



HM Revenue
& Customs

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Mid-Year Report to Parliament

April to September 2013

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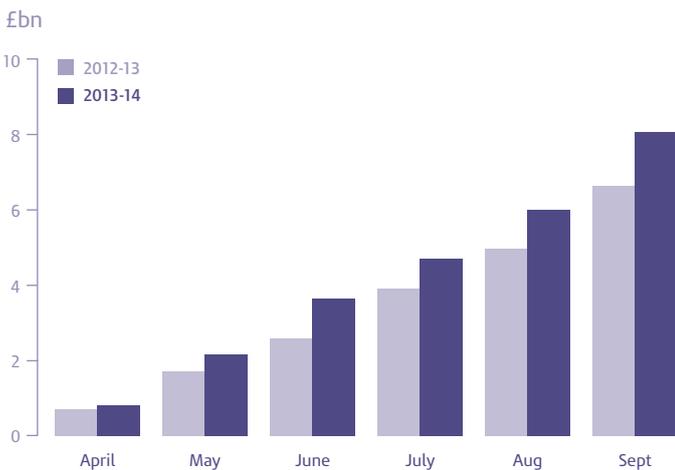
Executive summary

HMRC plays a vital role in Government, helping to reduce the budget deficit by collecting taxes to fund the UK's public services. This Mid-Year Report, covering the first half of 2013-14, shows we are delivering record revenues, while making sustainable cost reductions. We have also delivered major changes to the way we operate, such as using 'real time' ways of working for PAYE, which supports the move to Universal Credit by the Department for Work and Pensions.

Performance

Revenues

We collected tax revenues of £237 billion in cash terms, which is £11 billion more than at the same point last year. Provisional estimates show we collected more than £8.8 billion in additional revenues from compliance activity during the same period – our best-ever performance at this point in the year.

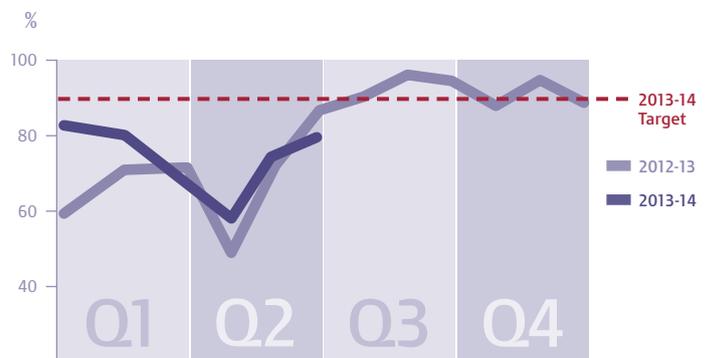


Additional revenues brought in through compliance work

Call handling

We handled 72.7 per cent of all call attempts. This is an improvement on the same period last year, but below our 90 per cent target. We did not meet our target because of a number of factors, including high caller demand in the first half of the year due to the introduction of real-time ways of working (Real Time Information, or RTI) and a very busy final week leading up to the tax credits renewal deadline on 31 July. There were also technology-related issues, and we had to move more staff to our employer helpline to support the introduction of RTI.

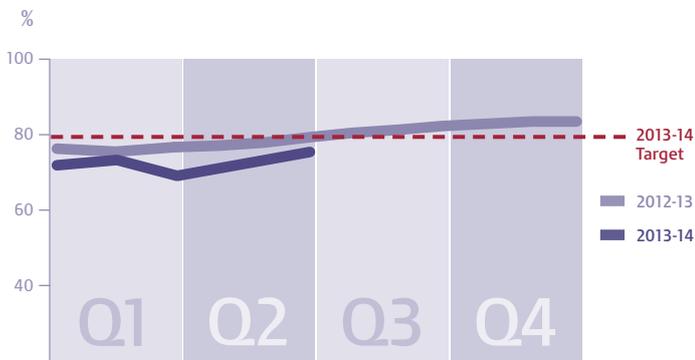
We had planned to introduce new, automated speech features on our most popular phone lines during this period, allowing us to answer more calls. We took the decision to delay these changes until later in the year, while we fine-tuned the new service ahead of a wider roll out, which began in November. We are also moving to an increasingly flexible way of operating, where work can be moved between teams according to priority and customer demand.



Call attempts handled

Post

We cleared 77 per cent of post within 15 working days, which is below our 80 per cent target, but improved from the first quarter result of 70 per cent. Post-handling performance has been affected by a number of factors in the busy early part of the year, including the deployment of teams from post to phone lines during peak periods of customer demand. More of our operational teams are being trained to deal flexibly with customer enquiries in whatever form they come to us – whether by phone call, a letter or work generated by our IT system. We expect performance in this area to continue improving throughout 2013-14.



Post handled in 15 working days - year-to-date

Tax credits and Child Benefit claims

We cleared UK tax credits and Child Benefit claims and changes of circumstance in an average of 15.6 days – well within our target of 22 days. Over the same period, international claims and changes of circumstance were cleared in an average of 87.8 days, ahead of the 92-day target.

Finance

The finance section reflects our dual role in contributing to deficit reduction – reducing expenditure by becoming more efficient, while also collecting additional revenues as outlined in the performance section.

Major projects

During the period covered by this report, we introduced RTI, the biggest change to PAYE since the system was designed 70 years ago. RTI brings PAYE up to date with today's employment patterns, where people change jobs more frequently than in the past and can have more than one job or pension.

Almost 1.6 million PAYE schemes with employees (more than 92.6 per cent) have started reporting in real time. We have now aligned more than 47.5 million individual live PAYE records (more than 99 per cent), making sure that the employee record is matched with the correct employer scheme.

Further information on our major projects is available here – <https://engage.cabinetoffice.gov.uk/major-projects-authority/>

People

HMRC is one of the biggest government departments, with almost 63,000 full-time equivalent (FTE) staff across 400 offices, reduced from more than 600 in 2009-10. We are working rapidly to transform how we deliver services to our customers, following the 2013 Spending Review, which committed HMRC to making a further five per cent reduction to our budget, while bringing in an extra £1 billion in compliance revenue in 2015-16. This means that we are transforming HMRC's size and shape, how we work and how we are organised. The HMRC of the future will be smaller and more highly professional, with fewer people working across a smaller number of locations. Table 3.1 shows that we have fewer staff at administrative grades, and more staff at higher and senior officer grades. This is a result of automating more routine tasks and moving staff onto more complex work in tax compliance roles.

1 - Performance

Table 1.1

Maximising revenue collection		
	Q1+Q2 2013-14	Q1+Q2 2012-13
Cash collected from compliance	£3.5bn	£3.1bn
Revenue protected	£5.4bn	£3.7bn
Total additional revenue raised	£8.9bn	£6.8bn
	2012-13	2011-12
Debt roll rate – proportion of tax debt (CT, SA, Employers' PAYE) by value cleared within 90 calendar days	96.8%	95.4%
Payment on time – proportion of businesses and individuals who pay tax on time – using VAT as lead indicator	86.9%	83.2%
	2011-12	2010-11
Tax gap – difference between all the tax theoretically due and actually collected	£35bn (7%)	£34bn (7.1%)
Personal tax credits error and fraud – amount of tax credits money claimed by people who are not entitled to it	£2.1bn (7.3%)	£2.3bn (8.1%)

Table 1.2

Stabilising and improving customer service		
	Q1+Q2 2013-14	Q1+Q2 2012-13
% of post cleared within 15 working days of receipt	77%	79.5%
% of post cleared within 40 working days of receipt	96%	96.7%
% of post cleared within 15 working days of receipt passing HMRC quality standards	90.9%	91.8%
% of post cleared within 40 working days of receipt passing HMRC quality standards	91%	91.6%
% of call attempts handled by our Contact Centres	72.7%	65.5%
% of return transactions carried out online (12 months to quarter-end e>Returns, SA, PAYE, VAT, CT and Stamp Duty Land Tax)	94.1%	91.6%
	Q2 2013-14	Q2 2012-13
* The increase/decrease (-) in cost for customers dealing with us (since April 2011)	+£14.6m	+£27.3m
* The increase/decrease (-) in cost for business customers dealing with us (since April 2011)	+£43.59m	+£35.53m
Customers find us straightforward to deal with – all customers rolling annual score out of 100 (margin for error in brackets)	73.4 (± 2.6)	72.9 (±2.5)

* The net increase to customer costs since April 2011 arises mainly from key policy measures announced by the Government at the Budget and Autumn Statement. For example, Restrictions to Pensions Tax Relief (£80 million cost increase) and the Bank Levy (£20 million cost increase) have increased customer costs, but directly support measures to reduce the budget deficit. The Patent Box (£26 million cost increase) tax relief is a measure that has been welcomed by business and contributes to economic growth.

Table 1.3

Creating sustainable cost reductions		
Unit costs (pence per £ collected/paid out)	12 months to end	
	Q2 2013-14	Q2 2012-13
Collecting income tax (Self Assessment and Pay As You Earn)	0.96	1.04
Collecting Corporation Tax	0.78	0.78
Collecting National Insurance Contributions	0.26	0.27
Collecting VAT	0.64	0.59
Administering personal tax credits	1.38	1.44
Administering Child Benefit	0.56	0.57

We regularly publish more detailed information on our performance on our website – www.gov.uk/government/publications/business-plan-indicators

2 - Finance

Table 2.1

£,000s	2013-14			2012-13		
	FY budget (main estimate)	Actual spend Apr-Sept	% spend to budget	FY budget (main estimate)	Actual spend Apr-Sept	% spend to budget
DEL Voted	3,396,571	1,629,317	47.97%	3,357,983	1,602,958	47.74%
DEL Non Voted	313,613	152,028	48.48%	332,949	162,701	48.87%
Total Resource DEL	3,710,184	1,781,345	48.01%	3,690,932	1,765,659	47.84%
AME Voted	11,966,224	5,798,159	48.45%	12,392,097	6,221,340	50.20%
AME Non Voted	31,687,984	16,000,429	50.49%	31,116,008	15,689,852	50.42%
Total Resource AME	43,654,208	21,798,588	49.93%	43,508,105	21,911,192	50.36%
DEL Capital	185,570	92,259	49.72%	203,939	101,999	50.01%
AME Capital	2,000	117	5.85%	5,500	491	8.93%
Total Capital	187,570	92,376	49.25%	209,439	102,490	48.94%
Total DEL, AME and Capital	47,551,962	23,672,309	49.78%	47,408,476	23,779,341	50.16%

Changes in the Supplementary Estimate

We plan to request a budget cover switch from Resource DEL to Capital DEL to meet our capital investment plans.

Trend analysis by graphs

Chart 2.1 Total RDEL expenditure 2010-11 to 2015-16

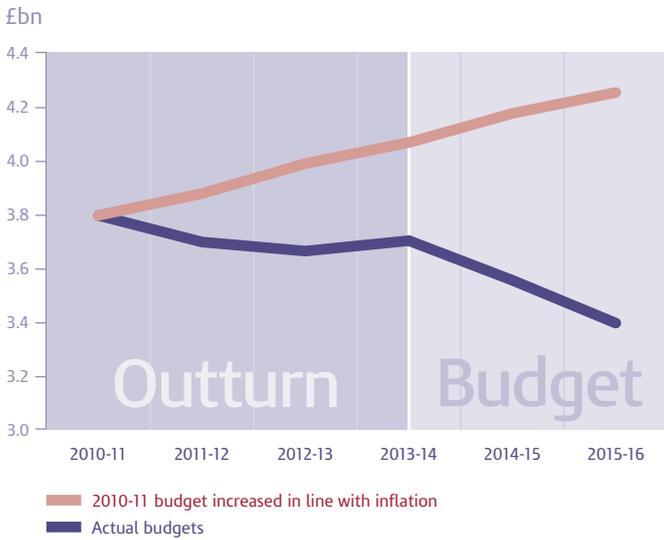


Chart 2.3 Total AME expenditure 2007-08 to 2012-13



Chart 2.2 Analysis of Resource DEL by expenditure type 2007-08 to 2012-13

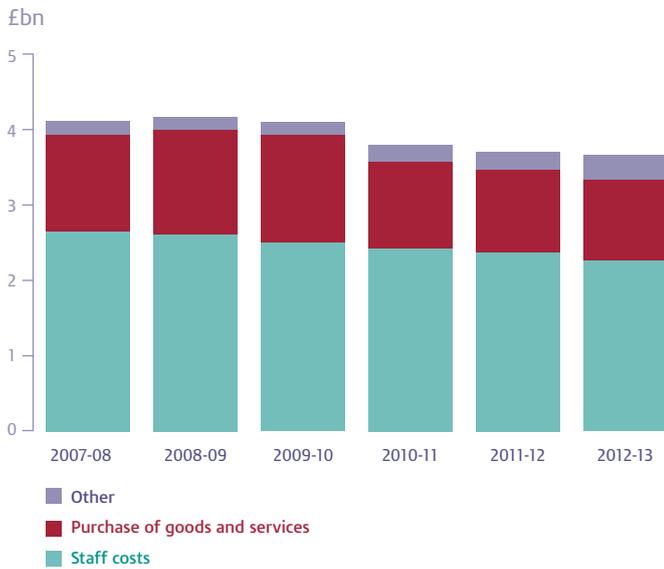
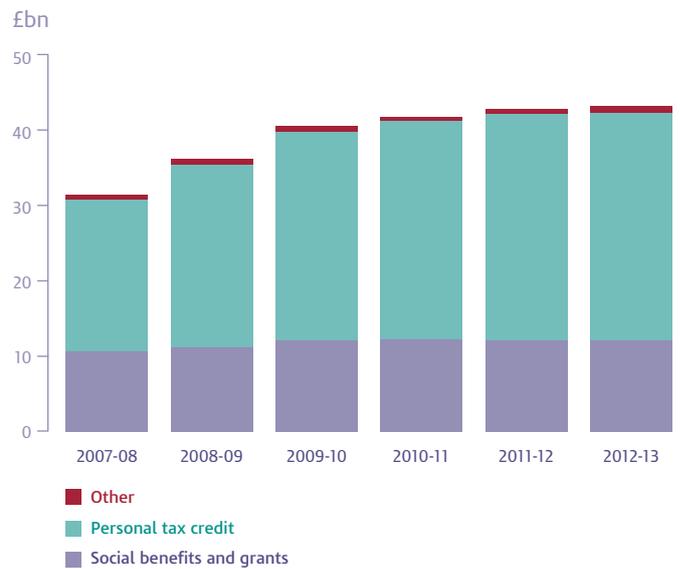


Chart 2.4 Analysis of AME expenditure type 2007-08 to 2012-13



3 - People

Table 3.1

HMRC and Valuation Office Agency (VOA) (full-time equivalents)		September 2013	September 2012
Payroll staff	HMRC and VOA	63,022	64,674
Average payroll staff costs		£32,717	£32,190
Contingent labour	HMRC and VOA	109	88
Average contingent labour staff costs		£32,379	£37,850
Workforce shape	Administrative Assistants and Officers	31,853	34,043
	Officers	14,228	14,606
	Higher and Senior Officers	12,150	11,745
	Grade 7/6	3,698	3,445
	Senior Civil Servants	312	333
	Other grades	780	501
	Part-time	17,035	17,486
Workforce dynamics	Exceptions to the external recruitment freeze	548	645
	Annual turnover rate	6.6%	6.2%
Workforce diversity (headcount)	Black and minority ethnic	8.3%	8.1%
	Women	58.5%	58.6%
	Disabled	16.4%	16.4%
Diversity of Senior Civil Servants only	Black and minority ethnic	2.7%	2.6%
	Women	38.5%	36.2%
	Women (top management posts)	31%	30.9%
	Disabled	5.2%	6.6%
Sickness absence	Average working days lost per FTE (rolling 12 months)	7.5	7.4

HMRC only: People Survey		October 2013	October 2012
Engagement index (%)		44%	41%
Theme scores (%)	Leadership and managing change	29%	24%
	My work	65%	57%
	My line manager	66%	62%
	Organisational objectives and purpose	79%	74%