



National Audit Office

HM Revenue & Customs

Core Skills at HM Revenue & Customs

Detailed methodology

DECEMBER 2011

Detailed methodology

1 This document provides a detailed description of the methodology we used for our report, *Core Skills at HM Revenue & Customs* (HC 1595, Session 2010–2012). A summarised methodology is available in Appendix One of the main report.

2 This report focuses on HMRC's core tax and operational delivery roles, and the technical and generic skills and knowledge those staff need to undertake their roles effectively. It does not cover the skills required by staff in other specialisms such as finance, information technology and human resources. While the report focuses on tax and operational delivery roles, we have covered more general aspects of HMRC's management of skills such as its skills strategy and how it assesses skills gaps, prioritises investment and evaluates whether training is leading to improved business results. The report covers the various elements that contribute to delivering skills including formal and informal learning, on-the-job experience and supporting systems HMRC uses to deliver knowledge.

3 The report is part of a wider programme of audit we conduct on HMRC. This programme includes our annual audit of HMRC's accounts and examination of its systems for assessing and collecting taxes, value for money studies, and other Department or cross-government work. In devising our programme we have regard to the NAO's three strategic themes of cost-effective service delivery, financial management and informed government. In undertaking this study, we took account of this broader programme of work, including recent reports on cost reduction and HMRC's PaceSetter programme to improve business operations.

4 The main elements of the methodology used for this report examining the value for money of HMRC's investment in skills are set out below. Our fieldwork took place between February and July 2011. This consisted of:

- document review and analysis;
- analysis of management information;
- financial analysis;
- examination of the Department's approach to carrying out quality assessment and evaluating learning outcomes;
- semi-structured Interviews with staff from business units, skills and development leads within the tax and operational delivery professions and centrally based skills and development leads; and
- consultation with private sector reference partners.

Document review and analysis

5 We reviewed a range of documents provided by the Department to examine its approach to establishing whether it has the right people with the right skills in the right places. We also reviewed previous NAO and PAC reports to examine action taken to date by HMRC in response to previous relevant recommendations.

6 Key documents included:

- Minutes of Board, Executive Committee, People Matters Committee and People Committee meetings;
- HMRC Skills Strategy 2011 (draft);
- Learning and Development Review, March 2008;
- strategy and planning documents for business areas;
- the Department's customer and staff survey;
- National Audit Office reports: *Handling Telephone Enquiries, HC 211, 2009-10; Management of Large Business Corporation Tax, HC 614, 2006-07; Reducing Costs in HM Revenue & Customs, HC 1278, 2010-2012; Identifying and meeting central government's skills requirements, HC 1276, 2010-2012; Pacesetter: HMRC's programme to improve business operations HC 1280, 2010-2012;*
- Public Accounts Committee and Select Committee reports: *Committee of Public Accounts, Management of Large Business Corporation Tax, 30th Report, HC 302, 2007-08; Treasury Select Committee 16th Report – Administration and Effectiveness of HM Revenue & Customs HC 731, 2010-2012.*

7 We reviewed the evidence to establish what the Department has done to assess the skills it needs, whether it has taken the appropriate action to address skills gaps and whether it has measures in place to assure itself that it is achieving value for money from its investment in skills.

8 We reviewed the Department's analysis of its 2010 and 2011 People Surveys. The People Survey is a Civil Service-wide survey of staff views, which includes five questions relating to staff skills.

9 We also reviewed the findings from HMRC's December 2010 Customer Survey. HMRC surveyed a sample of tax agents, small and medium sized business customers and individuals who had had contact with HMRC. The survey contained some responses which may indicate issues with skills.

Analysis of management information

10 We performed analysis on staff profile data. We examined turnover figures, distribution across the various lines of business and age profile to determine whether there were hotspots for skills gaps, for example due to impending retirements.

11 We examined average salary information by grade for 2009-10 and 2010-11 to establish whether there were any patterns indicating where skilled people may have left the organisation.

12 We examined the data contained within HMRC's online learning system to establish the delivery mechanism of learning, numbers of staff completing learning, average number of days spent learning and types of learning available.

13 In the business areas where they were available, we also examined the use made of skills matrices.

Financial analysis

14 We performed an exercise to determine the full investment made in skills. We gathered information on all expenditure related to skills, including both actual recorded costs and information allowing us to estimate the cost incurred. We estimated that the minimum cost was £96.5 million but, due to some uncertainties around our assumptions, we estimate the maximum cost could be as much as £169 million.

15 Actual recorded costs consist of the salary costs of trainers and developers of learning materials (£29 million), the costs of running HMRC's training facility, Lawress Hall (£3 million), travel and subsistence expenditure related to learning and development (£2 million), and expenditure on external supplies (£6.5 million).

16 We estimated all other costs using information provided to us on time spent in formal or informal learning activity and average salary information:

- The cost of recorded learning time includes all learning days recorded on HMRC's online learning system. The estimate of this cost is based on actual number of days recorded per grade. Average salary per grade has been used to calculate the cost. The total estimated cost is £46 million, including the costs of trainees on tax professional programmes.
- The cost of informal learning is based on specific examples provided to us. Contact management agents in personal tax receive an average of one hour per week of informal learning time, and processors in benefits and credits receive half an hour a week of informal learning time. Our estimate of £5.5 million is the minimum cost incurred. If all staff across the organisation spent one hour a week on informal learning, the cost could reach £52 million.

- The cost of coaching time is based on specific examples provided to us. Contact management supervisors in personal tax deliver an hour and a half of coaching per team member per month. We have estimated the cost of this based on average O grade salary and the number of staff in the AA and AO grades receiving this coaching. The time of the AA and AO grade staff is already included in the cost of informal learning outlined above. Our estimate of the cost of this coaching is £1.8 million. Additionally HMRC provided an estimate of the coaching time delivered to trainees on the tax professional programmes. In total we estimate this to be £2 million bringing the minimum cost of coaching activity to £3.8 million. Coaching time is not recorded and it is unclear how many people across the organisation receive regular coaching and from whom. However, assuming all staff across the organisation received an hour and a half coaching per month delivered by the grade above them, the maximum estimated cost would be £29 million.

17 We also examined previous internal HMRC reports on the investment in skills and used this information to perform some trend analysis over the three years since 2008, when these reports were produced.

Examination of the Department's approach to carrying out quality assessment and evaluating learning outcomes

18 We reviewed the Department's best practice guidance against existing best practice models such as the Kirkpatrick model for evaluating learning.

19 We also reviewed the application of the best practice guidance produced by the Department across the various business areas to examine whether the Department had assessed whether its investment in learning and skills has achieved successful outcomes.

Semi-structured interviews

Interviews with HMRC staff in learning and development roles

20 We conducted semi-structured interviews with staff leading learning and development within HMRC. This included the Head of Learning within the central learning team and leads in the development of the tax professionalism programme and in the development of the operational delivery profession. Learning and development leads within the business units were interviewed as part of our case example work detailed in paragraph 22 below.

21 We conducted semi-structured interviews with those responsible for the development of the tax and operational delivery professions within HMRC to gather information on the time and monetary investment which had been made so far in skills development and to further our understanding of the professions' ongoing development. This included discussions on the development of role profiles and job mapping to gain an understanding of how the professions are assessing skills needs and skills gaps.

Interviews with HMRC staff in case example roles

22 We picked case example roles from the tax and operational delivery professions across the four major business units to explore in more depth how the Department assesses and addresses skills gaps for specific roles.

- Personal Tax: Contact Management Agent in Customer Contact (operational delivery professional).
- Benefits and Credits: Processor (operational delivery professional).
- Enforcement and Compliance: Local Compliance Caseworker (tax professional).
- Business Tax: Customer Relationship Manager in Large Business Service (tax professional).

23 For each case example role, we conducted semi-structured interviews with one staff member responsible for developing training for the role, one or two individuals performing the role and one line manager of individuals performing the role. In total, across all case example roles we interviewed fourteen individuals.

24 Our interview questions were tailored according to whether staff were learning and development professionals, line managers or individuals performing the role. However, the topics covered were the same in each case.

25 Our interviews covered staff's views of the skills and knowledge needed for the role and any exercises undertaken to identify these, including whether any gaps exist. We asked about action taken to address any skills needs, whether through formal or informal learning activity or through other means. Our interviews also covered evaluation of learning and measurement of learning activity on staff performance.

26 We also performed some analysis of management information specific to the role where this was provided, for example information around informal learning time. Analysis of this data formed part of our overall financial analysis.

Interviews with external stakeholders

27 We conducted interviews with stakeholders including representatives from the TUS, tax agents, business representatives and stakeholders from the voluntary sector. These interviews covered stakeholders' experiences in dealing with HMRC staff whether in person, on the phone or in writing and specifically any issues around the skills of the staff with whom they dealt.

Consultation with private sector reference partners

28 We consulted with our reference partners, PwC and KPMG, to gain an understanding of how other organisations invest in and measure skills. We consulted on the organisational structures which might be expected to be in place in order to ensure effective skills management.