





Capability Reviews: one year update




HM Revenue & Customs




HMRC has made good progress since the original Capability Review. The arrivals of the new Non-Executive Chairman and Chief Executive have been welcomed and have had an energising effect. The appointment of Dave Hartnett as Permanent Secretary for Tax is also widely supported. A new and improved vision has been produced. The Board needs now to turn the vision into a set of strategic objectives for the organisation which allows it to prioritise key activities and articulate a realistic action plan. Work on clarifying accountabilities has continued to progress and has been welcomed by staff. However, there is more work to be done to clarify accountabilities and respective roles at the top of the office. The relocation and reduction of staff as part of WorkForce Change has been slow and resources must be found urgently to accelerate this work.

Baseline

These scores are a baseline reflecting the assessment of capability in December 2007 and have not been updated. The summary below describes the Department's progress since then. There will be a full re-review published, including new scores, around two years on from the original review.

L1	Set direction		Urgent development area
L2	Ignite passion, pace and drive		Urgent development area
L3	Take responsibility for leading delivery and change		Development area
L4	Build capability		Development area

S1	Focus on outcomes		Development area
S2	Base choices on evidence		Urgent development area
S3	Build common purpose		Well placed

D1	Plan, resource and prioritise		Well placed
D2	Develop clear roles, responsibilities and delivery model(s)		Urgent development area
D3	Manage performance		Development area

At the original 2007 review the review team gave HMRC four areas for action to focus on. These were:

- Accelerate the pace of leadership throughout the organisation, in particular pushing the vision with passion, drive and pace
- Transform an information-rich, intelligence-poor department through better management information and evidence-based decision making
- Establish clear, simple lines of personal accountability and roles
- Reignite staff motivation and the credibility of and confidence in, and of, the senior leadership to lead successful transformation of the department.

Area for action 1: Accelerate the pace of leadership throughout the organisation, in particular pushing the vision with passion, drive and pace

The arrivals of the new Non-Executive Chairman and Chief Executive have been welcomed by HMRC. The appointment of Dave Hartnett as Permanent Secretary of Tax is also widely supported. The top team has brought a renewed focus on vision and strategy which has produced a new and improved vision for the Department. HMRC needs to continue its progress in turning the vision into strategic objectives for the organisation. The WorkForce Change programme progresses, with 86 per cent of staff knowing whether they work in an office which will remain part of the estate or whether they live within reasonable travelling time of an office where HMRC will retain a presence. The new Chief Executive's top priority in her first few months should be on increasing the pace of providing job certainty for staff, redeploying them across the Department and where necessary to other government departments.

Area for action 2: Transform an information-rich, intelligence-poor department through better management information and evidence-based decision making

Clearer personal accountabilities at Senior Civil Servant level have had a positive impact on people accepting responsibility for delivery and taking more responsibility for performance management. The Performance Committee has made progress in getting better performance information to make decisions and there is an increasing appetite for better information although there remain issues about data quality and accuracy. Managers and staff speak positively about the Knowledge, Analysis and Intelligence Unit. Once agreed, the new strategic objectives will allow the top team to align the Department's resources and performance information. The top team need to be clear that this will require tough decisions to slow down or stop some areas of activity or to restrict funding. HMRC should, by the start of the 2009/10 financial year, have a clear plan, with milestones and measurable goals which it can use to prioritise investment, streamline the performance management framework and drive the performance culture further through the organisation.

Area for action 3: Establish clear, simple lines of personal accountability and roles

Work on clarifying accountabilities has continued to progress since the six month point and has been welcomed by staff at all levels. However, there is more to be done to clarify accountabilities and respective roles at the top of the office. Clarity in lines of business has allowed their top teams to take clearer roles in performance management and communicate with staff more imaginatively and in a tailored way. Remaining uncertainty on key senior posts will be resolved shortly and the terms of reference for the new HMRC Board will be published shortly. Work on clear accountabilities below top team level should continue to be pushed down the organisation. For those with written accountabilities, HMRC needs to ensure that accountability letters are 'living documents', which become the bedrock for running the organisation and are kept constantly refreshed.

Area for action 4: Reignite staff motivation and the credibility of and confidence in, and of, the senior leadership to lead successful transformation of the department

The top team has continued to make progress with its communications efforts and has been successful in raising awareness of the new vision. There has been progress in tackling poor performance at senior levels. However, staff are reserving judgement on the new direction of the Department with concerns focused on the continuing WorkForce Change programme and a desire for a period of stability within the organisation – both in terms of the message and the top team delivering it. HMRC is unlikely to be able to make significant progress, including improving low staff survey scores on pride in working for HMRC, recommending the Department as a good place to work and how well change is managed until outstanding issues around WorkForce Change are resolved.

Conclusion

Considering the challenging circumstances for the Department, overall HMRC has made progress over the last 12 months and continues to make the most out of the opportunity the Capability Review process provides. The Department is aware of the key challenges that remain, especially around continuing to clarify accountabilities at the top and throughout HMRC and turning its vision into a set of strategic objectives and using them to prioritise and articulate a realistic action plan. Most importantly, the top team recognises the need for urgency in providing certainty for its workforce, redeploying staff across the Department and where necessary to other government departments.