Real IT Awards
Best Project Team

Pay & Benefits Awards
Project of the Year

Annual PAYE Reporting has Transformed to Real Time Information

Integrating HMRC reporting with employer payroll processes will reduce costs, improve service, and ensure the right taxes are paid

The Situation

HM Revenue & Customs (HMRC), the UK tax authority, has an overarching policy to make it easier for customers to deal with their taxes and to ensure collections and payments are correct. For Pay As You Earn (PAYE), HMRC wanted to replace employers end of year returns and 'in-year' forms with information direct from payroll systems. Within two years of agreeing the concept with Government ministers, HMRC successfully introduced Real Time Information (RTI), working with Capgemini to design and implement the new system.

The Solution

Employers submit PAYE information to HMRC's core RTI system using payroll software from a choice of over 400 suppliers or free tools provided by HMRC. RTI processes payroll data from every UK employer – tens of millions of transactions a month – and cross-references information from the UK banking system. Analytics and business rules automate messages to employers and update debt management and compliance systems.

People matter, results count.

The Results

RTI is the biggest modernization of PAYE in nearly 70 years, affecting 1.8 million employers ranging from micro businesses and individuals employing a carer to multinationals and pension providers. It was designed around employer processes and reduces administration for employers by integrating tax reporting with their payroll processes. Capgemini program delivery met HMRC expectations for functionality and time scales and over 70% of employers said that RTI was very or fairly easy to deal with.

RTI is a pioneering change. It is easier for HMRC to collect the right tax at the right time, and it reduces time and effort for employers and HMRC. Previously, employers waiting until the end of the year to pay taxes in full could owe millions of pounds at any one time.

For employees, particularly the one million people in the UK with multiple jobs, over time RTI will make HMRC's records more accurate and up-to-date and reduce cases where individuals have under or overpaid tax during the year.

Tax Credit renewals now take account of up-to-date earnings information, helping to ensure that the more vulnerable in society receive what is due when they need it, preventing overpayments accruing and helping to reduce the potential for error and fraud. Looking forward, HMRC is working with other Government departments to make best use of PAYE data now being received in real time.

How HMRC and Capgemini Worked Together

Capgemini had been working with HMRC on ideas to improve the operation of PAYE for some time before the RTI program started and we helped develop preliminary designs for a solution to enable employers to report PAYE direct from payroll. HMRC subsequently presented the designs to HM Treasury officials who approved the business case.

Joint program team

The RTI program board provided clear governance and effective communication to align dependencies across multiple project teams and stakeholders. The HMRC program director was responsible for business objectives and aligning business and external stakeholders, and the Capgemini program director was responsible for overall solution delivery. When the program launched, HMRC set out the RTI vision and the nature of the challenge at a Capgemini Accelerated Solution Environment (ASE) event. The ASE was also used at key stages of the program to build a shared understanding of requirements and to scope key deliverables.

Payroll software dependencies

Success for RTI required over 400 third party payroll software suppliers to correctly implement RTI rules and for 1.8 million employers to submit good quality data. HMRC consultation forums ensured payroll software developers knew what changes were required, and Capgemini

provided test services for developers to test their services prior to live implementation. We also helped update HMRC's free Basic PAYE Tool for employers with less than ten employees.

Data quality

Good quality data from employers is essential for HMRC to check that deductions from employees are correct and employer liabilities are correctly calculated. Capgemini designed measures to ensure employer data is as clean as possible. We identified employers who created most exceptions that required handling, and when requested, supported HMRC visits to employers to resolve data quality issues. Automatic quality checks identify the vast majority of potential problems either before data leaves employer systems or at the Government Gateway.

Employer pilot

The RTI pilot started with 10 employers to closely monitor the process and downstream implications. It increased to 1,500 over the first six months and included around 60,000 by the end of the first year. HMRC built an understanding of employer adoption issues during the pilot, and this feedback allowed us to work together on adjusting the communications, guidance, processing, and business processes before on-boarding the majority of employers.

The employer pilot gave immediate feedback about exactly how PAYE works out in the real world, including what they thought went well with RTI, and where they had trouble with it. As a result, HMRC requested changes to the solution that would put things right during the pilot, ahead of mass roll-out to all employers. We worked closely with HMRC to understand the drivers for each change and carried out requirements simplification exercises to challenge complexity and provide details of how potential solutions would impact time scale and cost. We managed delivery inside the revised budget and looked for savings wherever possible.

Co-ordination with DWP

HMRC and DWP held joint governance meetings that Capgemini and DWP's IT partners also attended. Close coordination was vital to align RTI and DWP requirements, resolve emerging issues and deliver the right functionality. Capgemini developed RTI service components that automatically send DWP relevant earnings information, and the solution aligns to the DWP architecture model.

Program delivery

RTI is not a single IT system but a series of systems that link together and interface with 300 internal and external system-to-system interfaces. Capgemini worked with HMRC to define a program of six phases to incrementally deliver functional and process change for phased employer on-boarding. A refreshed RTI system was delivered every six months, from initial requirements to testing and implementation. Individual project teams involved over 300 HMRC, Capgemini, and partner staff at periods of peak delivery.

Design innovation

The design for fully digital submission channels, with no back office end-user RTI application, ensures RTI is self-sustaining. With a few minor exceptions, RTI does not need HMRC staff to input or correct data. It uses technology to integrate reporting of PAYE information with businesses payroll processes, significantly reducing effort and minimizing the opportunity for manual error.

End-to-End process perspective

HMRC and Capgemini ensured end-to-end consistency across all affected systems and delivery organizations, checking design and implementation from the perspective of the end solution as it evolved. End-to-end reviews promoted shared understanding and highlighted misalignments for corrective action.

Iterative capacity planning

Projected volumes were high (over a billion payments annually) and significant peaks were anticipated, but there was no firm data for hourly, daily, and monthly payroll volumes that RTI would need to process. We sized the infrastructure to handle anticipated peak volumes, reviewed what machine resource was actually used during each project phase, and removed unused capacity to optimize the system.

Active management of testing and performance proving

Capgemini created a specific test environment for RTI, using dedicated test resources focused on early proving and tuning. A test data generator was deployed using actual PAYE data from earlier years to ensure that the testing was as rigorous and realistic as possible.

Operational performance

Since the service started in April 2012, there has been no unscheduled down time. Where issues have arisen in live operations, these have predominantly been caused by unexpected employer behavior or third party payroll problems. Capgemini has worked closely with HMRC to highlight and intercept any such issues as they arise and to develop appropriate and sustainable mitigations. These issues represent a tiny proportion of the transactions that RTI manages overall.

About Capgemini

With almost 145,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at
www.capgemini.com

Approved by

HMRC Press Office   **Billie Major,**
Corporate Vice President,
Capgemini

In collaboration with

HM Revenue & Customs

HM Revenue & Customs (HMRC), the UK tax authority, is responsible for making sure that the money is available to fund the UK's public services and for helping families and individuals with targeted financial support.

For more information, please visit:
www.hmrc.gov.uk

For more information on this project, please contact:
success.story@capgemini.com