

HM Revenue and Customs Improvement Plan 2014

March 2015

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1. Foreword

Foreword

We're delighted to introduce HMRC's departmental improvement plan for 2014. This plan is crucial to delivering our business objectives, because it identifies the areas where we're doing well, and where we need to get better.



The Government has given us three clear objectives – to maximise revenues, improve our customer service and make sustainable cost savings. We've already set out our strategy for achieving these in our [Business Plan for 2014-16](#). But for our strategy to be a success, we must be honest about where and how we need to improve. That's why, in this document, we've outlined how we intend to build on our performance and – crucially – how we will measure our success.

In last year's improvement plan, we identified six key areas for improvement. These were to improve revenues, customer experience, employee engagement and our capabilities, as well as make sustainable cost reductions and enhance our digital offering. As you'll see on the following pages, we're already meeting or exceeding many of our targets and bringing in more revenue every year than we collected the year before. In [2013-14](#), we collected a record £505.8 billion in total tax revenues, including our best-ever compliance yield of £23.9 billion.

We're also delivering sustainable cost savings – more than £235 million in the last financial year – and making major changes to the way we work. Last year, we brought PAYE up-to-date for the first time and launched [Real Time Information](#) – the biggest modernisation of PAYE since its introduction in 1944. We're also piloting new digital services, such as Digital Self Assessment and PAYE Online.

But this doesn't mean that we've reached where we need to be. Our 2013-14 figures show that our [customer service](#) levels still aren't high enough. And our employee engagement scores, aren't yet hitting the Civil Service benchmark or even matching other comparative big organisations like DWP. We've also made progress in strengthening our skills and capabilities, but there's still more work to do.

We have a responsibility to always try to do things better and smarter – for our own people and for our customers right across the UK. We should be doing all we can to help them get their taxes right from the outset, with first-class online services and a more personalised, straightforward customer experience.

This will make it easier to meet our other objectives. It means we boost compliance revenues even further, cut the time and resources we spend in chasing up errors and mistakes, and focus our attention on catching those who genuinely try to cheat the system.

All of this has implications for our people, the skills they need, and the way they work. That's why we've launched [Building our Future](#), a national face-to-face conversation to engage our staff with the changes set out in our business plan. Everyone working in HMRC will have the chance to hear about our future and have a say in how we build it.

We're determined to step up to meet the rising expectations of Ministers and taxpayers – and to do so while investing in the skills of our workforce. After all, it's only by acknowledging where we need to do better, that we'll improve the service we deliver for the UK.

Lin Homer
Chief Executive and Permanent Secretary

Ian Barlow
Lead Non-Executive

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Introduction

HMRC was one of five departments to pilot Departmental Improvement Plans last year as part of Civil Service Reform. In our [first Improvement Plan](#) we identified six key areas:

- Improving revenues by promoting voluntary compliance and addressing non-compliance
- Customer experience
- Sustainable cost reduction
- HMRC's digital offering
- Employee engagement
- Capability

This document assesses how we are performing against the improvement activities, and sets out how we will transform as an organisation, looking through to 2020 and beyond.

What we do and how we do it

HMRC has a vital purpose: we collect the money that pays for the UK's public services and help families and individuals with targeted financial support. We help the honest majority to get their tax right and make it hard for the dishonest minority to [cheat the system](#). As an effective, efficient and [impartial tax and payments authority](#) we are making a real difference to the UK at a crucial time.

We are one of the UK's biggest organisations, with around 61,000 full-time equivalent staff in 360 offices, and revenues of over £500 billion a year. And we contribute to the UK's economic and social well-being. The UK is the world's seventh largest economy and the third largest in the EU. International trade is currently worth billions of pounds a year to the UK economy, and we play our part by making it as easy as possible for industry and business.

We also provide important support to many other Government departments (OGDs) by sharing our information and delivering operational services - beyond tax administration - that support their objectives. This wide-ranging work includes our administration of the [National Minimum Wage](#) and statutory payments made by employers, as well as [Tax Credits](#), [Child Benefit](#), the collection of student loan repayments, and the anti-money laundering legislation for persons not otherwise regulated.

We are working with the Cabinet Office to develop the [Debt Market Integrator](#), which gives HMRC and OGDs an easy single route to market in order to access private debt collection services. We are also developing a cross-government Freight Management Strategy, which will strengthen harmonized operations and support the ambition of presenting 'One Government' at the UK border. Elsewhere, we are leading on the development of a cross-government business case on civil registration modernisation, working with DWP, Home Office and MoJ on potential further exploitation of Real Time Information data, and working with BIS to develop a more strategic relationship to manage service delivery requests.

We also work in partnership with HM Treasury to ensure that tax policy is designed in a way that reflects our experience of customers and their behaviour, as well as delivering the Government's objectives for fairness and economic growth.

The Government has set us three objectives:

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

“Our role – to collect the money that pays for the UK's public services and to help families and individuals with targeted financial support – is of crucial importance to the country”

Lin Homer
Chief Executive and Permanent Secretary

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It's clear that the expectations and demands of our Department, from ministers and customers, will only increase over time, and we need to rise to those challenges. As a result, HMRC's leadership has set itself a fourth challenge – to include and involve the Department's people through the changes that we will be making over the coming years, as we transform the service HMRC gives its customers.

This chapter provides an assessment of the Department's performance against four areas: performance; efficiency and innovation; internal and external reputation; and capability.

Summary of progress

Below is a summary of HMRC's progress against the measures contained in our Year 1 Departmental Improvement Plan.

Priority for 2013-14	RAG
Improving Revenues	
Maximise additional revenues through enforcement and compliance activities	Green
Customer Experience	
Increase in HMRC's customer experience scores	Orange
Improved accessibility – call attempts handled	Red
Improved accessibility – post cleared	Red
Reduced financial burden on customers	Orange
Improved handling of complaints	Orange
Improvement in HMRC's external reputation	Orange
Sustainable Cost Reduction	
Deliver sustainable cost reductions	Green
HMRC's Digital Offering	
Employers to report PAYE in real time	Green
Introduction of Digital Self-Assessment (paperless SA)	Yellow/Orange diagonal stripes
Introduction of 'Your Tax Account'	Green
Increase in percentage of interactions being carried out online	Green
Sustainable net cost reductions for HMRC	Orange
Employee Engagement	
Improve employee engagement	Red
Improve SCS engagement	Green
Improve on managing change	Red
Increasing Capability	
Increase HMRC's top-end professional skills	Green
Improve tax professionals' capability and confidence	Green
Ensure each staff member receives a minimum of 5 days' learning / development per year	Green
Improvement in leadership and management capability	Red
Implementation of Civil Service performance management and competency framework	Yellow/Orange diagonal stripes
Improved talent management and succession planning for business-critical SCS post	Orange

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Performance

Revenues collected

During 2013-14, HMRC collected a [record £505.8bn](#) in total tax revenues. We also achieved our best-ever compliance performance, collecting £23.9bn in additional revenues. We expect to deliver £24.5bn in 2014-15, rising to £26.3bn in 2015-16.

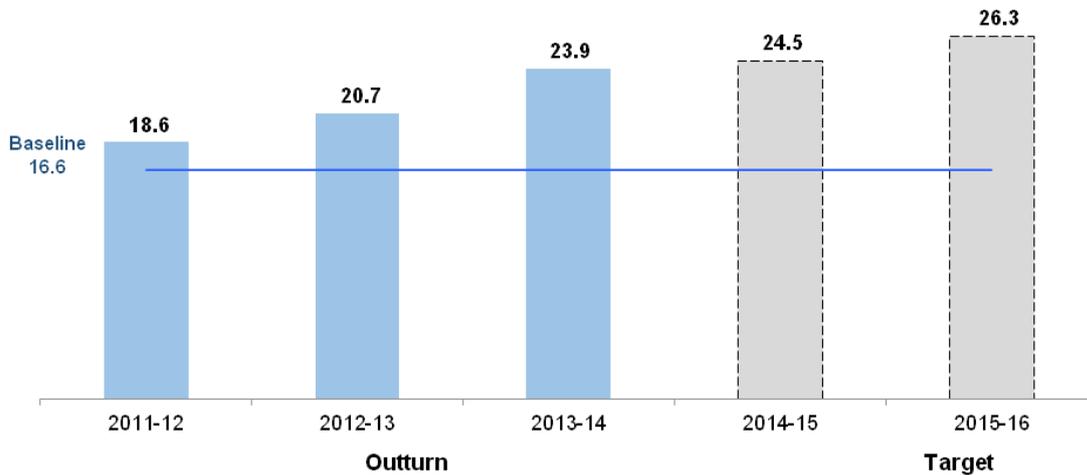


Figure 1: Compliance yield reported by HMRC since the beginning of 2011-12 (£billion)

Tax credit error and fraud losses for 2012-13 are estimated at 7.0%, the lowest since tax credits were introduced in 2003, and down from 8.1% in 2010-11.

Customer experience

HMRC wants customers to find us straightforward to deal with. This is measured through a quantitative customer survey. Our target is to restore customer experience to 2009-10 levels.

The overall customer experience score for 2013-14 was 72.8%, down 0.2 points on 2012-13 and 3.0 points below the 2015 target of 75.8%. We are addressing issues around payroll and expect customer experience in these areas to improve as customers become more familiar with real time reporting.

We've seen recent improvements in Self Assessment (SA) customer experience, as a result of a flexible resourcing model which enabled us to answer over one million SA calls in January 2014. We also reduced demand by removing almost 500,000 customers from the SA regime; released repayments earlier; issued statements about the payment deadline and improved communications and guidance.

Accessibility

In 2013-14 we handled 79.2% of calls (against a target of 90%), and 58.8% within 5 minutes (against a target of 80%). Our annual performance on the dedicated Agent line was 95.1%. We have introduced [Intelligent Telephony Automation](#) (ITA) to help customers get through to the right place more quickly. ITA has already assisted in handling 3.8 million calls.

By following a similar flexible resourcing model as we employed for SA customers, we achieved a dramatic improvement in call handling for the tax credits renewal deadline on 31 July – 89% of calls handled, compared to just 16% last year. Meanwhile, our new online tax credits renewal service handled 410,000 renewals, with a 94% customer satisfaction rate – and a further 57,000 customers renewed using ITA, freeing up our advisers to answer more calls.

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We also cleared 82.6% of post within 15 working days (against a target of 80%) and 96.9% of post turned around within 40 days (against a target of 95%). We are introducing a Digital Mail Service, meaning paper post will be scanned on receipt and accessed electronically by staff from wherever they are located.

Reduced financial burden on customers

We are committed to reducing the ongoing costs of dealing with HMRC for all compliant customers, and have so far reduced this cost by £135m. This has been offset by new policy measures with additional annual costs of £150m, resulting in a net annual increase of £15m. The costs for business customers have increased by a net £44m. We are on track to reduce costs overall and meet our business cost reduction target through new processes and digital services, such as RTI and Your Tax Account.

Complaints handling

Complaints escalated to the Adjudicator reduced from 20% in June 2013 to 11% in April 2014. Our objective of reducing complaints upheld to less than 50% is some way off due to a backlog of old complaints not subjected to new quality assurance procedures. We are confident of moving towards 50% in the next few months. The [Adjudicator's Office](#) are to investigate sample complaints which have been through our new handling process to assure it has a direct impact on reducing upheld complaints.

Efficiency and innovation

Sustainable cost reduction

We are generating cost efficiencies through improvements in the way we deliver our products and processes and by transforming the way we do our core work.

HMRC delivered in-year savings of £235m in 2013-14 (subject to assurance). Between 2010-11 and 2013-14 we achieved £775m of sustainable efficiency savings (subject to assurance) against a stage target of £723m. We continue to be well on track to deliver our target of just under £1.2bn of savings between 2010-11 and 2015-16. We have a defined efficiency plan covering the period until the end of 2015-16 and we continue to monitor progress on a monthly basis.

By the end of 2014-15 we will have made gross sustainable cost savings of almost £1bn, primarily through improving efficiency, productivity and performance, including reducing our estate by around 300,000m² and our IT costs by £87m. We have reinvested almost £1bn of these savings to bring in additional compliance revenue of almost £10bn a year by the end of 2014-15.

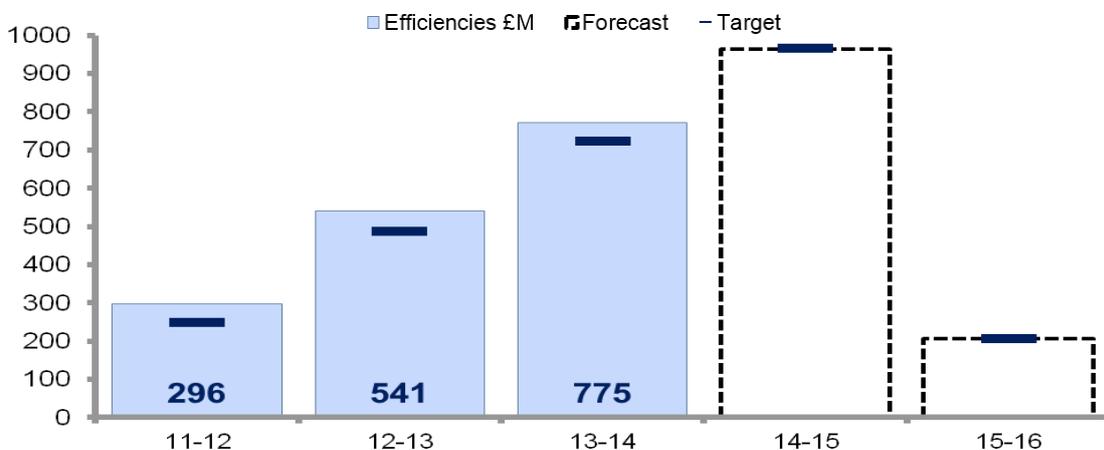


Figure 2: Efficiencies Cumulative (£m)

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The size of our workforce has reduced significantly. When HMRC was created in 2005, we had 96,000 full time equivalent (FTE) members of staff. At the end of March, staffing levels stood at 69,314 (61,370 FTE) – including 2,897 (2,503 FTE) fixed-term appointment staff (FTA) staff.

Finally, we are embedding a culture of continuous improvement by providing all our staff with tools and techniques to improve processes and eliminate waste.

Digital services

How we serve our customers is critical to maximising revenues and sustainably reducing our costs. We want to make it simpler for customers to get their taxes and entitlements right, thereby improving voluntary compliance and reducing the possibility of error and fraud. We are building digital services that will enable most customers to manage their tax affairs and payments online, while reshaping our products and processes around their needs.

Real Time Information (RTI)

Real Time Information (RTI) is the biggest change to PAYE since the system was designed 70 years ago. It brings PAYE up to date with today's employment patterns, where people change jobs more frequently and can have more than one job or pension. By the end of 2013-14, over 95% of PAYE schemes with employments were reporting over 99% of all individual PAYE records in real time. Our next step will be to make wider use of RTI data and RTI technology.

Digital Tax Accounts

Our priorities for 2013-14 focused on piloting a number of [digital 'exemplar'](#) services. They included:

- **PAYE Online:** allowing our 41 million PAYE customers to use tax calculators, access guidance and report online changes to their circumstances.
- **Digital Self Assessment:** Around 85% of SA customers already file online, but we still send out over 40 million paper outputs every year. We are piloting paperless services that send customers email alerts directing them to their online account. Digital SA has run since February on a small scale, and since May to more customers, using a limited range of digital messages. By 2019 we plan to take 22 million pieces of paper out of the SA system.
- **Your Tax Account:** makes it simpler for the UK's 4.9 million small and medium-sized businesses to register, file and pay across SA, Corporation Tax, VAT and PAYE for employer, all in a single place. Your Tax Account has run on a small scale since February, and since May to more customers.

Our ultimate aim is for everyone to have access to a personal online tax account, which brings all of their tax and entitlement services together in a single place. Our digital exemplars have taught us a great deal, which is why we're already thinking bigger and moving beyond them. We're now developing these exemplars into two digital services – Personal Digital Tax Account and Business Digital Tax Account.

Personal Digital Tax Account will look like a personalised version of the GOV.UK website and will allow people to view their data and check progress on queries and payments. It will bring all of the information we have about a customer's circumstances together into a single place. A test (beta) version will launch at the end of 2014.

Business Digital Tax Account builds on the Your Tax Account exemplar and will give businesses an opportunity to see a complete picture of their tax affairs in a single place – filing returns, making payments and speaking to us through a secure messaging service. It's already being tested with nearly 120,000 businesses and we estimate that 1.2 million small businesses will be users by April 2015. We

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will continue to invite more customers to use the service and improve it on the basis of feedback.

During 2013-4, the use of our online services overall increased by 1.8% to 97.1%. We are now forecasting a headcount reduction of 590 FTEs by 2018-19 as a result of new digital services – higher than our original forecast of 471 FTEs. We will continue detailed analysis to ensure we are in line with our revised forecast.

There has also been a greater than expected take up of our Digital SA opt-in. Customer satisfaction levels have been high, but it's not yet possible for us to forecast against our target of 50% reduction by 2018-19. We will continue to monitor the shift.

In terms of reducing our paper usage, we currently have 32 million paper outputs in scope for digital conversion – and we forecast a 44% cut in paper output by 2018-19, saving £3.6m. We expect to deliver real benefits from the move from paper to digital and will continue to measure paper reductions.

Internal and External Reputation

Employee engagement

We have seen an incremental increase in our engagement score over the last four years, despite the challenging economic landscape. These results should be seen in the context of the significant transformation taking place across HMRC, particularly staff reductions, and the impact this will have on engagement levels.

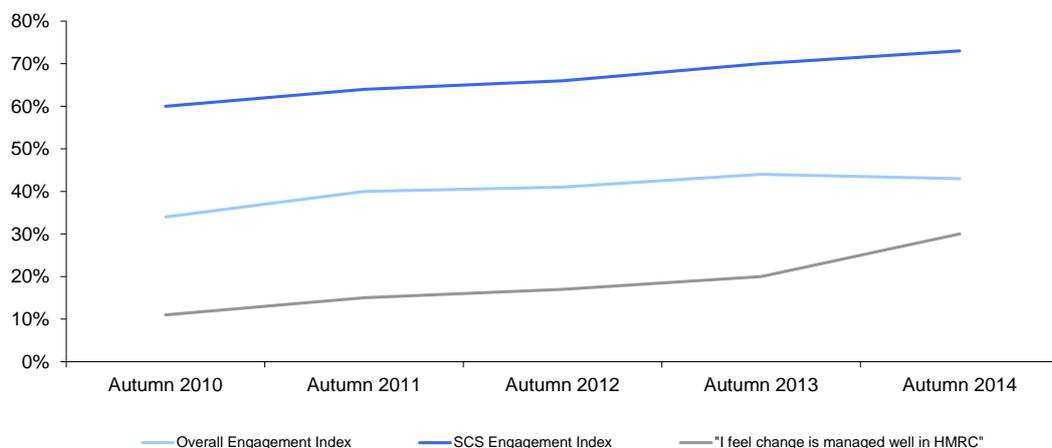


Figure 3: HMRC People Survey Results, 2010 to 2014

[The 2014 People Survey](#) recorded a score of 43% (1% point down on 2013) against the Employee Engagement Index Civil Service benchmark, which was 59% in 2014. The 2014 People Survey recorded a decrease in eight of the nine Drivers in HMRC compared with 2013 results.

Against the SCS Employee Engagement Index Civil Service average (74% in 2014), the 2014 People Survey recorded a score of 73% (3% points higher than 2013)

We also have a target to reach the Civil Service benchmark (31% in 2014) to the People Survey question: "I feel that change is managed well within HMRC" by 2015-16. In 2014, the People Survey recorded a positive response of 19% (1% point down on 2013).

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During 2014-15 we will be:

- giving staff more opportunity to connect with HMRC overall, with more local discussions about the future. We are using targeted People Survey data to understand where to focus our activity
- working with high scoring, most improved and low scoring teams to understand and share the reasons for their scores, in order to build engagement and drive local action
- embedding new governance for employee engagement and sharing good practice
- embedding the People Impact Assessment (PIA), which helps managers and leaders support staff through change
- building on our trust and effective leadership workshops, in partnership with Bath University.

As a result of staff feedback, we have reviewed our compliance case management system to make it easier to use. We've also made changes to travel and subsistence to streamline processes.

Recognising the need for a clear narrative of our purpose and future direction, we have engaged our people in a national conversation about the future of HMRC, called *Building our Future*. From May to August 2014, more than 54,000 staff gathered to talk and share ideas in Phase 1 of Building our Future. There were nearly 700 events generating 50,000 pieces of feedback. These have been used to plan the second phase of Building our Future events which will run from September 2014 to January 2015. The detailed feedback has also been shared with those areas of the business to which it relates and we are using a new intranet site to explain to staff what actions those business areas are taking in light of their feedback.

There will be further phases of Building our Future which seek to make our conversations with our staff increasingly dynamic and two-way and which allow them to see the tangible impacts of their involvement. In Phase 2 we are talking in more detail about four important areas:

- 1. Updating staff on what has already happened** in the months since we launched Building our Future Phase 1, including what we've heard from them and what we've done in response.
- 2. Outlining our digital plans in more detail than we did in Phase 1.** This was the number one issue that staff raised during Phase 1, saying that our digital capability could be a barrier to us achieving our vision. We are sharing what we've been doing in recent months and also setting out the roadmap for digitising our services over the next few years.
- 3. Talking about how we'll serve customers in future** and what this might mean for the work that we do and the skills that we'll need to have.
- 4. Discussing our future working environment.** This isn't just about bricks and mortar; it's also about how we work together and collaborate, the atmosphere in the office, the IT we use, and how and where we access training to develop our skills.

Feedback from Phase 1 was that Building our Future helped 76 per cent of our leaders understand how HMRC is changing. In Phase 2, that figure has increased to 87 per cent. The all-staff rollout events are still underway and comparable data for all staff will not be available until spring 2015.

External reputation

HMRC conducts an annual [stakeholder survey](#) with Parliamentarians, corporate stakeholders and journalists, to track stakeholders' perceptions of HMRC, and identify ways to improve our engagement with them. Our Reputation Index reflects our customer's perceptions around three areas – favourability, fairness and trust. It's based on a survey of approximately 5,000 customers, agents and SMEs.

Our overall reputation score to March 2014 was 64.1. To build on this, we will be proactive in promoting our messages positively and consistently, integrating our media, stakeholder, customer and staff communications in line with our three-year integrated communications strategy.

At our [Annual Stakeholder event](#) in July 2014 we set out our aspirations for Building our Future and shared an external narrative explaining our vision to 2020, which was well received by stakeholders.

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International engagement

Tax and customs authorities and their customers operate in an increasingly interconnected world. Without working strategically on the international stage, HMRC will not be able to deliver its stretching targets for [compliance](#), revenue collection and supporting UK business. There is a wealth of excellent international work going on across HMRC, such as building alliances with other revenue and custom authorities, identifying and sharing best practice, developing international standards and frameworks and exporting the UK's approach to tax administration to other countries. HMRC has a proud history of building capacity overseas, which is helping developing countries, in line with Ministerial priorities.

At a working level, HMRC's new International Coordination Team is developing a community of international interests, so that staff working on international issues can learn from one another and spot areas of overlap. In this way, we are helping to build a better picture of activity happening across the organisation and plugging into Whitehall networks to keep abreast of developments. We are also making use of secondments to expand our influence, placing staff in the most influential positions abroad and supporting them to apply their international skills and expertise when they return.

Capability

Professional skills

We are enhancing our people's professional skills so we can deliver high-quality services. We have developed career pathways for people working in operational delivery, tax policy and programme and project management, and introduced formal operational delivery qualifications.

A priority for 2013-14 was to recruit external specialists on short term contracts to address specific identified skills gaps. Six experienced professionals joined the Department during 2013-14 with another two recruits joining in April 2014, these addressed gaps in a variety of areas with roles such as Senior Payroll Specialist and Transfer Pricing Economist however these contracts will come to an end during 2014-15. We have identified significant benefits from this, which we will continue to monitor and evaluate.

One of the biggest and most visible changes has been the way that we dealt with this year's [tax credits renewals](#) peak. This was a truly cross-HMRC collaborative effort, as people from across the Department came together to work on new digital products, improve our customer communications, re-phase other work to reduce call demand and support contact centres in answering tax credits calls.

We have also delivered 210 live Compliance Skills Development Programme (CSDP) events, resulting in over 74% of delegates agreeing that their skills and knowledge have increased. Around 2,400 tax professionals had taken the programme by September 2014. We plan to embed skills development from the CSDP into business as usual and evaluate its benefits, including its compliance impact.

Finally the digital agenda will mean huge changes for our people, so we are providing them with the skills they need to deliver future digital services. We have developed a business model based on functions in the [Government Digital Service](#) (GDS) digital model, working towards a minimum Level 7 capability (against the Digital Inclusion scale) and Levels 8 and 9 for some segments of our workforce.

Open policy making

HMRC is recognised as a departmental exemplar of [open policy making](#) (OPM), due to our use of behavioural insight to deliver policy and services and our use of innovative tools and techniques, such as horizon scanning, to strengthen policy making. We have run bespoke HMRC policy day events supported by the Cabinet Office OPM team, and have also been successful in our bid for a new policy lab project,

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which will look at the process of National Insurance numbers and how we engage with young adults. We are keen to explore the opportunities that working with policy lab will bring.

Leadership and Management

People can progress through HMRC in a number of ways: the Spring programme for more junior grades, Leap for middle managers and the Ascend programme for those aspiring to join the Senior Civil Service. We are investing in our senior leaders to ensure they have the skills to deliver our transformation.

In 2013-14 we underspent against an investment of £667,317 into developing leadership and management – but there is no risk of underspend in 2014-15. We invested £1,082,116 as part of the Building our Future programme on change leadership and presentation skills. **Around 4,455** leaders attended a session on their role in leading change in HMRC and **2,189** leaders (mainly, but not exclusively, people managers) took part in a change leaders learning intervention to help them support the effective and authentic conversations we wanted them to lead at the Building our Future Phase 1 all-staff events. The interventions were planned centrally in recognition of the potential underspend by our lines of business.

From this leadership population we have since taken the best **of around 400** presenters and provided them with a further bespoke 2-day learning intervention, developed jointly with Civil Service Learning. This has enabled them to lead the presentations at all of the Phase 2 events.

Both Phase 1 and Phase 2 learning interventions have been designed with a view to offering long-term improvements to leadership skills, and the Building our Future events have provided an early opportunity to test them in the field. Delegates on the presentation skills course have increased their confidence to deliver an engaging presentation from 62 per cent to 94 per cent following attendance.

Measures are in place to continue to increase leadership and management development, including making access to learning easier and increasing communication and engagement.

Learning and Development

Our 2013-14 priority was to ensure each member of staff received a minimum of five day's learning and development each year. As a result, just over 233,000 days of learning have been undertaken, averaging 3.29 days per person. We have now created a Capabilities Implementation Group which, during 2014-15, will monitor and promote the use of five days learning.

This data is based on time spent on formal development. However, much informal learning time is likely to be unrecorded, so 3.29 days per person is an under-estimate. Communications and guidance have been reviewed to ensure people are clear what needs to be recorded and how.

Performance Management

In 2013-14 our target for performance management was to meet our agreed distribution percentages for exceed, achieved and must improve at mid-year and end-of-year stages. Although we did not meet our guided distribution, we made significant progress towards it, with a more even spread of exceed ratings across all grades compared with the mid-year ratings. Our end of year data showed 19.1% of employees were Exceeded, 72.9% were Achieved and 8.1% were Must Improve.

ExCom have asked Directors to assure themselves that performance expectations and PMRs are robust enough to allow for good performance. We have more to do to ensure that all lines of business recognise excellent performers and those who need additional development, and work is underway to share best practice and the lessons learned.

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Succession Planning and Talent Management

Our pipeline strength and our understanding of our people continues to improve. We are in early discussions with other departments and professions to broaden our succession pools and make better use of secondments to bring in and develop scarcer skills. We're also developing stronger links between our talent and workforce strategies. We have a good flow of people in and out of HMRC from other government departments and a commitment to grow and develop corporate, cross-government talent.

We are piloting work to build our talent communities and engage them in critical business issues. For example, we have asked a small group of volunteers from the talent pools to help think through the design of future phases of Building our Future. We're also making better use of coaching, mentoring and action learning sets and offering further support for managers. We target development interventions and moves in order to maximise stretch for individuals and impact for the organisation. We are also formalising our talent tracking and impact assessment.

We know our critical posts and pipelines and have regular discussions to develop these, with succession plans in place for all SCS posts. In 2014-15, we will focus on critical Director General and Director posts.

Diversity

The following table shows HMRC's position against the Civil Service diversity employment targets for Senior Civil Service, at 31 March 2014.

SCS Diversity Employment Target	SCS Civil Service Target	HMRC SCS position
Women	39%	39.9%
Women in top management posts	34%	37.7%
Black and Minority Ethnic Staff	5%	2.2%
Disabled	5%	3.9%

We also collect diversity data of HMRC people below SCS, although we do not have formal diversity employment targets for grades SO and below.

Gender (All staff)	Female	Male	Chose Not to Declare	% Not Known	% of Knowns	Declaration Rate
	58.58%	41.42%				
Ethnicity (All staff)	BAME	White	Chose Not to Declare	% Not Known	% of Knowns	Declaration Rate
	6.16%	68.16%	5.04%	20.65%	8.29%	79.35%
Disability (All staff)	Disabled	Non-Disabled	Chose Not to Declare	% Not Known	% of Knowns	Declaration Rate
	9.70%	49.13%	4.30%	36.86%	16.49%	63.14%
Sexual Orientation (All staff)	Heterosexual /Straight	Lesbian/Gay /Bisexual /Other	Chose Not to Declare	% Not Known	% of Knowns	Declaration Rate
	42.33%	1.95%	8.21%	47.51%	4.41%	52.49%
Working Pattern (All staff)	Fulltime	Part-time	Chose Not to Declare	% Not Known	% of Knowns	Declaration Rate
	64.63%	35.37%				

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- **Gender** - The number of women in senior roles and in feeder grades has increased steadily over recent years. We are monitoring the gender balance of senior appointments and have a commitment within HMRC's business plan to maintain or improve female representation rates in senior grades.
- **Ethnicity** - We continue to work on a range of measures to address under representation at more senior grades, including monitoring our internal and external recruitment processes and increasing mentoring opportunities through our employee diversity networks.
- **Disability** - Despite the incompleteness of disability data, the department is focussed on addressing disability issues, specifically by conducting research to identify and address the barriers to progression, building on the excellent service provided by the Reasonable Adjustment Support Team, increasing awareness of mental health issues and improving disability declaration rates.
- **Sexual orientation** – More than 38,000 HMRC employees have yet to record their sexual orientation on Online HR. The department remains committed to increasing diversity declaration rates for all diversity categories including sexual orientation so that meaningful diversity monitoring can be carried out for all categories.
- **Working pattern** - 35% of the department work part-time. We have conducted some initial research to identify potential barriers for part-time workers and plan to extend this work.

Members of under-represented groups are identified and sponsored as part of our succession planning activities and we are making use of the Civil Service wide positive action programmes as well as internal programmes to support development of diverse talent.

To improve our performance, our workforce needs to better represent our customers. We aim to reflect the diversity of the UK and make ourselves accessible to all. We have set out what leaders, managers and staff need to do to achieve this in our 2013-16 Diversity & Inclusion Strategy and action plan. We have made progress and been recognised externally for this.

Performance measures

We want to explore how new performance measures can be used to support changes in culture, behaviour and working methods. Already, cross-departmental work is underway to develop a new performance management framework. This framework will reflect and drive our strategy of putting the customer at the heart of what we do, delivering personalised digital services, moving to an upstream and data-led approach to compliance and improving our capabilities. It will help us to define what success looks like, drive our transformation, and enable us to positively engage with the public on our activities and achievements, while providing evidence to support our investment decisions. We want to start to test some of our early thinking about new performance measures through Building our Future Phases 3 and/or 4 and to involve staff in wider conversations about what that framework will mean for the delivery of business and the work that they do.

Assessment of progress in implementing the Civil Service Reform Actions

The Cabinet Office has identified seven cross-Government Civil Service Reform actions, listed below. Each quarter we update the Cabinet Office on our progress against relevant actions. All our actions have been awarded either a green or amber-green RAG rating. Progress against the key actions are as follows:

Major Projects	We are committed to reducing the turnover of Senior Responsible Owners, and are investing in the capability of major project leaders. Fifteen staff have attended, or are attending, the Major Projects Leadership Academy. In collaboration with other departments, we have also delivered the Programme Delivery Leadership Academy (PDLA), through which over 120 people have passed or are currently passing. Internal feedback from these events has been extremely positive.
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2. Assessment

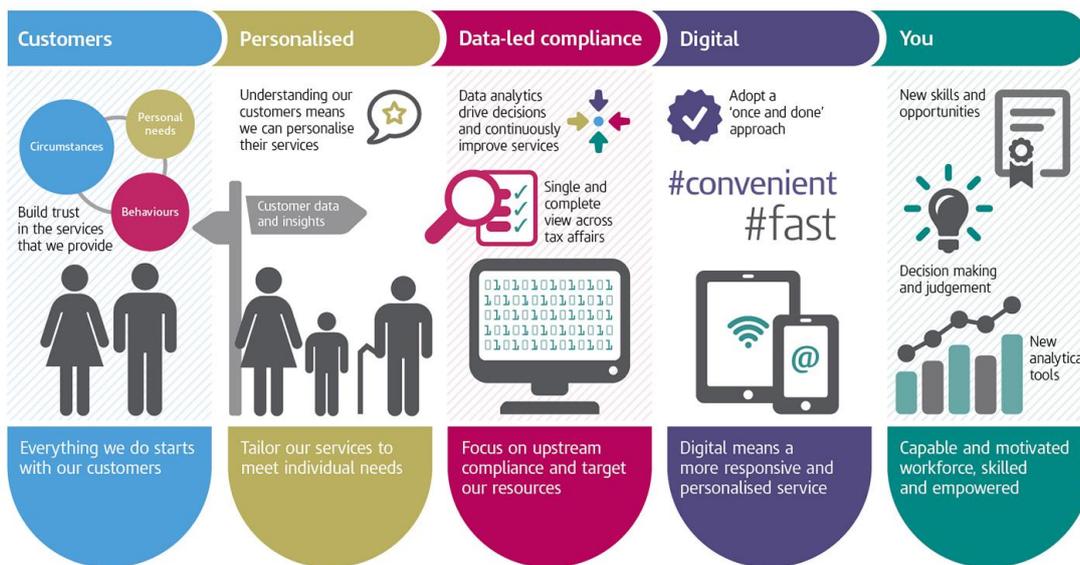
Policy	We use innovative tools and techniques to improve the quality of our policy-making. We have been identified as an exemplary department by Cabinet Office and our approaches have been shared with other departments.
Shared Services	We are transferring our employment services to the Treasury Solicitors in 2014. Our Internal Audit is leading on cross-Government talent development for its profession and we have a centralised procurement model.
Capabilities Plan	Our Annual Skills Review baselines our capability in the Government’s priority areas – leading and managing change, projects and programme delivery, digital skills and commercial skills. We’ve also included two other priorities: the tax profession and operational delivery. We are producing implementation plans to close our current skills gaps, and our leadership and management offer launched in June 2013.
Digital	Small-scale pilots were rolled out in February 2014 with controlled ‘go live’ now taking place. Our plans have now developed further and we are piloting two new services called ‘Personal Digital Tax Account’ and Business Digital Tax Account’, bringing tax affairs for individuals and small businesses into a single place. The Cabinet Office regards HMRC as having “high standards digitally”.
Modern Workplace	Now a discreet programme called The Way We Work, examining benefits of mobile, remote and flexible working. We’re on target with migration to cloud storage and upgrading desktops and laptops. We’re working with the Agile Future Forum and have four areas of business committed to identifying different ways of working.
Civil Service 21	We have designed a transformation programme, <i>Building our Future</i> , which sets out HMRC's vision for the future. <i>Building our Future</i> articulates the impact of transformation on our people, which will help develop the right culture and values within HMRC, to act as guiding principles for our business.

3. Improvement Planning

Improvement Planning

We know that, in order to meet our three Government objectives – maximising revenues, improving the service that we give our customers, and making sustainable cost savings – we need to do things better and smarter, for our customers and for our people.

In our [Business Plan for 2014-16](#), we outline how we will meet these objectives. We've now translated this business plan into a narrative for our workforce and our customers, called *Building our Future*. It describes how we will transform and improve over the coming years, through to 2020 and beyond – as summarised in the graphic below.



Building our future for our customers

Everything that we do will start with what we know about our customers, and how we can make it straightforward for them to register, file and pay the right tax at the right time. That means designing our services so they help customers to get things right as early as possible.

The public increasingly want things to be delivered through digital channels — so we'll provide online services that are so straightforward and convenient that everyone who has a choice will want to use them. Every customer will have a personal online tax account, where they'll be able to file, pay and make changes to circumstances online — across all of their taxes, in a single place. By getting online services right, we can automate simple tasks and make it harder for people to make mistakes.

By making best use of the data we hold, we'll be able to present a service that feels personal to customers. We're moving to a 'once-and-done' approach — resolving issues in one go, so customers don't need to keep contacting us. It'll be like they're picking up a conversation where they left off, rather than starting over again.

We also want to give all agents access to a digital portal to do more for their clients online, and give higher level access to those who meet higher quality standards. And we'll still offer services over the phone and through face-to-face visits for those who really need them. We'll also make it easier for friends, family and charities to do things for customers on their behalf.

3. Improvement Planning

Building our future: data-led compliance

The overwhelming majority of the UK's business and individuals are fundamentally honest. We want to make things as straightforward as possible for them — delivering services in a way that reduces opportunities for error and encourages accuracy. This is a big shift from our previous approach, which was much more about responding to error and evasion after it happens.

We will:

- **Promote good compliance** by reaching out to customers through online help videos, social media, and web forums. We'll also design compliance into all of our systems and processes.
- **Prevent non-compliance** by designing-out error and helping people get things right from the start.
- **Respond to deliberate non-compliance**. We'll use data and analytics to better identify risks so our compliance teams will be able to intervene where they have the maximum impact.

This means our compliance teams will increasingly handle more complex and challenging cases. We will be supported by the type of ground breaking IT that we have already developed — systems such as Connect and Adept, which enable us to sift through billions of pieces of data at the push of a button.

Building our future digitally

HMRC is already responsible for more than two-thirds of all government transactions. In 2005-06, just one in five people filed their Self Assessment online. Soon, it will be nine out of ten people.

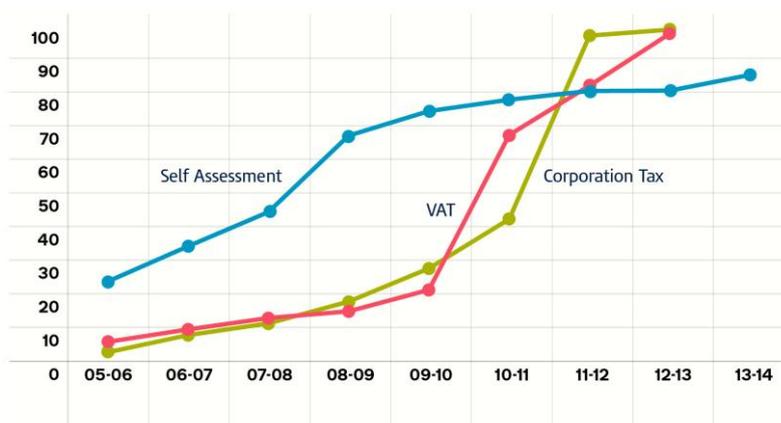


Figure 3: Percentage of Self Assessment, VAT and Corporation Tax returns filed online

We have £200 million to invest in new online services. Our aim is for everyone to have access to a personal online tax account where they can see all of their taxes in a single place. But the first phase is about putting our forms and publications online, reducing the number of phone, face-to-face and post enquiries.

Our exemplar digital services (see page 8) are already in live pilots, being tested with users before full-scale rollout. We're also upgrading 50,000 PCs, and giving all our staff the new version of Windows and Microsoft Office. We're also opening up social media and launching a new intranet.

3. Improvement Planning

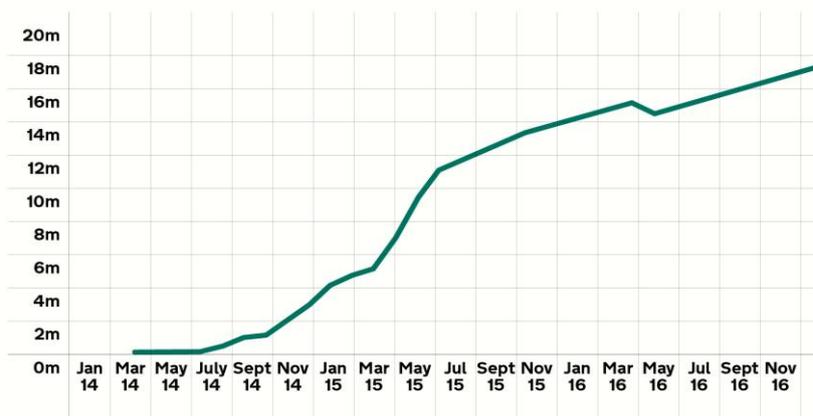


Figure 4: Forecast take-up of new digital services

What this means for our workforce

As well as making improvements to the basics —including IT and HR processes — we want our offices to feel more inclusive, and for everyone who works in them to be more involved in problem-solving and decision-making. We’ll treat staff with respect and recognise their contributions to our achievements. We’ll also be more open in the way that we communicate decisions and the reasons for them. Wherever we can, we’ll talk about work in progress before everything is signed, sealed and delivered. In return, we’ll ask our people to be flexible, enthusiastic and willing to learn new skills.

There will be more satisfying roles for our people, with a far greater emphasis on using judgement and discretion. We won’t stop all of the more traditional work that we do — but fewer of us will be doing it, because automation will take out a lot of repetitive tasks. This means that we will continue to become smaller and more highly skilled.

To support our people in their roles, we’ll invest in new skills, so we can interact with customers in a digital world. We’ve extended our existing talent programmes to cover all grades, so we can offer opportunities to those who have the ability, enthusiasm and desire to move on in the organisation. We’ll also bring our lines of business together physically wherever possible, so our people can move across HMRC to respond to changing operational and government priorities. This will make it far easier for people to move between jobs and build satisfying careers.

Ultimately, we want to consolidate our campuses into one, two or three large, modern buildings in close proximity to one another within what we’re calling ‘Regional Centres’. These will:

- contain numerous lines of business, helping teams to work together and people to build careers
- be adaptable, modern spaces where the environment supports openness and collaboration
- make it easier for us to offer training and development; senior leaders will be far more visible; and more communication can happen through face-to-face events, dialogue and discussion.

Regional Centres will be supported by a network of Specialist Sites and Touchdown Locations across the UK. Initially, these will be drawn from our existing estate. Everyone who works in a Touchdown Location or Specialist Site will also be formally attached to a Regional Centre.

Although we are setting out our vision for future workplaces now, we have a great deal of work to do in coming years to turn that vision into a reality, and we will involve our people when we begin to narrow down the range of options and start making decisions.

4. Metrics to Measure Improvement

Our [2014-16 Business Plan](#) sets out a number of challenging targets which we have set ourselves, to enable us to meet our objectives over the next two years, and beyond. The improvement planning measures set out in the following table are aligned with the targets in our business plan. We will continue to monitor our performance throughout the year and review our targets, setting new ones where necessary.

Improvement being made	Metric used to measure progress	Date to review metric and details of who undertakes review.	Trigger that will signal mitigating action needs to be taken
Building our Future for our customers			
Increase in HMRC customer experience scores	By March 2015, 75.8% of our customers will find it straightforward to deal with us	Results from Customer Survey received quarterly	If the overall result falls below 73%
Improved accessibility	Work towards our aspiration of handling 90% of calls across all of our helplines, achieving a consistent level of 80% in 2014-15	Data is sent to HMRC's Performance Committee monthly	If call attempts handled falls below 75% at Q1, or any month thereafter
	Handle 80% of correspondence within 15 working days and 95% within 40 working days, with at least 90% passing quality standards	Results received and published externally on a quarterly basis	If YTD post falls below 75% (15 days) or 90% (40 days)
Reduced financial burden on customers	Deliver business cost reductions totalling £250 million by March 2015, as part of a wider improvement in business customer experience	Results reviewed monthly and published on a quarterly basis	If forecast shows we will miss the March 2015 target
Improved handling of complaints	Reduction in the number of cases escalated between tiers and to the Adjudicator, and reduction in the proportion of complaints being upheld/partially upheld by the Adjudicator	Data is sent to HMRC's Performance Committee monthly	If the proportion does not show signs of decrease towards 50% upheld by Adjudicator by March 2015
Improvement in HMRC's external reputation	Increase HMRC's overall Reputation Index score by 5% over the remainder of the Spending Review from a baseline of 62.2% (Sept 2012)	Results received and reviewed every six months (November 2014 and April 2015)	If the overall Index score falls below the baseline
Building our future: data-led compliance			

4. Metrics to Measure Improvement

Maximise additional revenues through enforcement and compliance activities	Deliver £24.5bn in 2014-15, rising to £26.3bn in 2015-16	Performance will be reviewed monthly at ExCom's Performance Committee	Additional revenues below the forecast profile required to meet year end targets.
Building our digital future			
Introduction of digital exemplars	<p>25% of SMEs actively using "Tax for my Business" by April 2015</p> <p>Increase in the percentage of interactions being carried out online (12 months to quarter end) for e-returns, SA, PAYE, VAT, CT & stamps</p> <p>Headcount reduced by 590 FTEs by 2018-19 as a result of the new digital services</p> <p>50% reduction in SA print volumes of 44 million and other commercial/admin costs to give us an annual saving of £6.9 million</p> <p>Programme-targeted contact reduced/shifted to online channel by 50% by 2018/19</p>	<p>Take up will be reviewed quarterly by Business Tax Leadership Team</p> <p>Results received and published externally on a quarterly basis</p> <p>HMRC Digital Solutions Programme to review contact demand reductions in April 2015 - to determine headcount reduction</p> <p>HMRC Digital Solutions Programme to review actual cost reduction vs. profile in April 2015</p> <p>Review users of new digital services to support channel shift in October 2015</p>	<p>If <10% of SMEs are using Tax for my Business</p> <p>If rolling 12-month figure falls below 85%</p> <p>Demand reductions at less than 50% below profile</p> <p>If reduction in commercial costs falls below 80% of profiled saving</p> <p>Take up at 30% for Digital SA exemplar</p>
Working more digitally to reduce impact on environment	Cut paper usage by 5% in 2014-15 and 2015-16	Reduction will be measured on a quarterly basis	If the annual rolling paper usage reduction falls below 5% for any quarter in 2014-15
Building our future for our people			
Improve Employee and SCS Engagement	Improve employee engagement over the next two years by continuing to work towards our ambition of achieving the Civil Service benchmark of 58%.	Reviewed by Performance Committee following publication of bi-annual Pulse Survey results and annual People Survey results	Progress below quarterly indicator and year-on-year improvement not being achieved

4. Metrics to Measure Improvement

	<p>Improve employee engagement among the Senior Civil Service by achieving an engagement score of 72% in 2014-15 and 75% in 2015-16</p> <p>Achieve the Civil Service benchmark (28% in 2012-13) to the People Survey question “I feel that change is managed well within HMRC” by 2015-16</p>	<p>Reviewed by Performance Committee following publication of bi-annual Pulse Survey results and annual People Survey results</p> <p>Reviewed by Performance Committee following publication of bi-annual Pulse Survey results and annual People Survey results</p>	<p>Progress below quarterly indicator and year-on-year improvement not being achieved</p> <p>Progress below quarterly indicator and year-on-year improvement not being achieved</p>
Learning and Development	Ensure each member of staff receives a minimum of five days' learning/development per year	<ul style="list-style-type: none"> • Monthly by the Learning Team • Quarterly by line managers during performance reviews • Biannually by People Matters Committee 	Figures show proportionately that the annual target is unlikely to be achieved. i.e. biannual check point shows less than 2.5 average
Leadership of change	Close the capability gap for the change leadership priority with an increase of 21% in 2014-15, and 15% in 2015-16	Reviewed bi-annually by People Matters Committee	Progress below biannual indicator and year-on-year improvement not being achieved
Skills	Capability gaps identified in the Annual Skills Review are closed in line with our Capabilities Plan	Monthly by OD Learning team	If, at the next annual skills refresh, the capability gap has increased or stayed the same
Performance Management	Achieve agreed distribution percentages for exceed, achieved and must improve are achieved at mid-year and end-of-year stages	Reviewed biannually by People Matters Committee following the completion of mid-year (Oct) and end-year (April) performance reviews	The agreed distribution percentages for exceed, achieved and must improve are not met at the mid-year stage
Building our future sustainably			
Deliver sustainable cost reductions and secure effective delivery of the agreed Efficiency and Reform action plan	Deliver 25% efficiency savings in real terms (before reinvestment) against the 2010/11 baseline by 2014-15, including savings of 33% in administration budgets	Data compiled monthly and results reported to HMRC's Performance Committee and Change Delivery Committee monthly	Where real time run-rate forecasts for 2014-15 or for those for the whole SR10 period to 2014-15 are 5% below target.

4. Metrics to Measure Improvement

The following improvement measures from 2013 have been removed from this year's DIP, as they have either already been achieved, are captured in another improvement measure, or are no longer priorities for improvement:

Improvement being made	Metric used to measure progress in 2013 DIP	Reason for removal
Improve HMRC's top-end tax professional skills	Recruitment of externals on short-term contracts to address specific identified skills gaps. There is no consistent baseline metric but each business case has identified the particular skills gap to be addressed by the short-term engagement of externals	On track – no longer considered a priority for improvement
Introduction of a Compliance Skills Development Programme (CSDP) to improve tax professionals' capability and confidence in the skills required to deliver their technical knowledge	An initial skills evaluation exercise will provide a corporate baseline position	On track – CSDP has been successfully introduced. The evaluation continues using the Kirkpatrick methodology where skills are then re-assessed following completion of the Programme
Improved talent management and succession planning for business-critical SCS post	Strengthened talent pipelines in place for critical SCS posts by end 2013/14	On track - talent pipelines and succession plans now in place
RTI	Employers to report PAYE in real time by October 2013 in accordance with programme	On track - RTI now business as usual
Introduction of digital exemplars	Paperless SA – 22 million outputs (50% of total) are removed from the SA system and an additional 500,000 customers opt to pay online by April 2015	Captured in another measure, so removed to avoid duplication.

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