



Inland Revenue

The Government's Expenditure Plans 2002-2004



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

June 2002

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Introduction

I am glad once again to be able to introduce a report which shows real progress and achievement by the Inland Revenue and challenging plans for the year ahead. That it does so for a year which saw major structural and other change is a tribute to the professionalism and resilience of our people in offices across the United Kingdom. I am grateful for their determined and successful efforts to provide an ever-improving service.

Over the last year we have created two new operational business streams - Receivables Management and Contact Centres - to give a new focus and coherence to those areas of our work. At the same time we have moved from a somewhat diffuse network of around 500 separate local offices to a new arrangement which groups them into some 65 Areas. This enables us to organise work more rationally, while retaining our local contact points for the public. It also positions our Area Directors to take a higher and more outward-facing profile in the areas that they serve.

The pace of policy and technological change continues undiminished. The move of the Revenue into the field of social policy is gathering momentum. The Prime Minister announced in 2001 that the Child Benefit Centre would be joining us in 2003, when the new tax credits will also be introduced. We look forward to welcoming them. And the announcements and consultations on changes in business taxation keep the Department in the forefront of the Government's agenda to encourage enterprise.

We have made some remarkable progress on the technological front, driven by what our customers tell us they want from us. Most notably, perhaps, we introduced a service for corporate taxpayers wanting to view the detail of their payments and liabilities. This is the first customised portal for a public service anywhere in the world. But its significance lies in the opportunities which it creates to develop the same approach to other areas of taxation and to tax credits. Making e-services truly customer-friendly and easy to use is the key to increasing take-up and making them the preferred method of dealing with us. Already 98% of entries through the Government Gateway are to the Inland Revenue site.

Of course there are areas where we still have to improve our performance. We will work relentlessly on these. We need to provide better online guidance to our own people providing telephone or face to face help to customers, to help ensure that customers get correct and consistent advice first time every time. We will be embarking on a data cleansing exercise to give employers and our own people access to accurate and up-to-date information and eliminate errors. And we need better management information and a better understanding of some of the trends which this report illustrates.

The pressure on our people to deliver both change and the continuing daily business of the Inland Revenue successfully will not go away: nor should it if we are to keep our lead in the provision of excellent public service. Both the present and the future are challenging, but we face them with optimism.

Sir Nicholas Montagu KCB
Chairman

Purpose of this Report

This report summarises the strategy and 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 2001 Report (Cm 5118).

Status

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

Chairman: Sir Nicholas Montagu KCB

Deputy Chairmen: Tim Flesher CB
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.

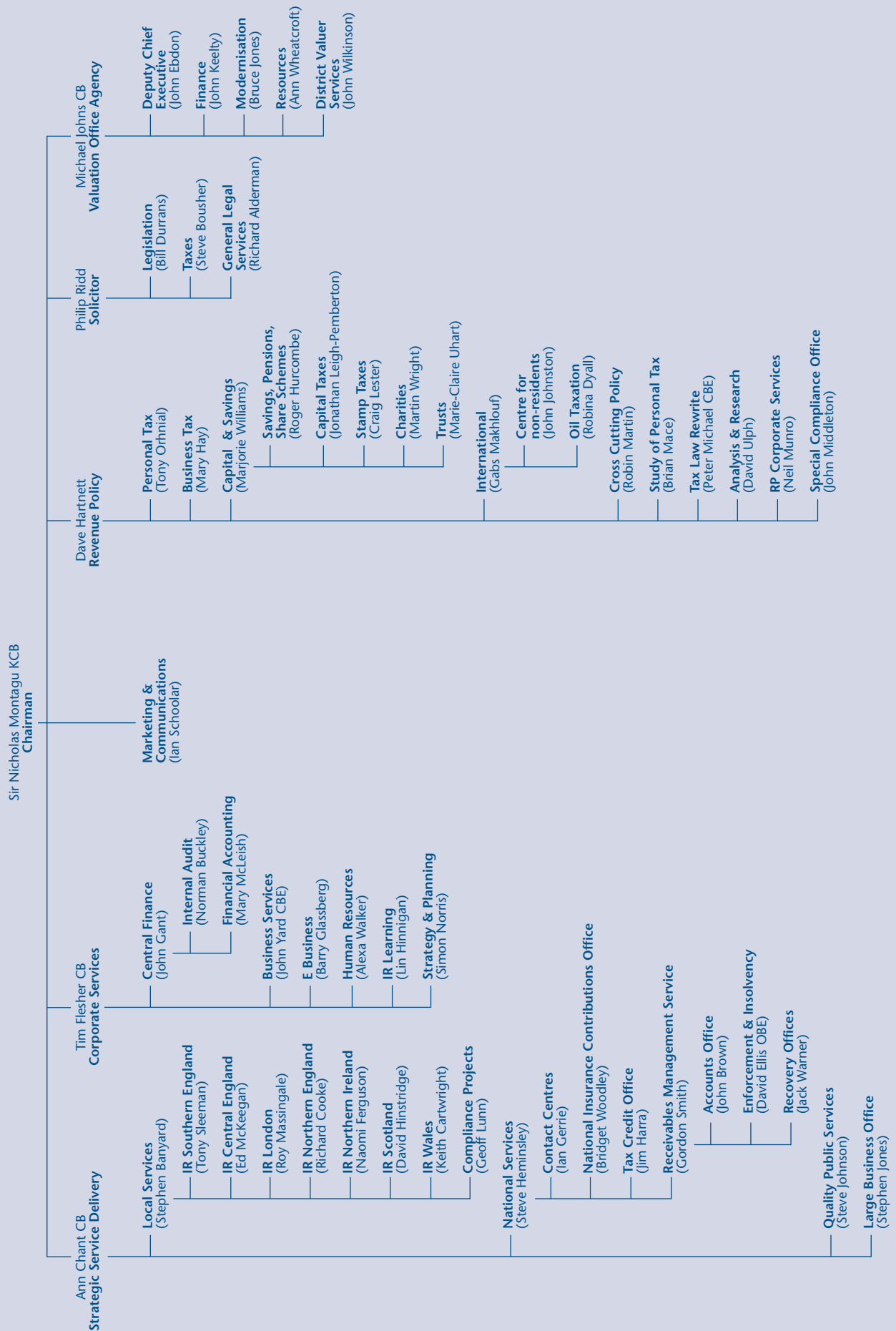
The Board is assisted by a Departmental Board comprising the statutory Board and non-executive members, Kate Owen (Vice President, BP Amoco), Pat Stafford, Dorothy Dalton and Rene Carayol (CEO, Voodoo group).

The Inland Revenue is responsible for:

- collecting income tax; corporation tax; capital gains tax; petroleum revenue tax; inheritance tax, stamp duty, and National Insurance Contributions;
- administering Tax Credits;
- providing valuation services for rating; council tax; Inland Revenue and other public sector purposes;
- providing policy advice to Ministers in all the above areas;
- administering Oil and Gas Royalties and enforcing the National Minimum Wage on behalf of Department of Trade and Industry;
- collecting student loan repayments.

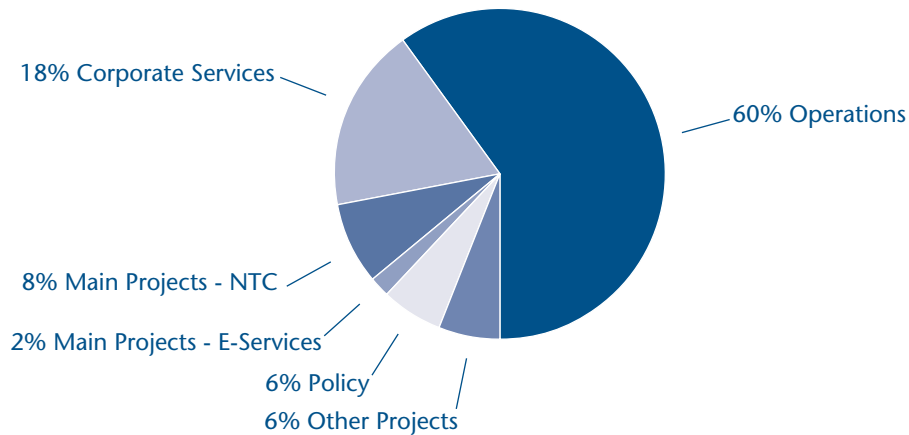
Policy advice and services in relation to the valuation of land are provided by the Valuation Office Agency, an Executive Agency within the Inland Revenue, managed by a Chief Executive who is accountable to the Chairman of the Board, and through the Chairman to the Chancellor of the Exchequer.

Organisation



The 2000 Spending Review set new plans for public spending for 2001-2004. The Revenue's Public Service Agreement (PSA) targets are set out in the White Paper "Spending Review 2000: Public Service Agreements", (Cm 4808), July 2000. The chart below shows how we will be spending our budget for 2002/03.

Department's Funding Allocation (£k2,828,610)



The department's PSA 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.

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

Performance Targets:

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.

Inland Revenue Business Direction

Our core purpose is to ensure that everyone understands and receives what they are entitled to and understands and pays what they owe, so that everyone contributes to the UK's needs.

Our aim is that people will see the Inland Revenue as here to enable as well as to regulate

We will achieve that aim by becoming a customer-focused organisation which has transformed its relationships with both customers and stakeholders.

Customers

We will deliver the services customers need when and where they need it by understanding how they can most easily comply with their obligations and obtain their entitlements.

To do this we will

- research customer behaviour and learn from their experience of dealing with us
- use our data about customers and their contacts with us to target customer support, inform process change and policy making
- widen customers' ability to contact us how, when, where and through whom they want
- be seen as demonstrating that we are all knowledgeable, objective, human, clear, reasonable and efficient
- provide consistent, accessible and simple to use guidance to customers, colleagues and intermediaries
- provide customers, colleagues and intermediaries with a single shared view of contacts and customer information.

Community

We will do all we can to help people to comply while effectively detecting and deterring those who choose not to, thus ensuring that

- everyone makes a claim or complies who should do
- we pay out and collect the right amounts, and
- we maximise our cost effectiveness.

To do this we will

- measure our success in terms of how far we have changed customer perception
- reduce the costs of compliance
- support compliance either directly ourselves or through intermediaries whom customers trust
- ensure compliance using an appropriate range of help, education, incentives, risk assessment, leverage, enquiries and deterrents
- be seen to have an effective regime to detect and deter those who would not want to comply
- work closely and effectively with Ministers to deliver policy outcomes
- promote the maximum use of electronic channels
- demonstrate to our stakeholders effective delivery of our objectives and increased productivity through the use of clear outcome-focussed organisational performance information.

Processes

We will have simple and easy to use processes which are designed to suit the needs of the compliant majority and minimise the need for unnecessary contacts between customers and our staff.

To do this we will

- eliminate inaccurate data at source by developing e-channels as the preferred method of contact with customers, particularly businesses
- enable intermediaries to provide data in the form we need
- maintain the security of customer data
- provide an information and knowledge base to all staff which
 - allows us to share knowledge and information across the organisation and with our customers, stakeholders and intermediaries
 - shares data across our systems so it is input once but used repeatedly
 - allows us to mine data to support our service and compliance functions and enables us to offer proactive support for government policies
 - provides accurate and timely performance information to managers.

Staff and knowledge

We will be seen as an employer of choice who values each person's contribution to the business.

To do this we will

- align jobs with customers' needs
- retain a flexible workforce with the variety of skills needed to deliver our business
- have a management culture that
 - develops leaders who work together, are open to ideas, help colleagues through change and develop them
 - makes informed decisions based on relevant, reliable and validated performance information, and
 - ensures everyone knows how he or she contributes to the success of the department through understanding and delivering our core purpose.

Medium Term Strategy

Our Medium Term Strategy outlines our plans towards delivering the Business Direction over the next three years. The main thrust of what we want to do, which includes what we are calling our transformational agenda, is to deliver

- rapid expansion of e-services
- a cleaning up of our current data bases
- better on-line guidance and support (“content”) for our own people, especially those dealing with the public by telephone, and for customers, in due course via self-service from the web
- better information and data management, in particular greater internal re-use of the data we receive.

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 (COP 1 and Notice 1000) and Codes of Practice.

Delivering Better Public Services

PSA target

Deliver year on year improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements.

Progress 2001/02

We are assessing performance against this high level outcome by our performance against our supporting Service Delivery Agreement targets. The table below shows progress so far and our targets for 2002/03. Full details of 2001/02 results will be in the Inland Revenue Annual Report to be published later this year.

We are very pleased that we have met both our targets for IT Self Assessment returns. We have both reversed a four year downward trend and hit the target for returns filed by the due date with 90.6% of returns filed on time. We received 8,253,000 returns out of 9,113,000 issued. And our new Receivables Management Service has met the target for returns filed within 12 months of the due date.

SDA Target	2001/02 Target	2001/02 Progress	2002/03 Target
Compliance			
% of ITSA returns filed by the due date ^{1,2}	90.5	90.6	90.5
% of ITSA returns filed within 12 months of the filing date ²	96.4	96.4	96.4
% SA taxpayers who pay by due date	-	-	Target to be set later in the year
% SA taxpayers who pay within 12 months of due date	-	-	94 (new)
% of employers returns filed by the due date	-	-	Target to be set later in the year
% of employers returns filed within 12 months of the due date ³	-	-	95.2 (new)
% of employers who pay by the due date ⁴	49.5	50.6	50.6
% of employers who pay within 12 months of the due date ³	-	-	96.5 (new)
% of individuals who submit accurate returns	68	70	70
% of enquires worked to a fully satisfactory standard	91	88	89
% of our risk-based full enquires which result in the detection of non-compliance	76	75.4	76

Entitlements

WFTC/DPTC

number of eligible households receiving WFTC	-	m1.29	-
number of eligible households receiving DPTC	-	k32.4	-
% of WFTC applications processed within 5 working days	95	85.1	90
% of DPTC applications processed in 5 working days	95	87.5	90
% of WFTC applications calculated correctly	93	87.1	93
% of DPTC applications calculated correctly	93	95.4	93

NICs

% of notifications recorded by:

- 31 December 2001	90	90	90
- 31 March 2002	98	99	98

Repayments

% of repayments received in specialist repayment offices (IROs) dealt with within 20 working days	96	98.8	97
% of tax repayments in IROs calculated accurately	94	95	96

¹ We count returns received before close of play on 1 February 2002. This reflects the decision in the case of *Steeden-v-Carver*, which means that we cannot impose late filing penalties until 24 hours after the statutory filing date of 31 January.

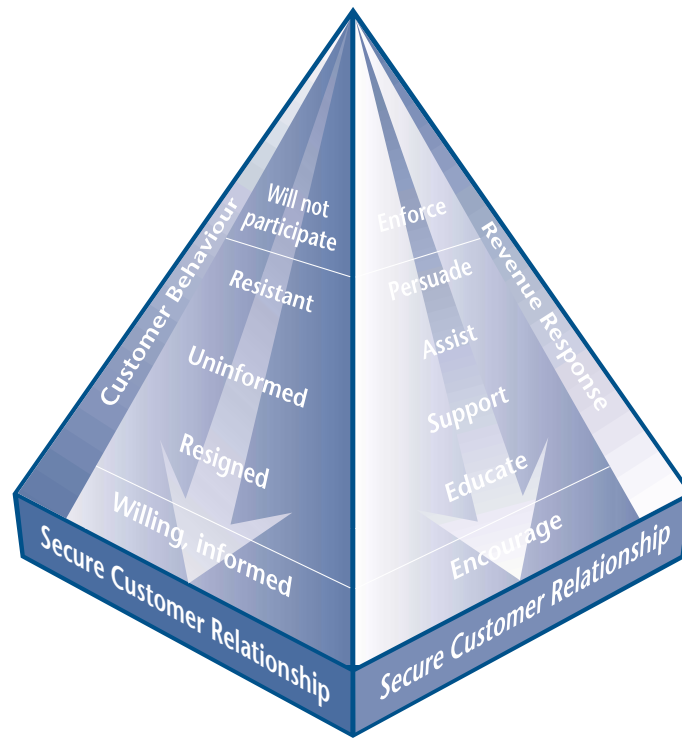
² We also exclude an estimate of returns never received by taxpayers.

³ Based on estimates only. Management information system changes to be made to provide data from April 2003.

⁴ Result reflects the % of employers paid up to date 4 working days after the due date (19th of each month). Management information system changes to be made to provide data on the due date from April 2003.

We carried out a number of initiatives in 2001/02 aimed at improving compliance with obligations and receipt of entitlements.

This approach is shown in the Model below which sets out a flexible range of responses, ranging from encouragement for those willing to comply, through to strict sanctions for those who persistently fail to do so.



Customer Support

We are initiating a customer relationship management (CRM) approach, which will include defining our main customer segments, identifying the main outcomes we wish to achieve with them, and then putting in place strategies and action plans based on customer responsibilities, needs and behaviour, to improve delivery to them, and their delivery to us. Examples of delivery already achieved are:

Employers

- continuing to build on the pro-active support offered by our business support teams (BSTs) to new and small employers and extending the service to include new, small businesses. Customer feedback showed that 96% of those receiving the BST service felt more able to comply with their obligations
- consulting with Employers and employer representatives and usability testing of some forms and guidance (relating to the Employers Annual pack). We receive feedback via surveys, which is incorporated into our work on improving forms and guidance (using evidence to inform the changes we make)
- working with DWP to introduce improved website guidance for Statutory Maternity Pay and Statutory Sick Pay. We also produced a revamped CD ROM for employers, as well as their paper pack, to encourage employers to obtain their guidance and forms electronically. We will be issuing a second CD ROM following the Budget
- working on major changes to the New Employer starter pack to produce interactive on line training material for employers and staff alike

Business

- introducing from January 2001 the Helpline for the newly self-employed. We also introduced the Starting Up in Business guide (with joint input from Customs & Excise) which has been very well received. It contains guidance and information about income tax, NICs, VAT, record keeping and where to go for further help when starting a business. The guide won a Plain English award in Autumn 2001
- exploring opportunities for a joint approach to business support and advice with Customs & Excise, including ascertaining customer needs and demand for joint support, and improving the links between the departments to provide a more seamless service
- producing web-based guidance (jointly developed with Customs & Excise), which explains the practical tax consequences of Internet trading especially for small & medium enterprises. It also contains information about electronic trading overseas, reliefs and incentives available to businesses engaged in e-commerce
- testing whether there are customer service and satisfaction improvements in dealing with large businesses as a single entity. The Large Business Joint Teams trials involve 14 joint Customs & Excise/Inland Revenue teams dealing with 14 of the UK's largest businesses. Each team has a senior client manager who co-ordinates their activities and acts as a single point of contact for the business for all of their tax affairs

Pensioners/Students

- undertaking separate reviews looking at the way we deal with pensioners and students. We are looking to deliver key improvements

Paying and Filing

- launching our Receivables Management Service to give a stronger focus on increasing payment and filing compliance and pursuing late payments and late returns
- setting up the Taxpayer Filing Initiative to improve our understanding of taxpayer behaviour and take forward ways of encouraging people to comply with their payment and filing obligations

Following the joint Inland Revenue and Customs & Excise Better Quality Services reviews on debt management and banking:

- a joint Voluntary Arrangements Unit was established in April 2001
- we have agreed to set up a single debt recovery operation for Inland Revenue and Customs that will build on our Receivables Management Service. Detailed planning work on this will begin over Summer 2002
- we are developing a Revenue payment methods strategy and investigating options for consolidating our existing cheque processing operations.

Plans 2002/03

We expect 2002/2003 to be a really demanding and challenging year. We need to consolidate the progress we have made in 2001/2002 and look for continuous improvement where we can. Key themes include:

- better quality processing, cleaner databases, and improved accuracy all round
- encouraging take-up of electronic business

- better focused, consistent and sustainable, enabling and customer relationship management, and
- better management.

The successful introduction of the new Child Tax Credit and Working Tax Credit is the Department's top priority for 2002/2003. As part of the preparations, we will be taking the opportunity to clean up our computer databases - which will also provide substantial benefits for other processes - and ensure that they remain clean. We will also be preparing for the transfer of Child Benefit.

We will be taking forward our Taxpayer Filing Initiative by continuing our research. For example, through a qualitative study into **why** taxpayers behave as they do when paying and filing, and evaluating the effectiveness of what we did this year, and planning our approach next year around the most cost effective actions.

Tackling Non-Compliance

We want to minimise non-compliant behaviour by actively helping and encouraging customers to comply. But we will deal appropriately with non-compliance and make it more difficult for customers to avoid their obligations. In a number of the more significant cases, we shall prosecute. We aim to maximise our effectiveness in this area by using a range of activities which reflect understanding of customer behaviour and assessment of the risks to compliance across different customer segments.

We will co-ordinate compliance activity across the Department. We are putting a process in place to manage all our modernising compliance initiatives in the local area network as a single body of work.

During the course of 2001/2 we have been appraising the effectiveness of our compliance activity. We have also been looking at how we can improve our effectiveness through the use of new performance measures.

Closer Working with Customs & Excise concentrates on our business taxation activities, the main area of overlap between the two Departments

- 20 Joint Shadow Economy Teams (JOSETs) have been operational across the UK since April 2001. From April 2002, following pilot work in 5 of the JoSETs, we will begin to introduce DWP staff into all of the JoSETs. In addition, two Joint Fashion Industry Teams were established at the same time. There is also a local project in Central England involving a multi-agency team
- an enhanced intelligence analysis facility, centred on the creation of three joint data warehouses with joint analytical teams
- all of our computer audit staff are now part of a joint Computer Audit Service with their colleagues from Customs & Excise. The joint service offers an enhanced facility for data mining and auditing of computer systems. The joint service is also working with software developers to improve the quality of commercial tax packages.

Plans 2002/03

Our aim in the coming year is to focus compliance activity with a number of key criteria in mind: broadening our approach to compliance to take on an enabling as well as regulating role, in particular:

- improving core compliance skills in case selection and enquiry
- introducing new performance indicators from April 2002 which will allow managers to have a wider appreciation of compliance
- increasing the number of key targets to reflect a balanced approach
- encouraging performance that is based on innovation, quality and maximum effectiveness
- providing a flexible framework within which managers can take responsibility for delivery.

We will also:

- work with other Government Departments to maximise the effectiveness of activity to support compliance and tackle non-compliance; this will include further development and implementation of the most successful initiatives from our Closer Working Programme with Customs & Excise
- continue to progress the Grabiner recommendations to target increased resources effectively and to improve inter-departmental co-operation in combating the hidden economy, including the continuing operations of Joint Shadow Economy Teams and Joint Fashion Industry Teams
- work in conjunction with DWP on minimising welfare fraud.

Counter Fraud Strategy

We are working on a new counter fraud strategy. This will:

- set out our strategic objectives for combating tax, NICs and tax credit fraud and give a clear picture of the way in which we co-ordinate anti fraud work across the Department
- explain how we identify levels of fraud and how we use risk assessment to target specific areas
- set out the way in which we tackle major fraud cases
- ensure that, where fraud is proven, we have flexible arrangements for redress, including asset confiscation under criminal justice legislation and civil recovery of tax, NICs and other duties.

Criminal Prosecutions

We will:

- operate a policy of selective prosecution, intended to bolster our overall enforcement strategy
- focus on cases where prosecution will do most to promote compliance with the law, by deterring tax, NICs and tax credit fraud.

Data Sharing

We are working with Customs & Excise to establish a cross government approach to data sharing to deliver the “Modernising Government” agenda. We will work to provide a proper and lawful basis for greater data sharing where this is cost effective.

National Minimum Wage (NMW)

We will enable our customers to understand and comply with their obligations, and where necessary use our regulatory powers to ensure compliance.

Targets	2002/03
Number of completed Investigations	6,000
% of cases where non-compliance identified	35
Standards achieved in casework	2.5 ¹
% of successful Tribunal cases	90
Number of enquiries	75,000 (forecast)
Number of complaints about non-payment of minimum wage	1,750

¹ *The aim is that each case worked by NMW compliance officers will score no less than 2.5 under the NMW Compliance Quality Initiative (CQI). 2.5 equates to 'case worked to a satisfactory standard'.*

PSA Target

Achieve a 2.5 point improvement in customer service by 2004, as measured by an annual customer service index.

Progress 2001/02

We have developed a new customer service performance indicator. In constructing the indicator, we have focused on:

- the major core processes which each customer group needs to deliver, in order to meet their responsibilities/gain their entitlements
- the extent to which the guidance and forms we provide to help them deal with those processes are perceived by them to be helpful (and, in the case of guidance, clear)
- whether they judge the help and information we offer by contact media (e.g. phones, IR Enquiry Centres, post, Internet) to be easy to obtain, clear and useful (in helping them grapple with the process and move on successfully) and satisfactory in terms of the time taken for us to provide it, and
- whether (assuming the requirements on them remain the same for the following year) they feel better or less able to cope with the process next time round.

The CSPI survey was carried out by phone, and will be high-level only: it cannot get into the detail of every problem or issue. That information will, as appropriate, need to be separately identified by swift pieces of follow-up qualitative research with a representative sample of the customer groups concerned. Based on that, we should then be able to identify exactly where improvement is needed, based on agreed priorities.

2001/02 has been a benchmark setting year for the new survey. The survey was carried out in December 2001 to January 2002. A benchmark score of 68.6 has been set against which improvement will be measured for 2002/2003 and 2003/ 2004.

Plans 2002/03

We plan to carry out a further survey in October/November 2002.

PSA Target

Deliver year on year reductions in compliance costs that act as a barrier to the establishment and growth of small businesses.

Progress 2001/02

We have been working on development of an appropriate baseline measure. This work will continue during 2002. Initiatives in support of this target centre around reducing the payroll burden, improving support through Business Support Teams and encouraging the use of IT.

Plans 2002/03

We will build on the initiatives already underway, and look for further improvements. Targets here are likely to focus on qualitative rather than purely quantitative, and measured by evaluation.

More generally our regulatory reform programme seeks to:

- **reduce burdens on business** and individuals wherever possible by looking at both processes and regulations to remove unnecessary regulatory burdens
- **improve the support service** that we offer businesses to help them cope with regulatory burdens.

The Government's Regulatory Reform Plan, published in February 2002, which can be viewed at www.cabinet-office.gov.uk/regulation/actionplan/index.htm, contains 14 Inland Revenue measures that confirm our commitment to:

- consultation
- reducing the cost and complexity of legislation and systems and
- better support.

PSA target

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%.

The main themes of our e services strategy which is available on our website at www.inlandrevenue.gov.uk are that it is:

Customer-driven - developing our understanding of the needs of our different customer segments, and in particular recognising that "one size does not fit all".

Joined Up - we expect to put increasing effort into establishing requirements and delivering solutions in conjunction with DWP, DTI and Customs & Excise.

Open Architecture - based on standards and a modular approach that provides an open framework capable of accommodating a very wide range of different customer needs, as well as providing a capability for joined up services with other agencies.

Build and learn - adopting where appropriate practices from successful private sector implementation of e-services, which are aimed at managing risk in a fast-moving and uncertain environment.

Progress in 2001/2002

Our Internet Website now has up to 1 million hits a week and is the most visited government Website after the Central Office of Information Press Release site.

We already offer around 40% of our services electronically and are well on the way to meeting the government's targets of offering 50% by 2002 and 100% by 2005.

We currently offer the following Internet services.

Internet service for Self Assessment

This enables individuals to send their Self Assessment tax return over the Internet and agents to send Self Assessment tax returns over the Internet for their clients who are individual taxpayers.

Internet service for PAYE

This service enables employers to send a range of forms and returns over the Internet.

PAYE Internet service for Agents, Payroll Bureaux and Intermediaries

Agents, payroll bureaux and other intermediaries can use this service to send a range of forms and returns over the Internet on behalf of their clients who are employers.

Electronic Payment Options

We offer a range of ways organisations and taxpayers can pay electronically.

Self Assessment tax can be paid by Debit card over the Internet or by Debit card over the phone.

Organisations can pay by Debit card over the Internet or by Direct Credit (BACS or CHAPS) using the electronic banking facilities offered by their bank.

In addition to the above services we also introduced a new service for companies in December 2001 - the Internet Corporation Tax service. This first part of this service, which was introduced to a small number of companies, enables them to view their liabilities and payments position online. The service uses portal technology and was designed in consultation with customers, in order to give them the services they requested in the order they requested them. We are currently expanding the service and offering it to other interested companies.

The Internet services are constantly being improved and refined in response to customer feedback. In the first year, to 31st January 2001, 38,981 individuals sent their returns over the Internet. This number increased by 94% to 75,449 for the equivalent period to 31st January 2002. A pilot project enabling customers to communicate with the department via email began in November 2001.

Plans 2002-03

These include:

- consolidation and extension of the SA and PAYE Internet services to improve usability, coverage and take up
- further expansion of the Internet Corporation Tax service. This will include allowing agents to look at their client companies liabilities and payments online
- new services for our customers, including external email, secure messaging, electronic output, and payments
- ensuring that there is an effective e-channel for existing developments, in particular with regard to new tax credits systems and processes.

PSA Target

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.

Progress 2001/02

We measure annual productivity by comparing the volumes of tax processing work, tax credit decisions, and National Insurance (NI) work items dealt with, with the number of staff deployed. We expect to meet the target for tax credits and NI productivity, but not the target for tax processing work.

Plans 2002/03

We aim to get back on track for tax processing productivity and also aim to improve value for money in the department through initiatives in the areas described below.

Resource Accounting and Budgeting

We fully implemented Resource Accounting in 2001/02. This is the first year in which accounts have been produced solely on this basis for the Department and follows the successful audit of 1999/00 and 2000/01 resource accounts.

Phase I of Resource Budgeting was introduced across the department in 2000/01, following successful experiments in three Executive Offices. In addition "shadow" Resource Estimates were produced in 2000/01 alongside Cash Estimates for the whole Department.

To ensure a smooth transition from cash to resource we budgeted centrally for the main non-cash elements (depreciation, cost of capital charges, and provisions). Information on these elements is included in operating statements at local level so that costs can be monitored and a track record built-up prior to the move to full resource budgeting in SR2002.

The Department is relaunching financial proficiency training during 2002. Following an appraisal of feedback, the training programme has been revised and pilots of new modules have been run. The training was introduced in 1998/99 to improve the financial management skills of key departmental managers and their financial advisers.

Procurement and Commercial Activities

The procurement function's aim is to deliver essential services in the commercial arena providing the whole Department with commercial solutions, value for money initiatives and commercial risk management. We now have almost 1500 users of the Government Procurement Card (GPC), significantly exceeding the CSR 1998 PSA forecast of 186. Against the Office of Government Commerce (OGC) target of 75%, 43% of key designated procurement posts are currently held by staff who are fully qualified or working towards a graduate level procurement qualification. We continue to pursue an active training programme to reach the OGC target.

The Commercial Group continues to raise the profile of procurement across government and has made a significant contribution to the work undertaken by the OGC, for example:

- the Inland Revenue was the first, and one of only three Departments, to achieve the Government's 90% E-Commerce target for electronic processing of low-value orders, and the only one to achieve it based on 'real' E-Commerce systems.
- the Department's 'Value for Money' return reported a 5.4% (£47.25 million) saving achieved during the year 2000/2001. The Inland Revenue is, therefore, well on track to make a significant contribution to the OGC target of a £1 billion saving over a 3 year period.

Other major achievements include:

- playing a leading role in the successful OGC negotiations with Microsoft for a pan-Government software deal resulting in substantial annual cost savings. The Royalty Agreement negotiated by the Inland Revenue with Microsoft on behalf of the Cabinet Office will allow for the sale of the system's core technology abroad. Sales of the system will earn the Government a significant royalty payment if anticipated sales are achieved
- the joint strategy paper for Closer Working in procurement with Customs & Excise to 2003
- the Department for Work and Pensions (DWP) signing up to the Inland Revenue's car hire contract. This joined up government initiative saved DWP £300k from 01/09/01 to 31/03/02
- the National Crime Squad and National Criminal Investigation Service have both signed Service Level Agreement's for the IR to run their car fleets from 1st December 2001, this cost saving cross-government paid service involves some 400 cars.

Current major objectives are:

- the enhancement of our E-Commerce functionality
- the commercial integration of the Child Benefit Office
- the commercial issues relevant to the delivery of new tax credits and the national roll-out of Call Centres
- the commercial issues relevant to the establishment of the Universal Bank and the Post Office Card Account (jointly with DWP and NISA)
- a new management consultancy framework to be in place by April 2002, available for use by all Departments.

Future plans include:

- building towards a fully inter-active E Commerce environment (including Electronic Procurement)
- providing commercial in-put to the ASPIRE (Acquiring Strategic Partners for the Inland Revenue) Project
- working with our print suppliers to use more recycled paper on forms and other published material.

Working with the Private Sector

The department has a strategic IT partnership with EDS which started in 1994. This gives it access to the latest IT developments in a range of areas, such as e-commerce both internally and externally. The contract with EDS runs until June 2004.

We also have a PFI contract with Accenture for the running and enhancement of the NIRS2 system which runs to March 2004. The department has the right to extend this contract for up to 3 further 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.

On 31 October 2001 the department announced its intention to run a competition for a technology services partner to support its tax, tax credits, National Insurance and other business beyond 2004. The technology partner, beyond 2004, will play a key role in changing the way we carry out our business and we are therefore looking for the right partner with the right skills to deliver this. More information is available at www.inlandrevenue.gov.uk/aspire.

Under the Selling Into Wider Markets initiative we continue to look for opportunities 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 IR services. 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 undertook a joint procurement exercise (known as STEPS). Ownership and management of their estates (excluding the Newcastle Estate) has been transferred to a private sector partner Mapeley. Under the terms of the contract, Mapeley is required to provide the departments with serviced accommodation. We achieved our CSR 1998 PSA target to achieve £5m efficiency savings by 31 March 2002 from our estate. An affordability exercise conducted as part of the STEPS negotiations showed that the successful Mapeley bid was more than £5m cheaper than the existing accommodation arrangements.

Projects involving Private Finance (£ million)

	Outturn 2000/01	Projection 2001/02	Projection 2002/03	Projection 2003/04
Estimated gross publicly sponsored capital	125	162	124	124
Of which:				
- capital spending (by private sector) on PFI projects ¹				-
- capital spending by public sector under conventional procurement ²	125	162	124	124
Net current payments by public sector under private finance contracts ³	12	196	204	209
Of which (%): Central Government	100	100	100	100
Local Government	-	-	-	-
Public Corporations	-	-	-	-

¹ Capital spending by the private sector on deals signed (excluding NED, NIRS2 and STEPS).

² Excludes VOA.

³ Deals already signed including STEPS⁴ (excluding NED and NIRS2).

⁴ STEPS costs are made up of IR costs and Customs & Excise.

Departmental Investment Strategy

The profile of capital expenditure is changing within the Department. The STEPS project and the move towards leasing cars will result in reduced capital spends in these areas. However capital spending will increase in the IT area due to a change in the accounting treatment of software development and EDS purchased assets, resulting in reclassification from running costs to capital. The main areas of investment over the period to March 2003 will be in new policy development (new tax credits), E services and IT infrastructure. Most of this expenditure will be in the area of IT. A revised 2002 Departmental Investment Strategy forms part of our 2002 Spending Review.

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.

The Revenue has been successful in six bids.

- 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.
- The use of intelligence in Closer Working - a successful joint bid with Customs & Excise which provides for the development and establishment of joint data warehouses and intelligence analysis teams, bulk data sharing across government, and the increased use of joint intelligence in our informal economy efforts.
- 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 and reduce error correction at End of Year Processing.

Invest to Save

Funding shown in £K

Round One	£K	1999/00	2000/01	2001/02	2002/03
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
Round Two					
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
Closer Intelligence Project (joint with Customs & Excise), including bulk data exchange	Current		681	444	462
	Capital		128	120	60
Operational Intelligence work (again joint with Customs & Excise) - including part funding for JoSETs, JoFITs, Joint Computer Audit Service	Current		2,954		
	Capital		nil		
Round Three					
Electronic Transmission of Employee Information	Current	0	0	447	42
	Capital	0	0	0	0

Round One

Funds agreed by Treasury in Letter 22 December
1998

Round Two

Funds agreed by Treasury in Letter 8 February
2000

Round Three

Funds agreed by Treasury in Letter 16 February
2001

Round Four Bidding Round

An IR expression of interest for a Charities Helpline for Tax issues, in partnership with Customs and Excise and The Charities Commission has been successful. The project is funded for £95K in 2002/03. The helpline (jointly run by the Inland Revenue and HM Customs and Excise) will provide a single point of contact for enquiries on direct and indirect tax issues.

Capital Modernisation Fund

The Capital Modernisation Fund was set up to enable Departments to modernise and renew capital stock and to provide innovative methods of delivering quality public services.

In Round 2 we received funding for a "Shared Internet Service". IR were awarded £30m but then transferred £15m to the Cabinet Office who have the lead on this. The project was funded for one year, 2000/01, with flexibility to carry the funds forward to future years. The funds left with IR were intended to facilitate our use of the Government Gateway

In Round 4 we were successful with a Project called "Integrated Citizen Tracing Facility". The Project is funded for 2 years at a cost of £2.4m (£1.1m for 2002/3 & £1.3m for 2003/4).

The Project is aimed at developing a new integrated indexing system for citizens that will be used jointly in a tracing and customer referencing service by both the Inland Revenue and DWP. The system will provide a single authoritative source for citizen identity based on the latest information available from both Departments and will incorporate new levels of validation to reduce fraud.

Long Term Capital Projects

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

Modernising Government

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.

Policy

We 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 following measures which contribute to sustainable development aims:

Maintaining high and stable levels of economic growth and employment

- improvements to all-employee share ownership plans and enterprise management incentives
- improvements to the enterprise investment scheme, corporate venturing scheme and venture capital trusts
- extensions to the scope of capital gains tax business assets taper relief
- abolition of withholding tax at source for most payments between companies subject to corporation tax.

Contributing to social progress which recognises the needs of all

- continued plans for the introduction of a Working Tax Credit and a Child Tax Credit from 2003
- introduced a higher Children's Tax Credit in the year a child is born, which applies from April 2002
- the development of a tax credit and related measures to encourage the development and distribution of vaccines and drugs.

Meeting environmental objectives

- finalised a new system of statutory mileage rates, which applies from April 2002
- increase in tax free mileage rate employers can pay for cycle use
- passenger rate of 5p per mile to encourage car sharing on business journeys
- extension of the threshold for works buses qualifying for tax exemptions
- introduced 100 per cent capital allowances for flats over shop
- enhanced capital allowances for Energy Saving investments
- introduced a stamp duty exemption for land and property transactions in disadvantaged areas
- introduced an accelerated payable tax credit for the costs of cleaning up contaminated land.

Plans 2002-03

There are a number of new policy initiatives for 2002-03, which will help us to meet this target. They include:

- continuing to plan for the introduction of a Working Tax Credit and a Child Tax Credit from 2003
- reductions in the small companies' and starting rate of corporation tax
- the introduction of a volume-based R&D tax credit for large firms
- a package of measures to modernise the business tax system, including

- an exemption for capital gains and losses on substantial shareholdings
- a new tax regime for providing relief to companies for the costs of intellectual property, goodwill and other intangible assets
- reform of the rules governing withholding tax at source
- a new regime for loan relationships, derivative contracts and foreign exchange gains and losses
- making improvements to the capital gains tax business assets taper relief
- the introduction of a community investment tax credit
- the abolition of stamp duty on all non-residential property transfers in disadvantaged areas, subject to state aids approval
- the development of a new fuel scale charge for employees who use a company car and receive free fuel, based directly on the CO2 emissions of the car
- further support to community amateur sports clubs and charities through the tax system
- modernising the current stamp duty regime for property
- important changes to the North Sea tax regime.

Reducing the cost and complexity of legislation and systems.

As a first step to implementing the Regulatory Reform Plan - see page 17 - Budget 2002 contained measures to help business and individual taxpayers in their dealing with Government:

- further reform of the rules on deducting tax at source from corporate interest and royalty payments to reduce the number of occasions when tax has to be withheld at source
- simplification of the rules for life insurance companies investing in venture capital partnerships, will reduce compliance costs and encourage investments. This measure will take forward recommendations made by Paul Myners in his review on institutional investment
- a package of measures simplifying the capital gains tax system, designed to help employees and business and typically reduce the tax compliance cost.

And for small businesses, Budget 2002 announced a three-stage move towards universal electronic filing of employer PAYE returns, with financial incentives to encourage small employers to make greater use of IT, as recommended by the Carter Review of Payroll Services.

When new regulations are necessary we ensure that they are fair, properly costed, simple to understand and practical to comply with; they are written in a clear and user friendly way, and all significant regulatory proposals are accompanied by an assessment of the benefits and costs. In the year to 31/03/02 we issued six full Regulatory Impact Assessments (RIAs) and a further seven were published alongside Budget 2002. Three partial RIAs are currently out for consultation. All of our RIAs are published on the Consultation pages of the Inland Revenue website, and are also available on request.

Consultation

We consult widely on a number of issues, in particular to ensure that those affected by regulatory proposals have their say. We consult regularly with a wide range of bodies and representatives on matters affecting them.

We have adopted, and follow, 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 that they best meet the needs of those affected, while still meeting the Government's objectives for a fair and efficient tax system. They include:

- a review of small business taxation
- an exemption for capital gains and losses on substantial shareholdings
- a new tax regime for providing relief to companies for the costs of intellectual property, goodwill and other intangible assets
- a new regime for corporate debt, financial instruments and foreign exchange gains and losses
- stamp duty for disadvantaged areas
- new tax credits
- a more environmentally friendly fuel scale charge.

We also consulted on the recommendations of a review of payroll services, conducted by Patrick Carter.

We conducted a review of the links between the Inland Revenue and large corporates. This was designed to review how effectively the Inland Revenue draws on large businesses' experience of the tax system to inform operational policy, and to explore with them the scope for improving the Inland Revenue's handling of administrative processes.

We have also consulted interested parties to help quantify the regulatory impact of new legislation and their comments are reflected in Regulatory Impact Assessments.

Copies of consultation documents can be obtained from the Consultation page on the Inland Revenue website.

Sustainable Development (including Environment)

Our Green Minister is John Healey, Economic Secretary to the Treasury.

As a large employer and key Government department we are continuing to develop a greater understanding of sustainability issues so that we can strive for a better quality of life for all.

We are committed to the achievement of continual improvement in our environmental performance and pollution prevention and in supporting Government objectives for sustainable development.

Set out below are some of the achievements the Inland Revenue has made in contributing to sustainable development.

Targets

The Inland Revenue has been set a number of environmental targets by the Government and other external authorities, and we have also set ourselves internal targets. In April 2001 our estate transferred to Mapeley under a PFI project. Mapeley are contractually required to work with us to improve our environmental performance, with particular attention being paid to utility consumption and waste management. The following summarises our progress to date.

Energy

The Department has met the Government target for reducing its total energy usage by around 20% since 1991. With Mapeley 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. For water we have joined the Government backed 'Watermark' initiative which will give us the capability to benchmark across a larger number of buildings.

The department is working closely with Mapeley to meet the Government target to have 5% of their total consumption of electricity generated from renewable sources that are Climate Change Levy (CCL) exempt by 2003.

Environmental Management Systems (EMS)

The Accounts Office at Cumbernauld has gained ISO 14001 accreditation (the international standard by which EMS are measured) and the Accounts Office at Shipley and the Longbenton site should also be accredited within the next twelve months.

Recycling

All of our buildings with 50 or more staff have recycling or waste minimisation schemes in place. Additional processes are being put in place by Mapeley to appoint a nation-wide contractor for recycling at all our sites. This will include but not limited to, paper, CD's, batteries, fluorescent tubes, glass and toner cartridges etc.

Travel plans (formerly Green Transport Plans)

All Inland Revenue sites have travel plans in place, with individual site targets for reducing the environmental impact of travel to and from those sites.

Financial incentives have been given to our company car drivers to make smaller Eco-friendly cars more attractive. Over the last 3 years a third of the fleet has downsized to less than 1400cc. Our fleet is changed on a regular basis to ensure that we benefit from up to date vehicle technology. We have introduced training on environmentally friendly driving techniques. 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 have produced a green procurement plan, which includes working with our key suppliers to help improve their environmental performance, and introduced benchmarking and pilot schemes to increase the use of recycled materials and environmentally friendly consumables. We are working closely with Customs & Excise and have drawn up an environmental assessment tool for all our procurement work and this is currently under evaluation with some of our major suppliers.

Quality Public Services

Better Quality Service Reviews

Progress

Better Quality Service Reviews have included Debt Management, Banking (including payment processing) and Enquiry centres, Capital Taxes, Policy making and Human Resources Management.

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.

Plans for 2002-03

Our programme includes Processing Tax Returns and Information, Telephone work and Contact Centres, Centre for non-residents, Maintaining Taxpayer Information and PAYE coding. Others including proactive support (Business Support Teams) and Corporate Support are still in progress. The programme is flexible, to allow us to adapt to changes in Departmental strategies and the wider world of Government. We plan to have reviewed 70% of the Department's work by March 2003.

We have been using Benchmarking as a review technique and as a tool to ensure continuous improvement of our business processes. We aim to initiate benchmarking work on another of the Department's major processes during 2002-2003.

Continuous Improvement and use of the EFQM Excellence Model

During the past year we have continued to make extensive use of the Model throughout the Department, building priority improvements into Operating Plans. In November 2001 the Board carried out a cross-departmental EFQM review: the outcomes have fed into our planning for 2002-03.

The Staff Suggestion Scheme, known as Ideas In Action (IIA), continues to provide an important channel for staff to contribute good ideas for improving the way we work and the service we provide to customers. Over 4000 suggestions are received each year and cost savings from those ideas are over £1 million. Awards to staff are over £100,000 per annum.

We now want to build upon IIA and a range of other tools (including EFQM, Charter Mark and Investors in People) making improvements in a better planned, co-ordinated, cohesive way. Work on this has already begun.

Managing people

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.

Our approach to People issues is founded in the belief that the primary purpose of all HR management is to help the Department deliver its business objectives. At a time of organisational and business change it is especially important to maintain this clear focus.

Particular changes in the Department's business with significant people impact which we have taken into account in our people management work this year include:

- the reorganisation of our local offices into Area Management
- the development of e-services
- the creation and transfer of new functions for the Inland Revenue.

These challenges place an increasing emphasis on creative and flexible management, on making the best use of our people, and on their development. Our focus this year has been on these 3 areas.

Creative and flexible management

This year we have rolled out a comprehensive framework of Management Standards across the Department. These are based on those developed by the Management Charter Initiative, refined and piloted in the Revenue to ensure their relevance to our work. All managers can use these to help them to perform more effectively in their management role, and to support their development. We are also piloting an assessment process which measures managers' performance against the Standards.

Making the best use of our people

We have continued to select internal candidates alongside graduate recruits for our Fast Stream and Inspector Training programmes. We have also continued to build on last year's introduction of the Professional Management Careers programme to develop junior and middle managers to more senior levels. Work continues to improve our approach to all internal selection.

We have made progress towards our SDA targets on Diversity and Managing Sickness Absence. Highlights include

- a significant increase in the proportion of women in the Senior Civil Service within the Department, to within 3% of the 2005 target
- a reduction in levels of sickness absence by around 5% from those in 1998, and
- a significant reduction in levels of ill-health retirement, already better than our 2005 target.

There is however no room for complacency in these two areas and work continues across the full range of our SDA targets. We continue to promote our Fit for Work Initiative and have put in place a new Occupational Health Contract with BMI Health Services. We aim to strengthen our health and safety performance in the coming years by implementing the Civil Service wide recommendations in the Revitalising Health & Safety Initiative. Our emphasis in Diversity is that this is not an initiative, but an approach to delivering the business through and to diverse people. For example, business units are integrating Diversity and Equality plans with their overall business planning process.

Development

This year we have introduced a new competence framework across the Department for use in development and selection. This reflects the current and future challenges which the business faces. The continuing implementation of our Learning Strategy alongside the recommendations of the Better Quality Services Review of Learning has in particular focused on restructuring and strengthening the corporate governance of all Learning activity.

We have built on the individual recognition as an Investor in People of each of our business areas (achieved by March 2000) and achieved corporate recognition in December 2001.

Plans 2002/03

We have reviewed our strategic approach to People issues to develop a new People Strategy for 2002 and subsequent years. This work is going forward in tandem with a Better Quality Services review of HR services across the Department. The Strategy is firmly grounded in a forward look to priority business deliverables in the coming years:

Emerging thinking around the People Strategy prioritises people activity in the Department under the following categories:

Enhancing management and leadership capability: we need to enhance, value and reward management and leadership at all levels to deliver the business, bring about change, and build the skills and flexible approaches to work that we will need.

Developing the right skills and knowledge: we need to define the skills and knowledge we need in the context of a changing business, and we need our people to be able to acquire new skills to deliver that changing business. We need to map the skills we already have and make best use of them.

Building a flexible workforce: we need a mix of people who deliver services when and through channels customers want, who can tackle non-compliance effectively, who provide internal support and other specialist services, and who collectively are capable and willing to meet the varying demands our business will place on them.

Taking forward strategic HR planning: we need to keep our people priorities under review and continuously ensure that they are aligned with changing business priorities; and we need to ensure that we have the right numbers and skills in place to deliver the business.

The identification and implementation of specific activities informed by the Strategy, and the findings of the BQS review will set the direction for people activity in the coming years.

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

These aims are supported by our business values:

- 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.

Results against Key Targets 2001/2002

Operational	Provisional Results
To clear 90% of 1995 list rating appeals and 45% of 2000 list rating appeals outstanding on 30 September 2000	Yes
To clear council tax appeals equal to the number received in the 12 months to 31 December 2001 up to a maximum of 42,000 in England and 3,700 in Wales	37,285
To generate income of at least £13.5million	£15.9m
To clear not fewer than the number of cases received from the Inland Revenue in the 12 months to 31 December 2001 up to a maximum of 48,000	42,420
Customer Service and Quality	
To achieve specified standards for valuation accuracy in 90% of cases	91%
To meet timeliness targets in 90% of cases	91%
To secure Charter Mark awards for 50% of our Groups by 31 March 2002	56%

Finance and Efficiency

To recover full resource costs, including a return on capital of 6%, from fees and charges	Yes
To achieve an increase in our efficiency index to 1.175	Yes

Key Performance Indicators 2002/2003

Valuation Accuracy

Contain reductions in 2000 rating lists to less than 7.5% in respect of compiled list appeals settled in 2002/2003, and to a maximum of 4.7% of the total compiled list rateable value over the entire life of the 2000 rating lists.

Programming

Make draft programmes available by the 30 July each year, publish final programmes by 1 October each year, and to adhere to the start date in 95% of cases.

Other major tasks

As a step on the path to more public acceptance of valuations in Revaluation 2005, implement by April 2003 the recommendations coming out of the evaluation of the local ratepayer panels pilots.

Customer satisfaction

Improve customer satisfaction, as indicated by annual customer surveys, year on year. In 2002/2003, the target will be 85% satisfaction.

Value for money

Improve value for money by achieving annual productivity gains of at least 2.5% per year.

Land Services

Bring in fee income to cover its share of VOA costs and to increase income by 10% year on year. For 2002/2003 the income target will be £14.8 million.

People satisfaction

Improve annual satisfaction rating given by staff for working with VOA. In 2002/2003 we will undertake a survey which will act as the baseline against which future performance will be assessed.

Financial "break even"

Recover full resource costs, including a return on capital of 6%, from fees and charges.

Detailed planning information is contained in the Agency's Forward Plan.

Publicity Campaigns 2001/02

Self Assessment

The Self-Assessment advertising campaign this year featured the character 'Mrs Doyle' from the Channel 4 comedy 'Father Ted'. This character was chosen to 'chivvy' people, in a light-hearted way, into filing their tax returns on time. The ads featured on national television and radio stations, in the national and local press and on the internet. The advertising appeared in three main waves, the first ran in July to September and was encouraging people to file their returns before the 30th September. The second wave ran in November and prompted the ease of filing returns via the Internet and the third wave ran in January and reminded people of the final SA deadline of the 30th January. Since the campaign, there has been an overall increase in filing figures, we have met this year's target and there has been a 94% increase in online filing.

Share Incentive Plan

The Share Incentive Plan (SIP) advertising campaign is designed to raise awareness among small and medium companies of the benefits of introducing an employee share ownership scheme. The advertising featured in national and specialist business press and also on-line. A direct mail shot is also planned to be sent out to coincide with the advertising to 40,000 directors of small and medium companies. A series of SIP roadshows was organised at 13 venues throughout the UK in November.

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.

Children's Tax Credit

Following the 3rd phase of CTC which ran during February and March 2001 using TV, Press and Radio running up to the implementation date in April 2001, we are currently distributing claim packs along with an information flyer via the Bounty Pack system to all new mothers.

Internet service for PAYE

Following the launch campaign in Feb-April 2001, a further national campaign ran during March 2002 using the same media as the first phase, i.e. national, regional and business press, trade magazines, radio and the Internet.

Working Families' Tax Credit

Following the 1st four major phases of publicity, advertorials in Maternity Magazines continued a presence throughout late 2001. A final phase of advertising was conducted in early 2002 using press and radio.

Disabled Person's Tax Credit

A final phase of advertising ran during March 2002 using advertorials in specialist press to both intermediaries and end-users. A radio campaign will also be undertaken, alongside an ad campaign on the Internet on relevant sites and a direct marketing exercise to intermediaries.

Analysis of Senior Civil Service Staff by Pay (as at 1/4/2001)

	IR	VOA
Below £49999	0	0
£50000 - £54999	3	0
£55000 - £59999	28	0
£60000 - £64999	79	3
£65000 - £69999	69	3
£70000 - £74999	33	0
£75000 - £79999	18	2
£80000 - £84999	17	0
£85000 - £89999	8	1
£90000 - £94999	2	0
£95000 - £99999	1	0
£100000 - £104999	2	1
£105000 - £109999	2	0
£110000 - £114999	0	0
£115000 - £119999	1	0
£120000 - £124999	0	0
£125000 - £129999	0	0
£130000 - £134999	1	0
TOTAL	264	10

Staff Numbers (Staff Years)

	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Plans	2003-04 Plans
Inland Revenue							
Permanent Staff	49,461	49,420	59,836	62,657	63,630	67,534	67,442
Overtime	1,597	1,831	1,594	1,152	946	735	703
Casuals	637	715	970	641	914	355	357
Total	51,695	51,966	62,400	64,451	65,490	68,624	68,502
Valuation Office Agency							
Permanent Staff	4,242	3,996	3,973	3,863	3,779	3,780	4,040
Overtime	10	15	13	8	10	10	10
Casuals	42	52	18	69	20	30	30
Total	4,294	4,063	4,004	3,940	3,809	3,820	4,080
Total Inland Revenue	55,989	56,029	66,404	68,390	69,298	72,444	72,582

Table 1
Public Spending

	1998-99	1999-00	2000-01	2001-02	2002-03	£ '000 2003-04
	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Consumption of resources:						
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 entitlement	2,060,078	2,192,458	2,336,559	2,554,105	2,805,470	2,818,756
Total Inland Revenue Resource	2,060,078	2,192,458	2,336,559	2,554,105	2,805,470	2,818,756
Budget						
<i>of which</i>						
Inland Revenue departmental expenditure limit (DEL)	1,882,470	2,018,924	2,180,096	2,280,475	2,524,032	2,525,877
non-cash items in AME	145,506	143,534	135,651	242,420	254,938	261,669
Capital spending:						
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 entitlement	108,781	118,326	-156,941	156,561	129,555	129,720
Total Inland Revenue Capital	108,781	118,326	-156,941	156,561	129,555	129,720
Budget						
<i>of which</i>						
Inland Revenue departmental expenditure limit (DEL)	108,781	118,326	-156,941	156,561	129,555	129,720
Total Public spending on Inland Revenue	2,053,867	2,190,696	2,061,108	2,516,298	2,730,705	2,741,823

¹ Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation.

² Most non-cash items AME will move into DEL when DEL is measured on a full RAB basis after the SR2002 Spending Review.

³ AME may contain spending other than non-cash items. A full breakdown of budgets into their DEL and AME and voted and non-voted component is contained in the Supplementary Budgeting Information which accompanies the Main Estimates.

Table 2
Resource Budget

	1998-99	1999-00	2000-01	2001-02	2002-03	£'000 2003-04
				Estimated		
Consumption of Resources by activity:	Outturn	Outturn	Outturn	Outturn	Plans	Plans
To collect the right revenue and give the right entitlements at the right time	2,060,078	2,192,458	2,336,559	2,554,105	2,805,470	2,818,756
<i>of which</i>						
Delivering improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements	2,035,272	2,166,516	2,324,735	2,527,353	2,779,390	2,789,162
Making payments of rates to local authorities on behalf of certain bodies	32,102	30,000	20,812	31,210	26,500	31,210
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes	-7,296	-4,058	-8,988	-4,458	-420	-1,616
Total Resource Budget	2,060,078	2,192,458	2,336,559	2,554,105	2,805,470	2,818,756
<i>of which</i>						
Departmental expenditure limit (DEL)	1,882,470	2,018,924	2,180,096	2,280,475	2,524,032	2,525,877
Non cash items in AME	145,506	143,534	135,651	242,420	254,938	261,669
<i>of which</i>						
Depreciation	114,992	120,088	118,510	194,368	204,320	206,653
Cost of capital charges	30,584	26,640	18,780	55,702	56,148	56,666
Changes in provisions	-70	-3,194	-1,639	-7,650	-5,530	-1,650

Table 3
Capital Budget

	1998-99	1999-00	2000-01	2001-02	2002-03	£'000 2003-04
	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Capital Budget						
To collect the right revenue and give the right entitlements at the right time	108,781	118,326	-156,941	156,561	129,555	129,720
<i>of which</i>						
Delivering improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements	100,330	113,152	-161,884	151,279	123,008	123,221
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes	8,451	5,174	4,943	5,282	6,547	6,499
Total Capital Budget	108,781	118,326	-156,941	156,561	129,555	129,720
<i>of which</i>						
Departmental expenditure limit	108,781	118,326	-156,941	156,561	129,555	129,720

Table 4
Capital Employed

	1998-99	1999-00	2000-01	2001-02	2002-03	£m 2003-04
	outturn	outturn	outturn	projected	projected	projected
<i>Assets on balance sheet</i>	681	732	463	518	499	424
Fixed Assets						
<i>of which:</i>						
Land and buildings	236	295	6	5	0	0
Office and computer equipment	109	95	91	89	86	70
Vehicles	20	15	15	8	0	0
Furniture	48	52	51	51	51	51
Developed software	155	176	196	227	276	238
EDS held IT equipment	113	100	105	139	87	65
Current assets	156	235	393	392	391	390
Creditors (>1 year)	-131	-179	-181	-143	-103	-64
Creditors (>1 year)	-96	-89	-73	-54	-35	-16
Provisions	-14	-26	-27	-19	-13	-12

Table 5
Administration Costs

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
£'000						
Gross Administration costs						
Paybill	1,218,491	1,433,109	1,511,625	1,500,370		
Other	1,007,568	1,018,937	1,084,667	1,260,725		
Total gross administration costs	2,226,059	2,452,046	2,596,292	2,761,095	3,015,683	3,013,765
Related administration cost receipts	-279,589	-518,566	-561,052	-593,105	-576,737	-566,313
Total administration costs	1,946,470	1,933,480	2,035,240	2,167,990	2,438,946	2,447,452
<i>of which</i>						
Departmental expenditure limit	1,800,964	1,789,946	1,899,589	1,925,570	2,184,008	2,185,783
Non-cash AME	145,506	143,534	135,651	242,420	254,938	261,669
Total net administration costs by activity						
Delivering improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements	1,950,336	1,928,233	2,036,301	2,167,825	2,438,806	2,448,578
Providing timely, accurate, impartial and best value solutions in respect of valuation services for rating, council tax and other public sector purposes	-3,866	5,247	-1,061	165	140	-1,126
Total net administration costs	1,946,470	1,933,480	2,035,240	2,167,990	2,438,946	2,447,452
Controls and limits						
Administration costs limits for gross controlled areas						
Inland Revenue	1,894,660	2,063,138	2,245,843	2,326,521	2,566,610	
Total administration costs limits for gross controlled areas	1,894,660	2,063,138	2,245,843	2,326,521	2,566,610	
Administration costs limits for net controlled areas						
Valuation Office Agency	-9,360	809	-8,248	-6,054	-6,347	
Total administration costs limits for net controlled areas	-9,360	809	-8,248	-6,054	-6,347	

Comprehensive Spending Review 1998: Public Service Agreement: Performance against key targets

- (i) collect the amount of forecast UK Revenue yield from the direct taxes and from National Insurance Contributions, subject to factors outside the department's control. The actual amount will be agreed annually with the Minister by April each year;

Result: Provisional receipts in 2001/02 are £212 billion broadly in line with the November 2001 pre-Budget forecast.

- (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;

Result: Met - the new Tax Credit Office was opened for business in October 1999 on schedule.

- (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;

Result: The score from the 2000 survey was 65. The Spending Review 2000 set a new target from 2001-2004 based on a new customer survey.

- (iv) implement Corporation Tax Self Assessment and Corporation Tax reform from 1 July 1999 to improve compliance and encouraging enterprise;

Result: Met - the new corporation tax self assessment system was introduced on time.

- (v) implement the Construction Industry Scheme from August 1999 to improve compliance;

Result: Met - the new construction industry scheme was introduced on time.

- (vi) continue to develop the tax system so that it underpins the Government's strategy on sustainable development, on encouraging work and enterprise and promoting fairness; and delivers environmental objectives;

Result: Met - measures introduced have included: Individual Savings Accounts, Working Families' Tax Credit and Disabled Person's Tax Credit; Children's Tax Credit, a new tax relief for corporate venturing and a research and development tax credit; a new all-employee share plan and Enterprise Management Incentives; and further support to small business, working closely with the Small Business Service and Customs and Excise.

- (vii) 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;

Result: Met - New rating lists for 1.7 million business properties were compiled on time and published on the internet.

- (viii) 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;

Result: Met - we collected 99.2%.

