Building our future: reforming Her Majesty’s Revenue and Customs
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The government, as a provider of services to the nation’s citizens, needs to reflect and respond to the changing demands of those it serves, in the same way that innovative private sector organisations do. While, for the most part, citizens aren’t able to exercise consumer choice in the services provided by government, that doesn’t remove the responsibility from the Civil Service to ensure that it is keeping in step with modern practices, and innovating in its own right.

This is especially relevant to Her Majesty’s Revenue and Customs (HMRC), which needs to provide effective, efficient and impartial services to its 41 million individual and 5 million business customers and keep pace with both consumer expectations of good service and government expectations of efficiency in revenue collection.

For much of the nine years since the merger that created HMRC, the Department has focused relentlessly on maximising tax revenues and sustainably reducing its costs. Last year, for the first time, it collected more than £500 billion in tax revenues – including £23.9 billion in additional compliance revenues – while reducing its costs by £235 million. It has also shrunk its workforce and estate from 97,000 full-time equivalent (FTE) employees in 560 offices in 2005 to fewer than 60,000 FTE in 190 offices today.60

Customer service, during this period, has focused on performance targets for answering phone calls and turning around post. Last year, HMRC delivered its best-ever results on these measures, answering 79 per cent of all calls and dealing with 83 per cent of post within 15 working days.61

These productivity, revenue and service gains have been achieved largely through continuous improvement, using a variety of lean methods to improve internal processes and performance, and improved IT to enable taxpayers to interact more efficiently with the Department, primarily by putting existing paper processes online.

61 Ibid.
And, of course, through the commitment and hard work of its people, who in my experience strive to provide a good service to taxpayers.

Incremental gains through continuous improvement, though, only take you so far: transformation involves making step-changes at important times. With the expectations of taxpayers for digital service continually increasing, as they experience huge advances in other aspects of their online lives – such as in banking, utilities, travel and shopping – and increasing pressure from government to deliver further productivity improvements and cost efficiencies, HMRC is making one of these step-changes.

HMRC has embarked on a radical and ambitious programme of change and innovation designed truly to put customers at the heart of everything it does. That means redesigning its processes around its customers, rather than around the taxes they pay or the benefits they receive.

There are three key enablers: enhancing digital services and making digital the channel of choice for customers; harnessing the potential of data; and developing its workforce with the new skills the Department needs for this digital and data future.

HMRC understands that this change is as much about delivering excellent customer service to support people to get their taxes and entitlements right in the first place, as it is about its more traditional enforcement and compliance activities.

It is in this context that HMRC’s ambitions are to develop first-class, personalised online services, which, along with improved use of data and automation, will manage customer compliance “upstream”. By making better use of the data it holds about its customers, HMRC’s ambition is to personalise its services according to customer behaviours and needs, so they feel like HMRC really knows them. HMRC will also bring everything together in one place, so that customers, whether individuals or businesses and other organisations, can interact with it once and be done, rather than multiple times with multiple people.

An example is the launch of a new online account for small businesses this year, bringing together everything small businesses
need to deal with their tax affairs. The same services will be provided for their intermediaries and agents. Ultimately, every taxpayer will have their own personal account, where they can transact securely with HMRC, having the freedom and taking the responsibility for filing, making amendments as their circumstances change and, of course, paying their taxes.

There will still be a multi-channel approach with telephone back-up for those who can’t interact online and personal contact, even home visits, for those who need extra help. But the vast majority will find it easier (and will prefer) to transact online, saving money and time for both taxpayer and HMRC and with increased transparency of data for both parties.

Effective use of data will not only ensure easier transactions by compliant taxpayers: it will also improve voluntary compliance, such as by automating and checking calculations to prevent inadvertent error, or by utilising intelligence and insights into customers’ behaviours to inform the use of automated “nudge” techniques to prevent deliberate error. This will free up HMRC’s tax compliance professionals to focus their energies on the small minority who are really trying to cheat the system.

What will it take to achieve these ambitions? None of this will be achieved without investment by HMRC in its people and the changing skills they will need in the future. This will be a smaller, but more nimble and professionalised organisation with far fewer manual, paper-based processes, and a need for more judgement in dealing with customers’ needs and more analytical skills to exploit data in tackling the non-compliant minority. This is a challenging change journey for HMRC’s staff, but one that provides opportunities for many to enhance their job satisfaction through acquiring new skills.

HMRC recognises the importance of investing in its own people – after all, like any organisation it is only as good as the quality, commitment and ambitions of its staff. HMRC has taken the bold step of instigating a national conversation, called Building our Future, setting out its vision of the future, but before the detail of the plans to get there have been thoroughly worked through. This is designed to engage its people in the Department’s journey and to begin a
discussion about where HMRC has come from, what it may look like in 2020 and beyond and why. But most importantly, it is giving its people the opportunity to help shape and build that future.

Through *Building our Future*, HMRC will ultimately clarify the types of stretching job roles that its people will be doing, the skills and capabilities they will require, and identify where workplaces will be based and what they will look like. While the content of these conversations may not be entirely new – HMRC and its predecessor departments have a long history of innovation – what has changed is the pace of change and the opportunities presented by new digital technologies and better use of data and behavioural insights.

In return for including, involving and investing in its people, HMRC expects them to make a commitment to be flexible, ready to learn new skills, do new things and be ready to make the most of the forthcoming opportunities. It is only as one HMRC that it will meet the challenges of the 21st century.

What I have described is the journey that an ambitious leadership at HMRC is mapping out for the Department: a digitally-enabled customer service model, a data-driven approach to non-compliance and a changed workforce providing more skilled and challenging roles in fewer, but more modern facilities, where careers can be forged across different parts of the Department, leading to higher productivity through lower cost and improved yield. Idealistic? No, just ambitious and achievable. Indeed there are already developed exemplars of what the future will look like, some of which I have cited earlier.

I have described HMRC’s journey in terms of its own priorities and responsibilities to Parliament – to collect all taxes due in the most effective manner. However, it can be readily seen how much of its agenda is relevant across government and how working together with other departments, particularly those that deal directly with individuals and businesses, could generate further efficiency and ease of access by citizens. The Government’s reform agenda is already focusing on how shared approaches to resourcing and procurement across the Civil Service could yield savings and HMRC is playing a role in this through hosting some of these shared services. Data sharing is another area for further examination although from HMRC’s
perspective its commitment to the confidentiality of taxpayer details is crucial to its effectiveness as the nation’s tax collector.

The focus of Civil Service reform, in the end, is on the citizen, because that is who the government and Civil Service ultimately exist to serve – in the most efficient and effective way they can. The transformation that HMRC is undertaking to modernise, digitise and create services which start and end with customers is clear evidence that the Civil Service does have the right focus, the right vision and the right leadership and capability to reinvent itself to apply the principles it has established over centuries to the expectations and needs of the modern age.

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