relief on the whole of their capital spending on the renovation or conversion of vacant or underused space above shops and other commercial premises to provide flats for rent
- enhanced Capital Allowances for Energy-Saving Investments to enable businesses to claim 100 per cent first year allowances on their investments in designated energy-saving plant and machinery
- proposals for exemption from stamp duty for all transactions in property (new and second hand, commercial and residential) in the most disadvantaged areas of the UK.

The Chancellor also announced a package of measures to encourage the use of public transport and to green Britain's travel to work including

- a two-stage reform of authorised mileage rates from April 2001 to encourage the use of cleaner cars for business purposes and a range of measures to encourage the use of public transport and green travel plans
- an increase in the tax-free mileage rate employers can pay for cycle use for business trips to 20 pence per mile from April 2002
- a passenger rate of 5p per mile to encourage car sharing on business journeys
- an extension of the threshold for works buses qualifying for tax exemptions from 12 to nine passenger seats from April 2002, to assist and encourage employers in smaller companies to set up travel plans to help their employees to travel to work without using their cars
- a consultation to be held on whether to align the tax treatment of employees travelling on public buses which their employers subsidise, with those travelling on buses provided by employers.

### Targets

A number of environmental targets have been set for the Inland Revenue by Government and other external authorities, and we have also set ourselves some internal targets. From April 2001 our estate will transfer to the private sector (under a PFI project). The provider will be contractually required to work with us to improve our environmental performance, with particular attention being paid to utilities consumption and waste management. The following summarises our progress to date.

## Energy

- The IR has reduced its total energy usage by around 20% since 1991.
- We have established an energy database which records current usage of all utilities including gas, electricity, solid fuel, oil and water. This will be used to baseline consumption, after which we will be in a position to set new targets for reduction in the use of all utilities.

## Environmental Management Systems (EMS's)

- The Accounts Office at Cumbernauld received ISO 14001 accreditation (the international standard by which EMS's are measured) in June 2000, making the Inland Revenue one of the few government Departments to do so. An effective EMS requires an organisation to assess its environmental impacts and develop objectives, targets, and a programme to reduce or minimise those impacts.
- We are now working on ISO 14001 accreditation for up to six other major sites.

## Travel Plans (formerly Green Transport Plans)

- By the end of 2000 over 260 Inland Revenue sites will have travel plans in place, with individual site targets for reducing the environmental impact of travel to and from those sites.

## Cars

Financial incentives have been given to our company car drivers to make smaller Eco-friendly cars more attractive. Over the last three years a third of the fleet has downsized to under 1400cc. On the multi-user pool fleet, 75% of all replacement vehicles have been similarly downsized over same period. LPG vehicles are now run as part of both our company car and pool car fleets.

## Purchasing

- Over the past year we have raised the awareness of departmental buyers on green procurement issues.
- We intend to produce a green procurement plan in the coming year, which is expected to include working with our key suppliers to help improve their environmental performance, and introducing benchmarking and pilot schemes to increase the use of recycled materials and environmentally friendly consumables.

## Valuation Office Agency

The Valuation Office is an Executive Agency of the Inland Revenue. Its aims are to:

- take a leading role in modernising the property taxation system
- establish market leadership in property valuations where the public interest is involved

The primary objective of the Agency is:

- to provide impartial, best value solutions to the needs of its customers and clients right from the start.

To carry this objective forward the Agency will:

- follow the business values of:
  - commitment to continuous improvement and innovation
  - fairness and impartiality
  - being businesslike and customer focused
  - working in teams and partnerships
  - involving and trusting people
  - seeking excellence from diversity.

Total staff-years planned amount to 3,910 in 2000/1, 3,820 in 2001/02 and 3,720 in 2002/03.

## Valuation Office

## Future Plans in key areas

	2000/01 Results Provisional	2001/02 Targets Provisional
<b>Operational</b>		
To clear 80% of 1995 list rating appeals outstanding as at 31 March 2000 by 31 December 2000	Yes	N/A
To publish by 31 October 2000 the first rolling 2 year forward programmes clearance of 2000 list rating appeals	Yes	N/A
1995 rating list appeal work cleared (%)	N/A	90% <sup>1</sup>
2000 rating list appeal work cleared (%)	N/A	45% <sup>1</sup>
Council Tax appeal work cleared	55,700 <sup>2</sup>	45,700 <sup>2</sup>
Land Services work		
- to break even (income/costs)	N/A	Yes
- to achieve income	N/A	£13.5m
Inland Revenue work cleared	N/A	50,000 <sup>2</sup>
<b>Customer Service and Quality</b>		
To secure Charter Mark awards for (%) of our Groups	25%	50%
Valuation Accuracy (% settled within 10% of initial valuation)	90	90
Timeliness of casework	90	90
<b>Financial Performance and Cost Efficiency</b>		
Break even overall	Yes	Yes
Efficiency index (base = 1.00)	1.13	1.175

**Note**

<sup>1</sup> The percentage clearance target is measured against the numbers of appeals received by a specified date.

<sup>2</sup> The volumes expressed are maxima. The thrust of the target is to clear at least the number received which may vary from that anticipated.

Detailed planning information is contained in the Agency's Forward Plan, published in March 2000, but key targets for 2000/2001 are:

### **Operational**

#### **Rating**

To clear 80% of 1995 rating list appeals outstanding as at 31 March 2000 by 31 December 2000

To publish by 31 October 2000 the first rolling 2 year forward programmes for clearance of 2000 list rating appeals

#### **Council tax**

To clear by 31 March 2001 council tax appeals equal to the number received in the 12 months to 30 September 2000 within a maximum of 52,000 appeals in England and 3,700 in Wales

### **Customer service and quality**

To secure Charter Mark awards for 25% of our Groups by 31 March 2001

To achieve specified standards for

- (a) valuation accuracy and
- (b) timeliness

in 90% of cases

### **Finance and Cost Efficiency**

To break even overall after charging for the full cost of chargeable services including notional interest of 6% on the average working capital - measurement will be within a tolerance of the greater of 2% of relevant turnover or £1 million

To achieve an increase in our efficiency index to 1.13 (baseline 1.00)

# Annex 1

## Resource Expenditure Plans

Following the introduction of resource accounting and budgeting (RAB), there have been a number of changes to the tables in this year's departmental report. RAB provides a more accurate measure of departmental expenditure by matching costs to time, taking account of the full consumption and investment of arms-length bodies such as NDPBs and public corporations, and measuring the full cost of government activity, including non-cash expenditure such as depreciation, cost of capital charges, and provisions.

The aim of the tables is to provide a detailed analysis of departmental expenditure plans in resource terms, split between the various Request for Resources (RfR), showing: resource consumption and capital investment; Voted and non-Voted expenditure; and expenditure in three year Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

Following the decision to introducing resource budgeting in two stages, the major non-cash items - depreciation, cost of capital charges, and provisions - score in AME for the 2000 Spending Review years (2001-02 to 2003-04). Throughout the tables, non-cash expenditure in AME is distinguished from annually managed programme expenditure for the department. In Stage 2 resource budgeting, which is scheduled for the 2002 Spending Review, these items will score in DEL.

Because RAB data is at present available only from 1998-99, the scope of the resource tables is restricted to 1998-99 to 2003-04, the last year covered by the 2000 Spending Review. However, Table 10 sets out DEL in cash terms from 1995-96 to 2001-02, whilst Table 11 shows the cash to RAB reconciliation for DEL numbers for 1998-99 to 2000-01.

As in previous years, tables are included showing key information on administration costs and staff numbers. They may not add up due to rounding. The tables are:

- Table 1 - High level spending plans table
- Table 2 - Departmental Voted Cash Requirement
- Table 3 - Total Capital Employed by Department
- Table 4 - Consumption: Analysis of Resource Budget Spending Plans
- Table 5 - Investment: Analysis of Capital Budget Spending Plans
- Table 6 - Reconciliation of resource expenditure between accounts, Estimates and budgets
- Table 7 - Reconciliation of capital expenditure between accounts, Estimates and budgets
- Table 8 - Analysis of administration costs
- Table 9 - Staff numbers
- Table 10 - DEL and AME cash plans, 1995-96 to 2000-01
- Table 11 - Reconciliation of RAB and cash budgets, 1998-99 to 2000-01

### **Table 1 - High level spending plans**

This table sets out, in resource terms, a summary of expenditure from 1998-99 to 2003-04. The first part shows total expenditure in DEL and AME for the department, including the new non-cash AME items introduced by RAB. This is then split into resource and capital expenditure, the former showing what the department consumes in current spending and the latter showing planned investment expenditure. The "Total Resource Budget" and "Total Capital Budget" figures illustrate, in resource terms, total DEL and AME expenditure in the department's budget. This includes expenditure such as the consumption and investment of public corporations, which is outside the departmental accounting boundary and some of

which is not Voted by Parliament. "Programme spending in Resource AME" is used to distinguish annually managed programme expenditure from the non-cash items which score in AME under Stage 1 resource budgeting.

"Net operating costs" and "Capital expenditure in accounts" show the expenditure covered in the departmental resource accounts, while "Net total resources (Voted)" and "Net capital expenditure (Voted)" show the resources and capital expenditure voted by Parliament in Estimates. Reconciliations between the budgeting accounting and Parliamentary Estimates aggregates are shown in Tables 6 and 7 for resources and capital expenditure.

### **Table 2 - Departmental Voted Cash Requirement**

Under RAB, Parliament votes both a net resource requirement for departmental expenditure, reflecting the total Voted provision sought in resource terms, and the cash requirement needed to fund this commitment. The Voted net cash requirement represents the Parliamentary limit for the department in cash terms and the limit for the amount of cash which can be drawn down for use by the department in the year.

The Voted net cash requirement is calculated by removing non-cash costs from net operating costs, adjusting for accruals/cash differences such as timing, and then stripping out the part of the departmental cash requirement that is not Voted.

The net Voted cash requirement is shown from 1998-99 to the year for which the current Estimate has been submitted, 2001-02.

### **Table 3 - Total Capital Employed**

RAB gives a much clearer picture of the capital assets used by a department. This is used as the basis for calculating the cost of capital charges paid by departments to reflect the economic costs of holding the assets. Table 3 sets out Total Capital Employed by the department within the accounting boundary.

### **Table 4 - Consumption: Analysis of Resource Budget Spending Plans**

Table 4 gives a detailed breakdown of the resource or current spending plans from 1998-99 to 2003-04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions. Non-cash expenditure in AME is shown by category - depreciation, cost of capital charge, and changes in provisions and other charges.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector, Public Corporations, and support to local authorities.

### **Table 5 - Investment: Analysis of Capital Budget Spending Plans**

Table 5 gives a detailed breakdown of the investment or capital spending plans from 1998-99 to 2003-04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector, Public Corporations, and support to local authorities.

**Table 6 - Reconciliation of resource expenditure between accounts, Estimates and budgets**

This is a technical table showing the inter-relationship between the three totals for accounts, Estimates and budgets. The outturn against the total Voted by Parliament in the Estimates is shown first. The net operating cost figure in the accounts include items which are not part of the resource total voted by Parliament, such as non-Voted expenditure within the departmental accounting boundary, and receipts surrendered to the Consolidated Fund.

The budgeting total reflects the spending authority for the department within the Government's framework for expenditure control. This is an administrative limit imposed by the Government on the department and its sponsored bodies. So the resource budget outturn total includes a number of categories of expenditure which are not included in, or scored differently from, the totals recorded for Voted Estimates and departments' accounts.

The main adjustments from the net operating cost in the accounts to the outturn against resource budget total are:

- further adjustments for receipts surrendered to the Consolidated Fund, where these score differently in accounts and in budgets;
- the budget scores the full resource consumption of sponsored bodies (NDPBs and public corporations), whilst the Estimate scores only voted grants to those bodies;
- capital grants to local authorities and the private sector are Voted as current grants in Estimates. But for administrative control purposes, these score as capital in budgets. Similarly, gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime; and
- Departmental Unallocated Provisions (DUPs) are not Voted but appear in budgets, as the expenditure has not yet been assigned to a particular function.

**Table 7 - Reconciliation between capital expenditure in accounts, Estimates and budgets**

This table shows the inter-relationship between the three totals for capital expenditure.

The adjustments from the Voted Estimates totals to the capital expenditure in the accounts are broadly the same as they are on the resource side. The main adjustments from the capital expenditure in the accounts to the outturn against the capital budget are as follows:

- the capital budget scores the full capital expenditure of public corporations, including expenditure not funded by Vote;
- gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime
- unallocated capital provision in the DUP is not voted in Estimates but is included within the budgeting total.

**Tables 8 and 9**

These tables show analyses of, administration costs (formerly known as running costs) and staff numbers. These tables are largely unchanged from previous years.

**Table 10 - DEL and AME cash plans, 1995-96 to 2000-01**

For the purposes of allowing comparisons to be made with previous expenditure over a longer period, a table showing outturn in cash terms is included from 1995-96 to 2000-01. 2000-01 is the last year where outturn will be expressed in cash terms.

**Table 11 - Reconciliation of RAB and cash budgets, 1998-99 to 2000-01**

This table illustrates how the new resource based outturn figure have been derived from the previous cash numbers for both the resource and capital budgets, in both DEL and AME. The main types of adjustment from the cash to the resource based system are:

- timing adjustments, reflecting the fact that under RAB costs are scored when the economic activity takes place, not when it is paid for;
- classification switches from resource to capital, and vice-versa as a result of the new accounting and budgeting rules;
- the inclusion of capital charges on the department's civil estate in the resource DEL; and
- the inclusion of non-cash costs in AME.

**Table 1**  
**RESOURCE PLANS SUMMARY<sup>1</sup>**

	£ million					
	Outturn		Estimated	Plans		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total Spending in DEL	1991	2164	2314	2473	2640	2657
Total spending in AME	178	174	252	280	290	293
of which non-cash AME	146	144	220	248	259	262
<b>CONSUMPTION - THE RESOURCE BUDGET</b>						
Resource DEL	1882	2019	2261	2362	2510	2528
Resource AME	178	174	252	280	290	293
Of which						
Programme spending	32	30	32	31	31	31
Non-cash items in resource AME	146	144	220	248	259	262
<b>Total Resource Budget</b>	<b>2060</b>	<b>2192</b>	<b>2513</b>	<b>2642</b>	<b>2801</b>	<b>2820</b>
Adjustment to reach operating costs	30	72	-86	-169	-207	-200
<b>Net Operating Costs</b>	<b>2090</b>	<b>2265</b>	<b>2427</b>	<b>2473</b>	<b>2594</b>	<b>2620</b>
Adjustment to reach Voted total	26	42	4	4	7	7
<b>Net Total Resources (Voted)</b>	<b>2116</b>	<b>2307</b>	<b>2432</b>	<b>2477</b>	<b>2600</b>	<b>2627</b>
<b>INVESTMENT - THE CAPITAL BUDGET</b>						
Capital DEL	109	145	53	111	129	130
<b>Total Capital budget</b>	<b>109</b>	<b>145</b>	<b>53</b>	<b>111</b>	<b>129</b>	<b>130</b>
Adjustment to reach voted capital	-16	-54	-1	-8		-20
<b>Net capital expenditure (Voted)</b>	<b>93</b>	<b>91</b>	<b>52</b>	<b>110</b>	<b>121</b>	<b>109</b>

<sup>1</sup> This table summarises information in spending plans, accounts and Estimates across Inland Revenue. This information is presented in more detail in the following tables.

**Table 2**  
**DEPARTMENTAL VOTED CASH REQUIREMENT**

	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Current Expenditure (Voted)	2116	2307	2432	2477	2600	2627
Net Capital Expenditure (Voted)	93	91	52	110	121	109
less non-cash items	-160	-163	-233	-240	-251	-253
Adjust for movements in working capital	-1	22	39	50	50	50
Adjust for transfers from provision		3	1	2	2	2
Excess cash to be CFERed						
<b>Net Cash Required</b>	<b>2048</b>	<b>2260</b>	<b>2291</b>	<b>2398</b>	<b>2522</b>	<b>2535</b>

**Table 3**  
**TOTAL CAPITAL EMPLOYED BY THE DEPARTMENT**

	£ millions					
	1998-99	1999-00	2000-01	2001-02	2003-04	2004-05
<b>NET ASSETS/LIABILITIES</b>						
Within the departmental account	705	770	770	500	500	500

**Table 4**  
**CONSUMPTION - Analysis of Resource Budget Spending Plans**

	£ million					
	Outturn		Estimate	Plans		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>RESOURCE BUDGET</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
RfR1						
Administration	1794	1735	1935	2003	2116	2143
RfR2						
Administration	-9	-2	-9	-10	-10	-12
Non-voted expenditure <sup>1</sup>	98	286	335	369	404	397
<b>Total DEL</b>	<b>1882</b>	<b>2019</b>	<b>2261</b>	<b>2362</b>	<b>2510</b>	<b>2528</b>
<i>of which</i>						
Central Government Spending	1882	2019	2261	2362	2510	2528
<i>of which</i>						
Voted	1785	1733	1926	1994	2107	2131
Non-voted	98	286	335	369	404	397
<b>Annually Managed Expenditure (AME)</b>						
RfR1						
Administration	140	140	211	241	251	254
RfR2:						
Administration	5	7	10	9	10	10
RfR4						
Payment of Local Authority Rates	32	30	32	31	31	31
Non-voted expenditure						
Release of Provisions		-3	-1	-2	-2	-2
<b>Total AME</b>	<b>178</b>	<b>174</b>	<b>252</b>	<b>280</b>	<b>290</b>	<b>293</b>
<i>Of which</i>						
Central Government Spending	178	174	252	280	290	293
<i>Of which</i>						
Voted	178	177	253	281	292	295
Non-Voted		-3	-1	-2	-2	-2
<i>Of which non cash items in AME</i>						
<i>Of which</i>						
Changes in provisions		-3	-1	-2	-2	-2
Depreciation	115	120	175	194	204	207
Cost of capital charges	31	27	46	56	56	57

<sup>1</sup> Includes expenditure met from the NIF, payment of provisions and retained Departmental Unallocated Provision.

**Table 5**  
**INVESTMENT - Analysis of Capital Budget Spending Plans**

Capital Budget	£ million					
	Outturn		Estimated	Plans		
	1998-99	1999-00	Outturn	2001-02	2002-03	2003-04
			2000-01			
<b>Departmental Expenditure Limit (DEL)</b>						
RfR1						
Administration	85	87	43	103	111	97
<i>Shown in Estimates as Resource</i>						
<i>Expenditure outside DEL</i>						
Administration	16	53				
	100	140	43	103	111	97
RfR2						
Administration	8	4	9	7	10	13
<i>Shown in Estimates as Resource</i>						
<i>Expenditure outside DEL</i>						
Administration		1	1			
	8	5	10	8	10	13
Non-voted expenditure						
Unallocated retained capital provision					8	20
<b>Total DEL</b>	<b>109</b>	<b>145</b>	<b>53</b>	<b>111</b>	<b>129</b>	<b>130</b>
<i>of which</i>						
Central Government Spending	109	145	53	111	129	130
<i>of which</i>						
Voted	109	145	53	111	121	110
Non-voted					8	20

**Table 6**  
**RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATES,**  
**ACCOUNTS AND BUDGETS**

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	£millions	£millions	£millions	£millions	£millions	£millions
<b>Net Resource outturn (Estimates)</b>	<b>2116</b>	<b>2307</b>	<b>2432</b>	<b>2477</b>	<b>2600</b>	<b>2627</b>
<i>Adjustments for</i>						
Consolidated Fund extra Receipts in the OCS	-26	-42	-4	-4	-7	-7
<b>Net Operating Cost (Accounts)</b>	<b>2090</b>	<b>2265</b>	<b>2427</b>	<b>2473</b>	<b>2594</b>	<b>2620</b>
<i>Adjustments for</i>						
Gains/losses from sale of capital assets	-16	-54	-1			
Payments in lieu of tax relief	-141	-348	-257	-208	-208	-208
Voted expenditure outside the Budget	4	5	5	6	6	7
Unallocated resource provision				11	48	41
Other adjustments (expenditure met from the National Insurance Fund)	123	325	338	360	360	360
<b>Resource Budget Outturn (Budget)</b>	<b>2060</b>	<b>2192</b>	<b>2513</b>	<b>2642</b>	<b>2801</b>	<b>2820</b>
of which Departmental Expenditure Limits	1882	2019	2261	2362	2510	2528
of which Annually Managed Expenditure	178	174	252	280	290	293

**Table 7**  
**RECONCILIATION OF CAPITAL EXPENDITURE BETWEEN ESTIMATES AND BUDGETS**

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
Net Voted Capital Outturn (Estimates)	93	91	52	110	121	109
Gains/losses from sale of capital assets	16	54	1			
unallocated capital provision					8	20
Capital Budget outturn	109	145	53	111	129	130
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	109	145	53	111	129	130

**Table 8**  
**ADMINISTRATION COSTS**

	<b>Outturn</b>		<b>Estimate</b>	<b>Plans</b>		
	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
£ million						
<hr/>						
Gross Administration costs						
Paybill	1218	1433	1498			
Other	846	822	992			
Related receipts	-283	-561	-567	-594	-592	-593
<hr/>						
Net expenditure	1782	1694	1923	2002	2150	2167
<hr/>						
Gross Controlled administration costs limits				2410		
<hr/>						
Net Control area						
Valuation Office Agency						
Gross expenditure	149	153	152	152	148	145
net expenditure	-13	-8	-11	-12	-15	-17
<hr/>						
<b>Outside administration costs limits</b>						
administration related costs on fixed assets profit and loss in capital DEL	16	54	1			
<hr/>						
Non-cash administration costs in AME	146	144	220	248	259	262

**Table 9**  
**STAFF NUMBERS (STAFFYEARS)**

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Inland Revenue</b>	<b>outturn</b>	<b>outturn</b>	<b>outturn</b>	<b>forecast outturn</b>	<b>plans</b>	<b>plans</b>	<b>plans</b>
Permanent Staff	49,461	49,420	59,836	62,793	62,725	65,425	67,185
Overtime	1,597	1,831	1,594	1,224	918	780	728
Casuals	637	715	970	521	380	389	396
<b>Total</b>	<b>51,695</b>	<b>51,966</b>	<b>62,400</b>	<b>64,538</b>	<b>64,022</b>	<b>66,594</b>	<b>68,309</b>
<b>Valuation Office Agency</b>							
Permanent Staff	4,242	3,996	3,973	3,880	3,800	3,700	3,700
Overtime	10	15	13	10	10	10	10
Casuals	42	52	18	20	10	10	50
<b>Total</b>	<b>4,294</b>	<b>4,063</b>	<b>4,004</b>	<b>3,910</b>	<b>3,820</b>	<b>3,720</b>	<b>3,760</b>
<b>Total Inland Revenue</b>	<b>55,989</b>	<b>56,029</b>	<b>66,404</b>	<b>68,448</b>	<b>67,842</b>	<b>70,314</b>	<b>72,069</b>

Table 10

**DEPARTMENTAL EXPENDITURE LIMITS AND ANNUALLY MANAGED EXPENDITURE CASH PLANS 1995-96 TO 2000-01**

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	2000-01 Estimated
<b>DEPARTMENTAL EXPENDITURE LIMITS</b>						
Current Budget						
Inland Revenue	1541	1548	1570	1669	1806	1978
Valuation Office Agency	-10	-8	-6	-6	-5	-7
Non Voted expenditure	96	106	111	99	285	334
Capital Budget						
Inland Revenue	106	86	84	56	66	-67
Valuation Office Agency	10	8	6	6	5	7
<b>Total Spending in DEL</b>	<b>1743</b>	<b>1740</b>	<b>1765</b>	<b>1824</b>	<b>2157</b>	<b>2245</b>
<b>DEPARTMENTAL AME</b>						
Current Budget						
Payment of Local Authority rates	63	42	31	32	30	32
<b>Total departmental AME</b>	<b>63</b>	<b>42</b>	<b>31</b>	<b>32</b>	<b>30</b>	<b>32</b>

**Table 12**  
**DEPARTMENTAL EXPENDITURE LIMITS AND ANNUALLY MANAGED**  
**EXPENDITURE CASH TO RESOURCE RECONCILIATIONS 1998-99 TO 2000-01**

	£ million		
	1998-99 Outturn	1999-00 Outturn	2000-01 estimated
<b>DEL Current Budget - cash</b>	1762	2086	2305
Timing adjustments	-39	-12	-4
Switches from current to capital budget	-8	-40	-70
Switches from capital to resource budget			
Capital charges on the civil estate	21	23	21
Other adjustments			
Other budgeting changes	146	-38	9
<b>Resource Budget DEL</b>	1882	2019	2261
<b>DEL Capital budget - cash</b>	62	71	-60
Timing adjustments	39	34	43
Switches from current to capital budget	8	40	70
Switches from capital to resource budget			
Other budgeting changes			
<b>Capital budget DEL</b>	109	145	53
<b>Total DEL under cash</b>	<b>1824</b>	<b>2157</b>	<b>2245</b>
<b>Total DEL under RAB</b>	<b>1991</b>	<b>2164</b>	<b>2313</b>
<b>AME current budget - cash</b>	<b>32</b>	<b>30</b>	<b>32</b>
Timing adjustments			
Other adjustments	146	144	215
<b>Resource Budget Departmental AME</b>	<b>178</b>	<b>174</b>	<b>247</b>
<b>Non cash items in Resource AME</b>	<b>146</b>	<b>144</b>	<b>215</b>
<b>Total AME under cash</b>	<b>32</b>	<b>30</b>	<b>32</b>
<b>Total AME under RAB</b>	<b>178</b>	<b>174</b>	<b>247</b>

## Annex 2

# Main Estimate 2001-02

The Main Estimates for 2001-02 are being presented on a resource basis and are intended to anticipate as far as possible, the format of the Resource Accounts for 2001-02. The following are included in this annex:

1. Introduction
2. Part I
3. Part II
4. Part III
5. Forecast Operating Cost Statement
6. Forecast Cashflow Statement
7. Forecast reconciliation between net operating cost, net resource outturn and resource budget outturn
8. Statement of Accounting Officer responsibilities for the Estimate
9. Analysis of the appropriations in aid
10. Analysis of CFERs
11. Notes to the Estimate

## 1. Introduction

1. **RfR1** provides for the administration costs incurred by the Inland Revenue in the management and collection of the direct taxes and tax credits. It includes expenditure on managing the National Insurance Funds for Great Britain and Northern Ireland and on the collection of National Insurance contributions, for which reimbursement is received from the respective National Insurance Funds.
2. **RfR2** provides for the administration costs incurred by the Valuation Office in administering the beneficial portion of rates and providing or securing valuation and other services.
3. Details of the expenditure contained in Section A,B and C of these RfR's can be found in Table 4 of annex 1.
4. Details of the capital expenditure in these RfR's can be found in Table 5 of annex 1.
5. **RfR3** provides for the expenditure by the Inland Revenue on transitional payments to charities previously entitled to receive tax credits on dividends. Although payment of tax credits ceased after 5 April 1999, charities are entitled to claim special transitional payments over the five years from 1999-2000 to 2003-04 inclusive. Charities are also entitled, for the three years from 6 April 2000, to receive a 10% supplement on payroll giving donations and this expenditure will be met from this RfR.
6. Also included in this RfR is the public expenditure incurred in respect of contributions by non taxpayers to personal and stakeholder pension schemes and in granting life assurance premium relief and residual payments of mortgage interest relief, to those policy holders and borrowers who are not liable to united kingdom income tax.
7. Under the relevant legislation, qualifying policy holders and borrowers receive tax relief on their premium, or interest payments. The reliefs are given by allowing the payers to deduct a prescribed percentage from their life assurance premiums, or an amount equal to 10 per cent on mortgage interest payments. The Inland Revenue reimburse the insurers and lenders for the amounts so deducted. In so far as such payments are in substitution for tax reliefs, they are met out of tax receipts.
8. It is a feature of these schemes that payers who have incomes below the tax threshold will receive relief against income tax which they have not in fact paid. So, in part, will those with incomes only slightly above the threshold. In consequence, the Inland Revenue are paying over amounts to insurers and lenders which are not in substitution for tax relief and which they cannot meet from tax receipts. The reduction in tax receipts which would otherwise occur will be met from this RfR and the payments are classed as public expenditure.
9. The public expenditure on these reliefs and transitional payments is calculated statistically and is necessarily subject to a wide estimating error. The amounts of the RfR attributable to Charities relief and stakeholder pensions is about 66% and 22% respectively. The amounts for life assurance premium relief and payroll giving is about 7% and 3% respectively. The amount for late claims for mortgage interest relief is about 1% of the total RfR.
10. **RfR4** provides for payments of rates to local authorities and National Non-Domestic Pools in respect of premises occupied by foreign and Commonwealth governments for diplomatic purposes and premises occupied by certain international organisations. It also covers contributions in lieu of rates on properties occupied by the Crown in Gibraltar and other similar payments.

11. This RfR previously covered contributions in lieu of rates paid on government and other Crown buildings in the United Kingdom. With the abolition of Crown exemption from 1 April, 2000, government departments will pay rates direct to local authorities. Any residual payments of contributions in lieu of rates received after 31 March 2000 will be surrendered to the Consolidated Fund.

12. Symbols used in the Estimate are explained below:

- ★ A section of a Vote which contains discretionary expenditure.
  
- φ receipts which are classified as in Departmental Expenditure Limits and are surrendered to the Consolidated Fund as extra receipts rather than taken into the Vote as appropriations in aid.
  
- Extra receipts which are classified as 'other spending outside DEL' and are surrendered direct to the Consolidated Fund as extra receipts.

<b>2. Part I</b>	<b>£</b>
<b>RfR1: enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue</b>	2,237,756,000
<b>RfR2: growing a contribution to the good management of property where the public interest is involved</b>	1,000
<b>RfR3: Providing payments in lieu of tax relief to certain bodies</b>	208,000,000
<b>RfR4: Making payment of rates to Local Authorities on behalf of certain bodies</b>	31,210,000
Total net resource requirement	2,476,967,000
<b>Net cash requirement</b>	<b>2,398,476,000</b>

Amounts required in the year ending 31st March 2002 for expenditure by the Inland Revenue Department on:

**RfR1: enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue**

administration and the associated non cash items incurred in the management and collection of the direct taxes, tax credits and national insurance contributions, administration of the National Insurance Funds for Great Britain and Northern Ireland, for services provided to the Department's information technology and wider markets' partners, for other departments and public bodies, and for overseas tax administrations.

**RfR2: growing a contribution to the good management of property where the public interest is involved**

administration and the associated non cash items incurred in the provision of valuation and other services for government departments and other public bodies by the Valuation Office Agency.

**RfR3: Providing payments in lieu of tax relief to certain bodies**

transitional payments to charities, supplements on payroll giving, donations to charities and on personal and stakeholder pension schemes, life assurance premium relief, mortgage interest relief and stamp duty relief.

**RfR4: Making payment of rates to Local Authorities on behalf of certain bodies**

rates paid by the Inland Revenue Department in respect of non domestic property occupied by accredited representatives of Commonwealth and foreign countries and certain international organisations, contributions in lieu of rates in respect of properties occupied by Visiting Forces; the Crown in Gibraltar and other similar payments.

The **Inland Revenue Department** will account for this Estimate

	Net total £	Allocated in Vote on account £	Balance to Complete £
RfR1	2,237,756,000	1,007,015,000	1,230,741,000
RfR2	1,000	0	1,000
RfR3	208,000,000	93,600,000	114,400,000
RfR4	31,210,000	14,045,000	17,165,000
Total net resource requirement	2,476,967,000	1,114,660,000	1,362,307,000
Net cash requirement	2,398,476,000	1,073,972,000	1,324,504,000

## 3. Part II

Inland Revenue						2001-02 £'000			
Resources .....						Capital .....	2000-01 provision	1999-2000 Outturn	
Admin	Other current	Grants	Gross total	AinA	Net total	Capital	Non -op AinA	Net total resources	Net total resources
<b>RfR1: enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue</b>									
2,673,799	-6,235	0	2,667,564	429,808	2,237,756	104,249	1,059	2,140,526	1,923,754
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS <i>Central government's spending</i>									
★ A: Administration									
2,433,026			2,433,026	429,808	2,003,218	104,249	1,059	1,934,684	1,735,279
SPENDING IN ANNUALLY MANAGED EXPENDITURE <i>Non-cash items</i>									
★ B: Administration									
240,773			240,773		240,773			211,182	140,040
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS									
★ C: Administration									
0	-6,235		-6,235		-6,235			-5,340	48,435
<b>RfR2: Growing a contribution to the good management of property where the public interest is involved</b>									
160,248	-163	0	160,085	160,084	1	7,797	500	1,597	5,130
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS <i>Central government's spending</i>									
★ A: Administration									
150,461			150,461	160,084	-9,623	7,797	500	-8,562	-2,380
SPENDING IN ANNUALLY MANAGED EXPENDITURE <i>Non-cash items</i>									
★ B: Administration									
9,297			9,297		9,297			9,796	6,688
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS									
★ C: Administration									
490	-163		327		327			363	822

Inland Revenue						2001-02 £'000		2000-01 provision	1999-2000 Outturn
Resources .....						Capital .....			
Admin	current	Other Grants	Gross total	AinA	Net total	Capital	Non -op AinA	Net total resources	Net total resources
<b>RfR3: Providing payments in lieu of tax relief to certain bodies</b>									
0	0	208,000	208,000	0	208,000	0	0	257,000	348,222
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS									
A: Payments in lieu of tax relief									
	-	208,000	208,000		208,000			257,000	348,222
<b>RfR4: Making payments of rates to Local Authorities on behalf of certain bodies</b>									
0	34,920	0	34,920	3,710	31,210			32,400	30,000
SPENDING IN ANNUALLY MANAGED EXPENDITURE									
<i>Central government spending</i>									
A: Payments of Local Authority rates									
	34,920		34,920	3,710	31,210			32,400	30,000
<b>2,834,047</b>	<b>28,522</b>	<b>208,000</b>	<b>3,070,569</b>	<b>593,602</b>	<b>2,476,967</b>	<b>112,046</b>	<b>1,559</b>	<b>2,431,523</b>	<b>2,307,106</b>
<b>Accruals to cash adjustments</b>						<b>-188,978</b>			
<b>NET CASH REQUIRED</b>						<b>2,398,476</b>			

		<b>2001-02</b>
		<b>£'000</b>
<b>Resource to cash reconciliation</b>		
<b>Net Total Resources</b>		<b>2,476,967</b>
<b>Voted Capital items:</b>		
Capital	112,046	
Less non Operating AinA	1,559	
	<hr/>	
		<b>110,487</b>
<b>Accruals to cash adjustment</b>		
Cost of capital charges	-45,526	
depreciation	-194,368	
other non cash items	-390	
increase (+)/ decrease (-) in stock	-500	
increase (+)/ decrease (-) in debtors	-500	
increase (-)/ decrease (+) in creditors	50,656	
increase (-)/ decrease (+) in provision	1,650	
excess cash to be CFERd	<hr/>	
		<b>-188,978</b>
<b>Net cash required</b>		<b>2,398,476</b>

## 4. Part III

### Part III: Extra receipts payable to the Consolidated Fund

(£'000)

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts shown in italics):-

	2001-02		2000-01		1999-00	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
φ Operating income not classified as AinA	3,816	<i>3,816</i>	4,324	<i>4,324</i>	42,244	<i>42,244</i>
φ Non Operating income not classified as AinA						
● Other income not classified as AinA	40,000	<i>40,000</i>	40,010	<i>40,010</i>	47,554	<i>47,554</i>
	<b>43,816</b>	<b><i>43,816</i></b>	<b>44,334</b>	<b><i>44,334</i></b>	<b>89,798</b>	<b><i>89,798</i></b>

## 5. FORECAST OPERATING COST STATEMENT-MAIN ESTIMATE

INLAND REVENUE	Provision 2001-02		Provision 2000-01		Outturn 1999-2000	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administration Costs</b>						
<b>Request for Resources 1</b>						
Staff costs	1,386,824		1,397,323		1,326,745	
Other Administration costs	1,286,975		1,151,838		968,004	
Gross Administration Costs		2,673,799		2,549,161		2,294,749
<b>Request for Resources 2</b>						
Staff costs	105,896		99,518		103,170	
Other Administration costs	54,352		61,713		54,132	
Gross Administration Costs		160,248		161,231		157,302
Total Gross Administration Costs		2,834,047		2,710,392		2,452,051
Operating income		-593,708		-567,116		-560,810
Net Administration costs		2,240,339		2,143,276		1,891,241
<b>Programme Costs</b>						
<b><u>Voted Expenditure</u></b>						
<b>Request for Resources 1</b>						
Expenditure	-6,235		-5,340		-4,479	
Income						
		-6,235		-5,340		-4,479
<b>Request for Resources 2</b>						
Expenditure	-163		-137		-122	
Income						
		-163		-137		-122
<b>Request for Resources 3</b>						
Expenditure	208,000		257,000		348,222	
Income						
		208,000		257,000		348,222
<b>Request for Resources 4</b>						
Expenditure	34,920		36,300		446,930	
Income	-3,710		-3,900		-416,930	
		31,210		32,400		30,000
Total Net Programme Costs		232,812		283,923		373,621
NET OPERATING COST		2,473,151		2,427,199		2,264,862
NET RESOURCE OUTTURN		2,476,967		2,431,523		2,307,106
RESOURCE BUDGET OUTTURN		2,642,028		2,512,836		2,192,463

## 6. Forecast Cash Flow Statement

For the Year Ended 31 March 2001

	2001-02 Provision £'000	2000-01 Provision £'000	1999-00 outturn £'000
Net Cash outflow from operating activities (Note i)	-2,230,027	-2,190,730	-2,039,239
Capital expenditure and financial investment (Note ii)	-164,633	-95,779	-178,929
Receipts due to the Consolidated Fund which are outside the scope of the department's operations	40,000	40,010	47,554
Payments of amounts due to the Consolidated Fund	-43,816	-44,334	-89,798
Financing (Note iii)	2,398,476	2,290,833	2,260,412
Increase (+) /decrease (-) in cash in the period	0	0	0

[Inflows = + / Outflows = -]

### Notes to the cash flow statement

#### Note i: Reconciliation of operating cost to operating cash flows

Net Operating cost	2,473,151	2,427,199	2,264,862
Remove non-cash transactions	-240,774	-233,870	-216,778
Adjust for movements in working capital other than cash	-4,000	-4,000	-12,039
Use of provisions	1,650	1,401	3,194
Net Cash outflow from operating activities	2,230,027	2,190,730	2,039,239

[Net outflow = +]

**Note ii: Analysis of capital expenditure and financial investment**

Purchase of fixed assets	112,046	209,005	125,027
Proceeds from disposal of fixed assets	-1,069	-156,059	19,918
Adjust for movements in working capital on capital expenditure and financial investment	53,656	42,833	33,984
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>164,633</b>	<b>95,779</b>	<b>178,929</b>

[Net outflow = +]

**Note iii: Analysis of Financing and Cash requirement**

From Consolidated Fund (Supply): current year expenditure	2,398,476	2,290,833	2,260,412
<b>Net Financing</b>	<b>2,398,476</b>	<b>2,290,833</b>	<b>2,260,412</b>
Increase (-) / decrease (+) in cash			
<b>Net cash flows other than financing (net outflow = +)</b>	<b>2,398,476</b>	<b>2,290,833</b>	<b>2,260,412</b>
<b>Net cash requirement</b>	<b>2,398,476</b>	<b>2,290,833</b>	<b>2,260,412</b>

## 7. FORECAST RECONCILIATION OF NET RESOURCE OUTTURN TO NET OPERATING COST TO RESOURCE BUDGET OUTTURN

### MAIN ESTIMATE

for the year ended 31 March 01

	2001-02 £000	2000-01 £000	1999-00 £000
<b>Net Resource Outturn</b>	<b>2,476,967</b>	<b>2,431,523</b>	<b>2,307,106</b>
add Consolidated Fund Extra Receipts in the OCS	-3,816	-4,324	-42,244
<b>Net Operating Costs</b>	<b>2,473,151</b>	<b>2,427,199</b>	<b>2,264,862</b>
Reverse the deduction of gains and deduct the losses incurred on disposal of assets	-490	-500	-53,858
less payments made in lieu of tax relief.	-208,000	-257,000	-348,222
Voted expenditure outside the budget	6,398	5,477	4,601
Departmental unallocated provision	10,500	0	0
Expenditure met from the National Insurance Fund	360,469	337,660	325,080
<b>Resource Budget Outturn</b>	<b>2,642,028</b>	<b>2,512,836</b>	<b>2,192,463</b>
of which			
Departmental Expenditure Limit	2,362,398	2,260,859	2,018,929
Annually Managed Expenditure	279,630	251,977	173,534

## 8. Statement of Accounting Officer Responsibilities

The Treasury has appointed the Chairman of the Board of Inland Revenue as Principal Accounting Officer for the Department with overall responsibility for preparing the Department's Estimate.

In addition the Treasury has appointed an additional Accounting Officer to be accountable for that part of the Department's accounts relating to specified requests for resources for the Valuation Office Agency and the associated assets, liabilities and cash flows. This appointment does not detract from the Chairman's overall responsibility as Accounting Officer for the Department's Estimate and overall net cash requirement.

The allocation of Accounting Officer responsibilities in the Inland Revenue is as follows:

Requests for Resources 1 and 3: Mr Nick Montagu, Principal Accounting Officer and Chairman of the Board of Inland Revenue.

Request for Resources 2 and 4: Mr Michael Johns, Additional Accounting Officer and Chief Executive of the Valuation Office Agency.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting. Under the terms of the Accounting Officers' Memorandum the relationship between the Inland Revenue's Principal and Additional Accounting Officers, together with their respective responsibilities, is set out in writing.

## 9. ANALYSIS OF APPROPRIATIONS IN AID

Detail	£'000s					
	2001-02 provision		2000-01 provision		1999-00 outturn	
	Operating AinA	Non-op AinA	Operating AinA	Non-op AinA	Operating AinA	Non-op AinA
<b>RfR1: enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue</b>						
recovery of costs of collecting NICs	374,631		348,433		311,696	
receipts from sale of assets		1,059		156,059		32,477
receipts from certain tax penalties	10,000		12,000		12,000	
Rent from private tenants and other government departments	5,440		8,077		5,440	
receipts from VOA, other government departments and other bodies	27,921		23,800		33,217	
other receipts	11,816		10,985		4,163	
<b>RfR2: growing a contribution to the good management of property where the public interest is involved</b>						
recovery of costs of rating and valuation services	160,084		159,497		152,050	
receipts from sale of assets		500		500		1,463
<b>RfR4: Making payment of rates to Local Authorities on behalf of certain bodies</b>						
Repayments by departments and other occupiers of Crown property in the UK and Gibraltar	2,600		2,600		416,930	
Repayments by commonwealth and foreign countries and international organisations	1,110		1,300			
<b>Total</b>	<b>593,602</b>	<b>1,559</b>	<b>566,692</b>	<b>156,559</b>	<b>935,496</b>	<b>33,940</b>

Amount that may be applied as appropriations in aid in addition to the net total arising from law costs recovered; recoveries of overpayments in prior years; excess cash receipts; subsidies for New Deal jobseekers employed; recovery of costs of seconded staff; receipts from sale of publications; receipts for services provided to the Valuation Office Agency, government departments and other bodies; receipts from the use of certain official cars; recovery of the costs of administering the National Insurance Funds and collection of National Insurance contributions; rent receipts from other government departments and private tenants; receipts from certain tax penalties; other administration costs receipts; recovery of costs of valuation and other services; payment of rates by accredited Commonwealth and foreign countries and certain international organisations; refunds from local authorities; payments of contributions in lieu of rates by Visiting Forces and Ministry of Defence property in Gibraltar.

Amount that may be applied as non operating appropriations in aid arising from the recovery of income from the sale of assets.

## 10. CONSOLIDATED FUND EXTRA RECEIPTS (CFERS)

Detail	£'000s					
	2001-02		2000-01		1999-00	
	Income	Receipts	Income	Receipts	Income	Receipts
Receipts from tax penalties	40,000	40,000	40,000	40,000	47,500	47,500
Surplus receipts of classes authorised to be applied as appropriations in aid	3,816	3,816	4,324	4,324	42,244	42,244
Interest under Section 24(1) of the Crown Proceedings Act 1947	0	0	0	0	20	20
Community Charge receipts	0	0	10	10	34	34
<b>TOTAL</b>	<b>43,816</b>	<b>43,816</b>	<b>44,334</b>	<b>44,334</b>	<b>89,798</b>	<b>89,798</b>

*In addition to appropriations in aid the following income and receipts relate to the department and is payable to the Consolidated Fund:*

## 11. Notes to the Main Estimate

1. The Departmental Expenditure Limit for 2001-02 is £2,473,375,000 and the Administration cost limit is £2,410,165,000.

2. The Net resources sought for 2001-02 is 2% higher than the final net resources for 2000-01 of £2,427 million and 3% higher than the forecast net resource outturn for that year of, £2,402million.

## Annex 3

### Publicity Campaigns

#### **Payroll Giving**

This campaign aims to increase donations to charities through Payroll Giving, to boost the number of employees with access to a scheme and to promote the Government's 10 per cent top up.

Activities have included a launch event, advertising in national, regional and trade publications, a mailshot to employers, a campaign helpline for further information and a mailing to 500 charities.

#### **Tax and Benefits Confidential Helpline**

One of the recommendations of Lord Grabiner's report on the informal economy was to establish a confidential helpline to encourage cash-in-hand workers to check out their position regarding non-payment of tax and improper receipt of benefits. The June to September 2000 campaign comprised alternative advertising (washroom posters, bus tickets and phone-boxes), and mainstream radio and press advertising concentrated in eight major conurbations throughout the UK. The advertising was intentionally tongue-in-cheek to emphasise the approachable, open nature of the helpline.

#### **Helpline and guide for the newly self-employed**

Responding to another of Lord Grabiner's recommendations, the guide has been developed to explain the basics of tax and NICs to the newly self-employed, and to encourage good book-keeping. Its main objective is to prevent small businesses from drifting into bad practice from the start. An advertising campaign starting in January promoted a special registration helpline aimed at this target audience.

#### **Children's Tax Credit**

The first phase of this campaign sought to raise awareness and consisted of national press, women's magazines and radio. It invited the target audience (parents with children under 16 and earning up to £41,000) to look out for their application form in the post or contact a helpline for further advice. The second phase used similar media but with a new message inviting people who hadn't already claimed or received a pack, to call the Orderline. Posters were also produced for Tax Offices. The third phase reminded people that claims had to be made by the end of February 2001 to allow time for revised coding notices to be operative for the start of the new tax year. This included TV advertising to maximise the impact and coverage of the reminder message.

#### **Internet service for PAYE**

The Internet Service for PAYE campaign runs from late February to early April 2001 encouraging employers to send in their PAYE end of year returns over the Internet, and to make payments electronically. The campaign aimed to raise awareness of the system and encourage people to register. National, regional and business press, trade magazines, radio and the Internet were used to spread the message.

#### **Internet service for Self Assessment**

Self Assessment Internet filing advertising began in April 2000. TV, press and on-line media were used to promote the service and publicise deadlines. On-line media and press continued into January 2001. Regular Self Assessment advertising ran in September 2000 and January 2001, targeting late payers and those who had not yet completed their return. The January campaign culminated in the retirement of Hector, who had been the centre of Self Assessment campaign since its launch in 1995.

**Working Families' Tax Credit**

The second phase of Working Families' Tax Credit (WFTC) advertising began in April 2000. Some of the original TV advertisements were used, along with national press and magazines. We continued to use posters and alternative media in Post Offices, Jobcentres, CABx and other agencies. People were invited to call the freephone response line to check eligibility and request an application pack. The third phase, coinciding with the anniversary of the original launch, ran from October 2000 to February 2001. The primary aim was to encourage further take up of those who qualify but have not yet applied, while continuing to raise awareness. A new, 60-second TV advertisement began this phase, using 'real' WFTC recipients and combining their testimonials with actors. For the first time, radio was used, with three separate commercials featuring children. National and regional press, posters, 'bounty' packs and 'situational' media and a continuing presence in post offices and Jobcentres, helped to reach potential applicants and prompt them into calling the response line.

## Annex 4

### Analysis of Senior Civil Service Staff by Pay (as at 1/4/2000)

	IR	VOA
Below £40000	0	0
£40000 - £44999	0	0
£45000 - £49999	0	0
£50000 - £54999	4	0
£55000 - £59999	51	1
£60000 - £64999	86	5
£65000 - £69999	47	2
£70000 - £74999	28	2
£75000 - £79999	16	0
£80000 - £84999	7	0
£85000 - £89999	4	0
£90000 - £94999	2	1
£95000 - £99999	0	0
£100000 - £104999	1	0
£105000 - £109999	2	0
£110000 - £114999	0	0
£115000 - £119999	0	0
£120000 - £124999	1	0
<b>TOTAL</b>	<b>249</b>	<b>11</b>

## Annex 5

### Committee of Public Accounts (PAC) Recommendations

The PAC has published three reports on the Inland Revenue in the past 12 months.

#### 19TH REPORT 1999-2000: THE CONTRIBUTIONS AGENCY: THE NEWCASTLE ESTATE DEVELOPMENT PROJECT

##### **PAC Recommendations**

- measure efficiency improvements resulting from e.g. reductions in absenteeism, improved internal communications
- appraise more comprehensively the value for money of plans to obtain additional space.

##### **IR Action**

- will put in place the means to measure efficiency improvements
- if additional space is needed, the Department will follow best practice in determining and selecting the best value for money option.

#### 28TH REPORT 1999-2000: INLAND REVENUE/EDS STRATEGIC PARTNERSHIP: THE AWARD OF THE NEW WORK

##### **PAC Recommendations**

- need to factor into risk management the risks associated with rapid application development (RAD)
- extend benchmarking to cover more of the contract costs
- ensure proposals for new systems/changes to IT infrastructure do not unduly limit future choice of strategic partner.

##### **IR Action**

- have put in place controls which ensure RAD proposals are properly scrutinised and in a way which maintains objectivity and cost controls
- have undertaken more benchmarking and are working with independent IT experts to assess EDS competitiveness in software development
- where possible use industry standard products/technologies.

#### 31ST REPORT: NATIONAL INSURANCE FUND 1998-1999 (AND WIDER ISSUES OF FRAUD AND ERROR IN BENEFITS PAID BY DSS)

##### **PAC Recommendations**

- note progress made in implementing NIRS2 system, but concerned that “steady-state” will not be achieved until April 2001
- acknowledges more robust management systems are in place to pursue outstanding NICs debt, but need to monitor progress
- need to look at balance of benefits and risks underpinning decisions on Intellectual Property Rights.

**IR Action**

- all releases of functionality since October 1999 have gone in without major problems and are working well. The system is already stable with all key functionality available. Progress continues to be made in business recovery following delays caused by earlier problems.
- able to report improvements to tracing “no contact” debtors - reducing backlog from 100,000 to under 10,000 cases; have introduced streamlined decision and appeal procedures, leading to quicker resolution of disputes.
- office of Government Commerce will be providing revised recommendations for the future treatment of Intellectual Property Rights.

## Annex 6

# Publications and further information

The Inland Revenue publishes a range of explanatory pamphlets about the taxes for which it is responsible. Copies of explanatory pamphlets can be obtained (free of charge) either in person or by post from the Inland Revenue Visitors Information Centre, Ground Floor, South West Wing, Bush House, Strand, London WC2B 4RD.

For further information about the Inland Revenue visit its website at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk).

Publications include the Inland Revenue Annual Report and Valuation Office Annual Report available from the Stationery Office.

### Contact about this Report

Sam Pang, Strategy & Planning 020 7438 7246, email [Sam.Pang@ir.gsi.gov.uk](mailto:Sam.Pang@ir.gsi.gov.uk)



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