



## DEBATE PACK

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# HMRC's Building Our Future plan

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## Summary

On Thursday 28 April 2016 Members will debate HM Revenue & Customs' [Building Our Future](#) plan, following a successful Backbench Business Committee bid from Chris Stephens, SNP Member for Glasgow South West.

Members will debate the following motion:

"That this House has considered HM Revenue and Customs' (HMRC) plan Building Our Future which will close most of its offices and make substantial staffing reductions; is concerned that this could seriously compromise the ability of HMRC to collect tax, enforce compliance and close the tax gap; believes the plan should have been subjected to parliamentary scrutiny; and calls on the Government to ensure that Building our Future is suspended until a comprehensive consultation and review has been undertaken."

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

# 1. Background

In July 2014 HM Revenue & Customs published *Building Our Future* – proposals for reforming its services over the next five years. Speaking at a conference on its strategy Lin Homer, HMRC’s chief executive, said:

The solution to improving [HMRC’s] performance isn’t simply a matter of providing more people to answer the phones. Instead, we need to change the way we serve customers, getting it right so they don’t have to call us at all, offering online alternatives, reducing uncertainty so we don’t get assurance calls, helping customers and taxpayers avoid making mistakes ...

Our vision is to provide all of our customers with their own individual tax account – through which they can see all of their tax affairs and deal directly with HMRC, without the need to get in touch with us by phone or post. We can then put more resources into making it harder for the dishonest minority to cheat the system, investing in data analytics and intelligence systems that help us to identify fraud, evasion and avoidance, and in our skilled officers who pursue the cheats.<sup>1</sup>

In a presentation on HMRC’s plans for digital technology, Ruth Owen, HMRC’s Director General of Personal Tax, noted that this would have implications for the organisation – the numbers of staff, their organisation, and HMRC’s office structure:

We’re going to bring our IT and infrastructure up-to-date with most of our teams working more closely together in a smaller number of large, modern, regional centres, where our employees will have more opportunities to build their careers.

We will be investing in our people, with new skills to provide the level of service and rigour we aspire to as a modern tax administration.

And as we become more efficient, we will continue to reduce in size. It’s a process that’s already well advanced: when HMRC was created in 2005, we had 96,000 full-time equivalent members of staff in 593 offices. We now have fewer than 60,000 FTEs in 190 offices, and by April 2016, we expect to have reduced our workforce further, to 52,000 FTEs.<sup>2</sup>

In the March 2015 Budget the Government announced plans for digital tax accounts, which would remove the need for individuals and small businesses to file an annual tax return.<sup>3</sup> In July HMRC published an updated version of its *Building Our Future* strategy, though on the question of staff reorganisation this simply stated, “we’ve already announced that, by 2020, most of our workforce will be based in a smaller network of regional centres in large urban areas ... Ultimately, this will help us deliver better services for our customers around the

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<sup>1</sup> HMRC press notice, [Lin Homer’s speech at HMRC Annual Stakeholder Conference](#), 17 July 2014

<sup>2</sup> HMRC press notice, [Ruth Owen’s speech: Building our Future: transforming how HMRC serves the UK](#), 17 July 2014

<sup>3</sup> [Budget 2015, HC 1093, March 2015 paras 107-9](#). Subsequently in December 2015 HMRC published [Making Tax Digital](#), which sets out its strategy to implement this new system by 2020.

UK.”<sup>4</sup> In turn, in November 2015 HMRC published details of how, over the next ten years, it would reduce total staff numbers and close most of its offices to create 13 regional centres:

HMRC’s 58,000 full-time equivalent employees are currently spread across 170 offices around the country, many of which are a legacy of the 1960s and 1970s, which range in size from around 6,000 people to fewer than ten. HMRC will bring its employees together in 13 large, modern regional centres, equipped with the digital infrastructure and training facilities needed to build a more highly-skilled workforce to meet the challenges of bringing in more revenue from those evading tax and improving its customer service to the honest majority ...

Regional centres will vary in size and in the mix of operational, tax professional and corporate services work that they contain. The smallest will hold 1,200 to 1,300 full-time equivalent members of staff and the largest, operationally-focused centres will hold more than 6,000.

HMRC will have four specialist sites for work that cannot be done elsewhere, notably where HMRC needs to work with its IT suppliers or other government agencies or departments. These will be in Telford, Worthing, Dover and at the Scottish Crime Campus in Gartcosh.

The 13 new regional centres will be in: North East (Newcastle); North West (Manchester and Liverpool); Yorkshire and the Humber (Leeds); East Midlands (Nottingham); West Midlands (Birmingham); Wales (Cardiff); Northern Ireland (Belfast); Scotland (Glasgow and Edinburgh); South West (Bristol); and London, South East and East of England (Stratford and Croydon). We cannot currently say more about the exact locations, because we need to negotiate with landlords and contractors, but they will be locations in the cities we have named with good transport links.

Ultimately, these changes will involve the closure of 137 offices by 2027. Offices will be released, for instance, as lease breaks arise or at the end of the PFI contract with Mapeley in 2021. HMRC shared the broad outline of the transition with its staff on 12 November – including potential office closure dates and the likely outcomes for individuals working in each office.<sup>5</sup>

Further details on the implications for HMRC’s staff were given in an ‘issue briefing’:

We expect that 90% of our current workforce will either work in a regional centre or see out their career in an HMRC office.

Everyone working for HMRC will have the opportunity to discuss their personal circumstances with their manager ahead of any office closures or moves, so they can let them know about any issues that need to be taken into account when making decisions.

People will be told around a year in advance when they are moving to another office. If it’s a case of moving into a new regional centre, we’ll set out a clear timetable as soon as commercial negotiations have finished.

<sup>4</sup> [Building our future: Transforming the way HMRC serves the UK](#), July 2015 p7

<sup>5</sup> HMRC press notice, [HMRC announces next step in its ten-year modernisation programme to become a tax authority fit for the future](#), 12 November 2015

This does mean that by 2020 to 2021, we plan to close 137 offices.<sup>6</sup>

At the time the BBC published a list of the individual offices that were planned for closure.<sup>7</sup>

This programme follows a substantial reduction in the total number of staff and buildings since HMRC was formed in 2005, from the merger of the two revenue authorities: the Inland Revenue, and HM Customs & Excise.<sup>8</sup> In their report on HMRC's 2014/15 Accounts, the National Audit Office noted:

HMRC has spent £4.6 billion on change programmes over the past nine years (£2.4 billion on the Departmental Transformation Programme and £2.2 billion on the Change Programme). The proportion of HMRC's total spending on change programmes has increased from 12% in 2011-12 to 20% (£682 million) in 2014-15 (Total spending includes resource and capital departmental expenditure.)

HMRC designed its change programmes to maximise revenue, reduce running costs and improve the customer experience. Since its creation, HMRC has reduced the number of full-time equivalent staff by 40,000 (from 97,000 in April 2005 to 57,000 in March 2015) and the number of offices by more than two-thirds (from 593 to 190). It has reduced its annual running costs since 2005-06 by £0.7 billion, from £3.8 billion in 2005-06 to £3.1 billion in 2014-15.<sup>9</sup>

At the same time it has increased the revenue it raises from compliance work.<sup>10</sup> It has modernised its services through initiatives such as:

- the expansion of online filing of tax returns since 2007;
- the integration of National Insurance and PAYE services in 2009;
- the introduction of an online VAT registration system in 2012; and
- the roll-out of Real Time Information (RTI) in 2013.<sup>11</sup>

Over the past year there have been concerns about the impact of HMRC's approach to reducing staff numbers and office locations, though these have been in relation to the experiences of individual taxpayers in seeking responses to letters and or phone calls.<sup>12</sup>

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<sup>6</sup> HMRC issue briefing, [HMRC announces next step in its ten-year modernisation programme to become a tax authority for the future](#), November 2015

<sup>7</sup> [BBC news online, 12 November 2015](#). See also, Civil Service World, [HMRC announces major office closure programme – full regional breakdown and reaction](#), 12 November 2015.

<sup>8</sup> A Library paper on the legislation to give effect to the merger gives some background to HMRC's creation: [RP04/90, 6 December 2004](#).

<sup>9</sup> HM Revenue & Customs' resource spending voted by Parliament (which excludes the costs of collecting National Insurance Fund income and the e-filing incentive payments) fell by £0.7 billion in cash terms between 2005-06 and 2014-15. After adjusting for inflation, the real terms decrease in HMRC's running costs over this period was 34% or £1.6 billion.

<sup>10</sup> HM Revenue & Customs, *Building our Future*, July 2014

<sup>11</sup> NAO, [HM Revenue & Customs 2014-15 Accounts](#), July 2015 paras 4.5-6. See also, NAO, [A Short Guide to the HM Revenue & Customs, July 2015 p7](#)

<sup>12</sup> For example, in the Public Accounts Committee's report on HMRC's performance published in November 2015: [HC393 of 2015/16, 4 November 2015](#) (see section 2). See also Lin Homer's evidence to the Treasury Committee on 10 November (*Oral Evidence: HMRC's 2014/15 Annual Accounts*, [HC 588, 10 November, pp7-9](#)).

Subsequently in the light of HMRC's announcement, many Members have raised concerns about the impact this might have on HMRC's services to taxpayers, as well as on HMRC's staff – both those who find that they are being relocated and those who may be made redundant.<sup>13</sup>

On 15 March 2016 Chris Stephens presented an application for a debate on HMRC plans for office closures to the Backbench Committee. On this occasion Mr Stephens said:

First, I was hoping that Mr Philip Davies would also be here to help provide a presentation on behalf of the application, but due to other business he is unavailable. He said to me that he has contacted members of the Committee to support the application.

The proposed office closures affect all four nations of the UK, as reflected by the support for the application. As you may be aware, the current plan involves the closure of 90% of HMRC's offices over a four-year period from March 2017, and a reduction in staff from 58,000 to 50,000 in the same timeframe. HMRC has also recently issued compulsory redundancy notices to 152 members of staff; this is the biggest number of compulsory notices issued in a single instance by any UK civil service Department. The closures will have an impact on many towns and cities, and in some towns HMRC is the largest employer; as such, there is widespread interest. We believe that the issue deserves parliamentary scrutiny, as well as public scrutiny. There are question marks regarding the impact on HMRC's effectiveness and ability to collect tax and to enforce tax compliance.

A recent early-day motion on the issue attracted 71 signatures. The application has the support of Conservative, Labour, SNP, Liberal Democrat, Plaid Cymru, Green, DUP, UUP and SDLP Members. We therefore ask for a debate in April of at least three hours, and we would be grateful if the Committee agreed that request.

His application was supported by Ian C Lucas, who said:

I would like to support Chris's application. While there is a specific constituency interest relating to Wrexham, which has an HMRC centre that is due to close under the proposals, it is also for me a very strong regional policy issue. The proposal within Wales is for centralisation of all services in Cardiff, which is the first example to my knowledge of a reversal of regional policy by shifting jobs to the most affluent and prosperous areas of the country from poorer areas.

There is real concern about HMRC's capacity to deliver this over the next five years and doubts about the proposals, because we have so little detail. I took part in a debate that Philip Davies also took part in, pointing out the logistical difficulties involved in the proposals as they stand. We want to raise all those issues and air them with the Minister. I very strongly support having a three-hour debate, because there are a lot of issues to cover.<sup>14</sup>

In turn the Committee confirmed that the House would debate this issue on Thursday 28 April.<sup>15</sup>

<sup>13</sup> For example, in an Opposition Day debate on 14 November 2015 ([HC Deb cc1258-1301](#)); a short extract from the debate is reproduced below.

<sup>14</sup> Backbench Business Committee, [Transcript of meeting](#), 15 March 2016 Qs1-2

<sup>15</sup> [Backbench Business Committee press notice, 14 April 2016](#)

## 2. Related material

### 2.1 Parliamentary material

#### Debate

[Opposition Day debate : HMRC office closures, 24 November 2015](#)

Selected extracts from the debate, initiated by the SNP.

**Hannah Bardell (Livingston) (SNP):** I beg to move, *That this House condemns the proposed closure of HMRC offices in Scotland and throughout the UK; believes that this will result in a reduced service to the public; is concerned about the potential loss of tax yield; is further concerned at the loss of jobs and expertise in local communities; further believes that this will undermine efforts to reduce the tax gap which currently stands at £34 billion; also believes that this proposal will undermine the ability of SMEs to access information and advice and that the proposed closure programme is flawed and counterproductive; and calls on the Government to halt its programme of HMRC office closures.*

The UK Government's recent announcement of the planned closure of 137 local Her Majesty's Revenue and Customs offices across the UK is part of their continued drive to rain down a regime of austerity cuts on our family of nations. HMRC employs 8,330 people across Scotland, which represents 13% of all UK HMRC staff ... Following the announcement, the BBC reported that more than 2,000 jobs could be lost in Scotland ...

I will list the offices that are set to close across Scotland to highlight the scale and impact of the decision: one office to close in Aberdeen by 2021; one office in Bathgate and Livingston, my own constituency, by 2020; one office in Cumbernauld by 2020; two offices in Dundee; three offices in East Kilbride; three offices to close and consolidate into one large office in Edinburgh; and two large offices to close and consolidate into one large office in Glasgow ... An office is also going to shut in Inverness, and offices in Irvine and Glenrothes are also in the process of closing ...

#### **24 Nov 2015 : Column 1259**

Three of the Scottish centres announced for closure—those in East Kilbride, Cumbernauld and my constituency of Livingston—employ staff who issue specific guidance to the public on access to and eligibility for tax credits. With the prospect on the horizon of the Chancellor returning with his tax credit cuts, it is unthinkable that that support will be withdrawn from our communities ...

#### **24 Nov 2015 : Column 1260**

The most recent proposed closure of local HMRC offices will result in Scotland being left with no HMRC offices beyond the central belt of Scotland. The plans fail to understand or take into account the diversity and needs of the Scottish economy ...

John Allan, the national chairman of the Federation of Small Businesses said: "Our members have repeatedly told us about difficulties getting practical help from HMRC when complying with their tax requirements. The current online

offering is limited, often hampered by poor broadband connectivity, and the phone help line is hard to navigate, with long waiting times.

**24 Nov 2015 : Column 1261**

“Over the long-term, this modernisation programme must bring substantial benefits and efficiency savings. In the short-term however, members will be concerned that the closure of these tax offices will simply compound existing problems. The Government need to reassure businesses that disruption is kept to a minimum. This should be used by HMRC as an opportunity to deliver services that are easy to access, provide clear and consistent help tailored for smaller businesses and provide the certainty they need for their tax affairs.” If the Chancellor will not listen to the SNP, perhaps he will listen to the Federation of Small Businesses.

These closures have been happening for some time. In March 2013, the UK Government announced that they were to close all of their 281 inquiry centres by June 2015, and it was reported that closures would result in the loss of 1,300 jobs. A consultation on plans to streamline HMRC inquiry and support services through the use of telephone consultations occurred in 2012, and HMRC piloted the new service in the north-east of England from June to December 2013. In October 2014, HMRC announced plans to close 14 offices across the UK by December 2015. It was reported that that would affect 453 civil servants, and a further 690 administrative employees had been offered voluntary redundancy. The Public Accounts Committee said in the first half of 2015, following the closures, that only 50% of calls from the public were answered by HMRC, down from 73% in the last financial year. ...

**24 Nov 2015 : Column 1262**

I urge all parties across the Chamber to support our motion and ask this Tory Government in the strongest terms to think again on these nonsensical and ill-conceived HMRC closures.

**24 Nov 2015 : Column 1263**

**The Financial Secretary to the Treasury (Mr David Gauke):** ... The changes announced on 12 November are an important part of HMRC’s operational modernisation programme, designed to create a modern, efficient organisation that continues to protect this country’s tax revenues. Modernising and improving the efficiency of HMRC, enabling it better to tackle evasion, drive down avoidance and improve compliance, has been a key Government objective since 2010.

We have made substantial investments to achieve that aim, not least the provision of an added £800 million in the summer Budget, which will help HMRC to recover an additional £7.2 billion ... Over the last Parliament, HMRC secured about £100 billion in additional compliance yield, including a record level of £26.6 billion in 2014-15. We have also made important cost reductions to the operational side of HMRC, and I make no apology for that. HMRC cannot be immune from the requirement that its resources are spent wisely ...

**24 Nov 2015 : Column 1264**

By 2027, when the process will have been completed, approximately 4,000 of the existing 58,000 people employed by HMRC will not be within reasonable

daily travel distance to an HMRC office. I want to be completely straightforward with the House of Commons. That is the scale by 2027.

On customer service, I agree that HMRC's standards need to be high, and there have been times in recent months when they have not been at an acceptable level. I am pleased that performance is significantly better than it was in April, May and June this year. It is still not as high as we would like it to be, but it is above the average standard over the past six or seven years. We still have further to go. In order to ensure a high level of customer service and to make sure that we bring the yield in, it is important that HMRC's resources are deployed efficiently and effectively, and it is important that we ensure that services can be delivered in the most efficient way possible ...

**24 Nov 2015 : Column 1265**

I welcome the fact that HMRC's expenditure on its estates fell from £371 million in 2010-11 to £255 million in 2014-15, and that these plans will generate further savings of £100 million a year by 2025 ...

**24 Nov 2015 : Column 1266**

It might be helpful to the House if I set out a little history in terms of how HMRC has operated. When it was formed in 2005, it had 572 offices spread all over the country. That is an inefficient way of doing business in the 21st century. Reorganising that network of offices was a policy priority even then, and that is why, following several reorganisations, the number was reduced to 393 in 2010.

It now stands at 170 offices, ranging in size from 5,700 people to fewer than 10. That is a start, but it is still not enough in terms of finding efficiencies.

The changes announced last week represent the next stage of HMRC's estate transformation programme. Over the next 10 years, the department will bring its employees together in 13 large modern offices, equipped with the digital infrastructure and training facilities they need to work effectively. The new high-quality regional centres will serve each and every region and nation in the United Kingdom, creating high-quality skilled jobs and promotion opportunities in Birmingham, Belfast, Bristol, Cardiff, Croydon, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Stratford ...

There are significant advantages to such a system. The new offices will have the capacity to host multiple lines of businesses and have senior jobs on site. They will offer employees the opportunity to build their careers and skills in one office, and encourage upskilling. They will be in locations with strong transport links and close to pipelines of talent. They represent the way in which business is done in the 21st century ...

I gave the statistic that 4,000 of the current 58,000 people employed by HMRC will be outside a reasonable daily travel distance by 2027, as HMRC has acknowledged. I am afraid that there will have to be redundancies for those people, assuming that they are still working for HMRC, over the course of that period. I would make the point that the vast majority of HMRC staff—I recognise that this is difficult for those who are not in such a position—will clearly be able to work in the regional centres I have mentioned ...

**24 Nov 2015 : Column 1267**

... If we want people to continue to work for HMRC by upskilling them—moving them out of processing jobs by getting them involved in more highly skilled compliance work—that will be easier to deliver if they are already working in the same building, with the same people and with training facilities. That is why it is absolutely the right measure to ensure that there are opportunities for existing staff ...

**Chris Stephens:** The Minister has been most generous. Many MPs and tax experts support the view that a visible and local HMRC presence is essential to maintaining

**24 Nov 2015 : Column 1268**

confidence in the tax system. Does he not believe that the measures that have been announced by HMRC will open the way for more tax avoidance?

**Mr Gauke:** No, I do not. As I have made clear, the number of HMRC officers has been falling since its creation in 2005, including over the past five years, and we have seen the closure of inquiry centres, as has been touched on, but HMRC's success in dealing with tax avoidance and evasion over that period has been marked and has improved. The truth is that HMRC deals with tax avoidance and evasion principally through sophisticated data analysis and by bringing together highly skilled people. The more that we can do of that, the bigger the difference we will make ... HMRC has done this the right way and told staff first. It has kept people fully abreast of its proposals for a number of months, and it has held events up and down the country to ensure that it works with staff. As I said earlier, this is a locations announcement, not a workforce announcement, and the Department's policy is to keep redundancies to an absolute minimum.

**24 Nov 2015 : Column 1269**

... In conclusion, if we want HMRC to do its job effectively, we must ensure that it is fit for the challenge. We must be willing to modernise, find efficiencies, target resources, and make long-term strategic decisions. That is precisely what HMRC is doing by transforming itself into a smaller, more highly-skilled organisation, with modern, digital services, and a data-driven compliance operation that will deliver more for the taxpayer at lower cost. What would the opponents of change prefer? Do they want to rely on a structure that in many respects dates from before the internet era, or to pump in more money without examining where it is going? It is surely right that HMRC carries out efficiencies, targets its resources, and concentrates on delivering for the British taxpayer ...

**Rob Marris (Wolverhampton South West) (Lab):** I salute the Minister's efforts to make a good fist of things, and the efforts of this Government, and the previous coalition Government, to clamp down on tax avoidance. More should be done, but they took good steps ...

It is desirable for HMRC to act efficiently, and technology is changing what it and other large organisations do. For example, 80% of self-assessment returns are now done online, and that availability of information from HMRC—including specialist knowledge—is greatly aided by the internet ...

**24 Nov 2015 : Column 1270**

Staff numbers are markedly down in recent years. According to the Office for National Statistics, between 2007 and 2010, under the previous Labour Government, the number of HMRC staff went down 9%. Under the five years of the coalition Government it went down a further 24.4%—a cumulative drop of 31.4% ... The chief executive of HMRC wrote to me on 12 November, saying: “We expect that 90% of our current workforce will be able to either work in a regional centre or see out their career in an HMRC office.”

**24 Nov 2015 : Column 1271**

That says to me that the chief executive of HMRC reckons 10% will either not transfer or will be made redundant. That is worrying.

Reference has been made this afternoon to response times. In the first two quarters of 2015, 12 million calls went unanswered—half of all calls to HMRC. Only 39% of calls were answered within five minutes. In the third quarter of this year, after an infusion of staff, the rate of answered calls went up to 76%. That is a great improvement—except that the target is 80%, and in 2014-15 the answer rate was 72.5%. I have to say to the Government, and particularly to the Chancellor of the Exchequer, who has a family business, that this is the worst of statism. If HMRC were a business, it would have gone bust with that appalling customer service, but because none of us has any choice but to pay taxes, it remains in business. It should not do so. It certainly needs transforming, but cutting the number of staff does not seem to me, or my party, the way to do it ...

It is extremely worrying that the number of offices is being reduced from 170 to 13 ... As a result of these relocations and closures, it is likely that HMRC will haemorrhage staff. It employs a lot of specialist staff. Unlike in many other Departments, an awful lot of staff in the Treasury are very mobile, as there is a ready outlet to the private sector, which often pays more.

**24 Nov 2015 : Column 1272**

... Views vary on whether the closure programme is wise. Last week, the Financial Secretary to the Treasury and I again met Stephen Herring from the Institute of Directors, who broadly—this is paraphrasing his position—welcomes this kind of move because he thinks that technology has transformed, and should further transform, how HMRC operates, and that it should be driven by business efficiencies and so on. The Association of Chartered Certified Accountants is broadly in favour of this sort of change, too. Its head of taxation said it was, “reasonable to restructure the offices and we support there being higher skills”.

Correspondingly, the Public and Commercial Services Union, which does a great job representing its members in HMRC and across Government, has grave misgivings—to say the least—about the programme, as does the Association of Revenue and Customs, which is part of the FDA union and represents senior people in HMRC ...

At one end of the spectrum, the IOD says it broadly supports this type of change, and at the other end, the unions say they have grave misgivings. The president of the Chartered Institute of Taxation—hardly known as a supporter of the Labour party, the SNP or any political party—has said: “Taxpayers and tax professionals alike will be anxious that a public body that is struggling to

meet its public-facing service targets has announced that it is about to lose many staff and close its local offices.”

The Institute of Chartered Accountants in England and Wales—I do not know what the position is in Scotland—says that the timing of the changes “could stretch HMRC to breaking point”, and that the restructuring of HMRC could be disruptive and could distract its leadership ...

#### **24 Nov 2015 : Column 1273**

This is a classic case of this Government putting the cart before the horse. They announce the closure programme before they have got adequate information. We need a public consultation on this kind of change; we need a business consultation; and we need parliamentary scrutiny, by the Public Accounts Committee and the Treasury Select Committee, for example. Only when that process has been gone through, could I—or, I would venture, other hon. Members—form a view about how many HMRC offices should be distributed around the United Kingdom, given the changes brought about by technology and the desire for efficiency, and, balanced against that, the desire for a customer-facing service.

## **PQs**

### [Revenue and Customs: Written Question -20397, 9 July 2014](#)

**Katy Clark:** To ask the Chancellor of the Exchequer what the cost to the public purse was of the Building Our Future workshops held for all HM Revenue and Customs staff.

**Mr Gauke:** 'Building our Future' is HM Revenue and Customs (HMRC's) vision for how it will serve its customers in the future, which it is currently presenting and discussing with its entire work force. HMRC wants its employees to influence how the Department is transforming to be a more effective, efficient and customer-focused organisation. The events started in May and will run until August 2014 and aim to bring together employees from different teams from across the Department. The final costs will be published on-line as part of the Government's commitment to transparency.

### [Revenue and Customs: Written question - HL1435, 11 August 2014](#)

**Q Asked by Lord Tunnicliffe :** To ask Her Majesty's Government what are the costings of any future relocation of HM Revenue and Customs offices regionally and nationally, including those of retraining staff, redundancy and any additional resources.

**A Answered by: Lord Deighton :** HMRC is currently undertaking a programme of work to transform the services it provides to give its customers a modern, efficient service, delivered in a modern and flexible way that is convenient for them. To do this, HMRC needs to continue to become a smaller and more professional organisation that is able to maximise the revenues that pay for the UK's public services, while making sustainable cost reductions and improving their customer service.

Efficiencies required by the 2010 and 2013 Spending Reviews mean that HMRC's staffing levels in relation to these plans alone will reduce to 54,000 Full Time Equivalent posts (FTE) by 2015 and to 52,000 FTE by 2016. Reduced staffing levels mean a reduced need for accommodation and HMRC has recently closed

consultation on the proposed closure of 12 offices between now and December 2015. The decisions will be announced in the autumn.

In addition to requiring efficiencies, the 2010 and 2013 Spending Reviews provide resources to increase revenue yield and to increase the department's capacity for digital business and on-line services. In consequence, the costs arising from the changes HMRC is making are not readily identified and need to be considered against the savings achieved through improved working methods, increased revenue yield, reduced running costs and overall greater efficiency in the service it provides. All redundancy costs are made against strict value for money criteria.

HMRC is still developing its plans for the future, including extensive discussions across the whole of the Department through a series of events designed to start conversations with all staff about building the future of the organisation.

HMRC is consulting with its staff on the way forward through a nationwide series of face to face events known as 'Building our Future', attended by every individual within the Department. 'Building our Future' explains the changes being made, the background to them and includes group discussions at which individuals consider how they can contribute.

HMRC remains strongly committed to providing services to the regions. It has for example recently introduced a new Needs Enhanced Support service. This includes a mobile advisory service to ensure that accessible and tailored advice is available to the 1.5 million customers who need extra help.

Its longer term strategy continues to look to bring people together into Regional Centres, providing flexibility, improved efficiency, greater cost effectiveness and improved career development opportunities for its staff. These will be drawn from its existing campus locations, where 80 per cent of the Department's workforce is currently based. These centres will be supplemented by specialist sites, for location-specific work, and touchdown locations, where HMRC has a business need for a presence in a community.

[Revenue and Customs: Written question – 228104](#), 23 March 2015

**Q Asked by Ian Lucas(Wrexham)[N] :** To ask Mr Chancellor of the Exchequer, what discussions have taken place with staff at the Wrexham tax office on the future of that office.

**A Answered by: Mr David Gauke :** HM Revenue and Customs (HMRC) has been discussing a vision of its future to 2020 and beyond with its workforce, through a consultation process called Building our Future. Through this, HMRC has outlined how it proposes to transform services to its customers and set out what this means for the future size, shape and location of the Department.

All HMRC staff members in every office have been invited to participate in Building our Future events, and around 80 per cent of staff have attended around 1,300 events across the UK in the two phases held so far.

HMRC also shared the main elements of this vision with MPs and Assembly Members in October 14. HMRC will continue to keep MPs and Assembly Members informed of the outcomes of these conversations.

HMRC has set out its early thinking about the principles that will determine its future location strategy, which involves bringing teams closer together in a smaller number of large, modern, adaptable Regional Centres. These centres will be supported by a UK-wide network of smaller specialist and touchdown sites.

HMRC has told staff that it believes that Cardiff is the most suitable location for a future Regional Centre in Wales, since it is already the biggest HMRC location in the country. However, no firm decisions have yet been made on the precise location or timing of a new HMRC Regional Centre in Cardiff or the nature and timing of impacts on other HMRC locations in Wales.

HMRC will be developing its plans over coming months and will share details of them as they emerge. HMRC will naturally undertake all necessary consultations and impact assessments.

[Revenue and Customs: Written question – 650](#), 8 June 2015

**Q Asked by Ian C. Lucas (Wrexham)[N]** : To ask Mr Chancellor of the Exchequer, with reference to the Answer of 23 March 2015 to Question 228104, what progress his Department has made on the consultation process Building our Future, on HM Revenue and Customs reorganisation.

**A Answered by: Mr David Gauke** : HM Revenue and Customs (HMRC) are continuing to discuss with their staff the locations of the future Regional Centres. They have however, told them how in-principle decisions will be made.

For Wales, HMRC has told staff that it believes that Cardiff is the most suitable location for a future Regional Centre in Wales, since it is already the biggest HMRC location in the country. However, no decisions have yet been made on the precise location or timing of a new HMRC Regional Centre in Cardiff or the nature and timing of impacts on other HMRC locations in Wales. In October 2014, HMRC shared the main elements of the Building our Future vision with MPs and Assembly Members and HMRC has committed to keeping MPs and Assembly Members informed of the outcomes of these conversations. All HMRC staff members are invited to participate in Building our Future events and staff choose which event and location they attend. Over 85% of Wrexham staff attended the last set of events.

[Revenue and Customs: Written question – 3602](#), 25 June 2015

**Q Asked by Stuart McDonald (Cumbernauld, Kilsyth and Kirkintilloch East)** : To ask Mr Chancellor of the Exchequer, what weight HM Revenue and Customs plans to give to the potential economic effect on towns where tax offices are sited of the establishment of regional centres under Building our Future - Continuing the Conversation - Phase 2 when making a decision on that programme.

**A Answered by: Mr David Gauke** : No decisions have yet been made on the location or timing of HM Revenue and Customs' (HMRC's) new Regional Centres. HMRC will be developing its plans over the coming months and will undertake all necessary consultations and impact assessment work to inform those plans.

[Revenue and Customs: Written question – 7449](#), 23 July 2015

**Q Asked by Paul Flynn (Newport West)** : To ask Mr Chancellor of the Exchequer, if he will conduct a public consultation on the HM Revenue and Customs Building our Future programme.

**A Answered by: Mr David Gauke :** Building our Future is an internal communications exercise in which HM Revenue and Customs (HMRC) is having a conversation with its workforce about the future of the department, and how it can change its ways of working to meet customer needs and maximise tax compliance.

HMRC regularly engages with its stakeholders on the ways it is changing, which include investing in new digital services and data analysis to improve the customer experience and reduce tax error and fraud. Its annual report for 2014-15 has just been published showing that HMRC has brought in record revenues of £517.7 billion last year, and sets out the department's future development plans.

[Revenue and Customs: Written question – 22911](#), 26 January 2016

**Q Asked by Chris Law (Dundee West) :** To ask Mr Chancellor of the Exchequer, what assessment he has made of the effect of HM Revenue and Customs (HMRC) office closures and staff reductions in HMRC offices in each area in Scotland between 2006 and 2013, on (a) local tax compliance across all heads of duty, (b) the Scottish economy, (c) equal opportunities in Scotland, (d) the environment and (e) staff whose offices have closed.

**A Answered by: Mr David Gauke :** HM Revenue and Customs' (HMRC) Location Programme is the result of an extended period of consultation and deliberation. The Department has taken account of a number of criteria in reaching its decisions, including the quality of local transport links, the local labour market and future workforce supply, the cost of buildings and asset value, and the need to retain the staff and skills it needs to continue its transformation. These changes will reduce HMRC's estates costs by around £100 million a year by 2025.

HMRC's modelling estimates that the majority of staff in Scotland live within Reasonable Daily Travel of Glasgow or Edinburgh. Reasonable Daily Travel is calculated in line with established HR policies and procedures. Every worker at HMRC will have a one-to-one meeting with their manager to discuss their individual circumstances.

HMRC conducted high level People Impact and Equality Assessments to inform its planning. The Department plans to update these once discussions have been held with its staff.

Activities of trade union representatives are governed by long-standing agreements with departments.

[Revenue and Customs: Written Question – 25820](#), 11 February 2016

**Q Asked by Louise Haigh (Sheffield, Heeley) :** To ask Mr Chancellor of the Exchequer, at which offices the 4,000 staff of HM Revenue and Customs who are expected to live outside the reasonable travel to work area after the Building Our Future reorganisation work.

**A Answered by: Mr David Gauke :** HM Revenue and Customs' (HMRC) Location Programme is the result of an extended period of consultation and deliberation. The Department has taken account of a number of criteria in reaching its decisions, including the quality of local transport links, the local labour market and future workforce supply, the cost of buildings and asset value, and the need to retain the staff and skills it needs to continue its

transformation. These changes will reduce HMRC's estates costs by around £100 million a year by 2025.

HMRC conducted high level People Impact and Equality Assessments to inform its planning. The Department plans to update these once discussions have been held with its staff. HMRC's modelling estimates that the majority of staff live within Reasonable Daily Travel of a regional centre. Reasonable Daily Travel is calculated in line with established HR policies and procedures. Every worker at HMRC will have a one-to-one meeting with their manager to discuss their individual circumstances.

[Revenue and Customs: Staff : Written question – 29271](#), 4 March 2016

**Q Asked by Stephen Timms (East Ham)[N]** : To ask Mr Chancellor of the Exchequer, how long in advance of the date of the closure will HM Revenue and Customs staff in each office earmarked for closure be informed of their future employment options.

**A Answered by: Mr David Gauke** : HM Revenue and Customs (HMRC) has already commenced a discussion process with staff in offices identified for closure. HMRC has given a commitment to staff that they will have a one-to-one meeting with their manager to discuss their options at least one year ahead of their office closure.

## EDMs

[Early day motion 167 of 2014-15 : Support for HMRC workers](#)

**Date tabled: 24.06.2014**

Primary sponsor: McDonnell, John

Sponsors: Corbyn, Jeremy Shannon, Jim Simpson, David Ritchie, Margaret Llwyd, Elfyn

That this House sends solidarity to members of the Public and Commercial Services Union (PCS) in HM Revenue and Customs (HMRC) taking action in defence of their services and jobs and to resist privatisation; recognises the pressure the workforce is increasingly under to mask job cuts; condemns attempts to divide workers by implementing a punitive performance management system that seeks to penalise 10 per cent of its staff every year; is dismayed at announcements to close a further 23 locations across the UK in June 2014 as part of an ill-conceived plan to cut 22,000 jobs and the closure of all 281 UK tax enquiry centres which forces pensioners and those most in need to contact understaffed contact centres or use the internet to get help with their tax affairs; commends PCS for its constructive attempts to negotiate a solution; and urges HMRC to enter into meaningful talks with the union and take action to reverse the cuts, centralisation and privatisation, ensuring proper staffing levels across the Department.

The motion had 33 signatures.

[Early Day Motion 335 of 2014-15 : HMRC office closures](#)

**Date tabled: 12.09.2014**

Primary sponsor: McGovern, Jim

Sponsors: Durkan, Mark Corbyn, Jeremy Hopkins, Kelvin Ruane, Chris Hancock, Mike

That this House calls on the Government to reconsider the planned cuts to HM Revenue and Customs' (HMRC) offices across the country; offers its full support to the hardworking staff in offices in Dundee and across the UK who are worried about their jobs; and urges the Government to enter into discussions with HMRC staff and their union the Public and Commercial Services Union in order to avoid job losses and unnecessarily damaging this crucial service.

The motion had 23 signatures.

[Early Day Motion 959 of 2015-16 : HMRC Building Our Future plan](#)

**Date tabled: 13.01.2016**

Primary sponsor: Cunningham, Jim

Sponsors: Stephens, Christopher Durkan, Mark Edwards, Jonathan Williams, Hywel Saville Roberts, Liz

That this House is concerned at HM Revenue and Customs' (HMRC) plan with the misnomer Building Our Future which will reduce its offices from 170 to 17; notes that these proposals are driven by the Department's need to end the costly Mapeley PFI estates contract; believes that a centralised, remote HMRC losing the expertise of experienced staff and specialist local knowledge will have a detrimental impact on its service to the public and a devastating impact on local economies; further believes that this plan would seriously compromise the ability of HMRC to close the tax gap; and calls on the Government to ensure that Building our Future is suspended until a comprehensive consultation process, involving all staff and stakeholders including the PCS union, has concluded and any plans have been subjected to parliamentary scrutiny.

To date this EDM has 74 signatures.

## Petitions

[Petition 112342 : Stop the destructive 'building our future' office closure programme in HMRC](#)

Deadline : 16 May 2016

HM Revenue & Customs has announced its intent to close all 170 offices around the country and replace them with 13 regional centres and 4 specialist sites. The office closures will leave hundreds of staff facing redundancy and decimate local communities where HMRC is the major employer.

Since 2010, more than 10,000 jobs have been cut from the department and 250 offices have closed, plus the network of 281 walk-in tax enquiry centres. The public accounts committee criticised HMRC's "woefully inadequate" efforts to tackle tax evasion and said they feared the telephone helpline service was so bad it was "having an adverse impact on the collection of tax revenues". With so few sites planned to remain, the livelihoods of thousands of employees are being needlessly put at risk.

This has 2,476 signatures to date.

## 2.2 Press & other material

### Press notices

#### **Turner & Townsend press notice, [Delivering HMRC's new network of 13 regional tax offices](#), 21 March 2016**

We have been chosen by HM Revenue & Customs as its Strategic Delivery Partner in the creation of a network of 13 regional tax offices.

The new regional centres will be the centrepiece of a complete re-organisation of HMRC's property portfolio that will save the taxpayer an estimated £100m over the next decade.

We will be providing HMRC with a full range of advisory services, from project and supply chain management, assurance and project support to communications and stakeholder management.

We have been appointed to manage HMRC's 'Building our Future' programme for an initial period of three years, with the option for the contract to be extended for a further two years thereafter.

The network of regional centres will allow HMRC to make substantial savings by taking more of its work out of expensive central London locations. The 13 new sites will be located across the UK, from Belfast to Croydon, and will be fully operational by 2021.

When complete they will bring together experts from across HMRC's existing network of 170 tax offices, boosting collaboration and efficiency among its 58,000 full-time staff.

Jon White, UK Managing Director said:

"HM Revenue & Customs' 'Building our Future' is a major programme of both ambition and complexity – and is set to dramatically improve HMRC's infrastructure and efficiency.

"Turner & Townsend is looking forward to partnering with HMRC at every stage of programme delivery – from the acquisition phase right through the delivery process, from design to completion and occupation.

"We're proud to have been chosen to serve as HMRC's strategic partners, and our expert teams across the UK will combine both in-depth local knowledge and global best practice to deliver all aspects of the programme to the highest standard.

#### **Public and Commercial Services Union press notice, [Hundreds show support for PCS campaign against HMRC cuts](#), 2 March 2016**

Hundreds of supporters and dozens of MPs showed their support for the PCS campaign against HMRC office closures and job cuts.

The rally outside parliament yesterday (1 March) to show solidarity with HMRC members was attended by hundreds of people, many holding PCS flags, who braved the wet weather. They heard from shadow chancellor of the exchequer John McDonnell MP, Chris Stephens MP (the new PCS parliamentary group chair) and our general secretary, Mark Serwotka.

All spoke of their opposition to the department's destructive plans, which threaten thousands of jobs and aim to close all 160 HMRC offices and move them out of towns into regional centres miles away from current locations.

In November 2015, HMRC announced its plans to shut all its offices and open 13 regional hubs and 4 specialist centres putting the future of thousands of staff at risk given many staff will not be able to relocate to new regional hubs due to them being outside reasonable daily travel.

These proposals pose a significant threat to the operation of HMRC, its service to the public and the working lives of staff. The threat is so severe, we believe, that as well as entering into genuine negotiations, HMRC must launch a high-profile public consultation and allow its proposals to be subject to full parliamentary scrutiny.

Local presence vital

MPs and tax experts have previously supported our view that a visible, local HMRC presence is essential to maintaining confidence in our tax system and ensure taxpayers comply with their obligations. The proposals under the HMRC 'plan' called "Building our future" would not only be absolutely devastating for HMRC and the people currently employed by the department but also for the provision of local services.

The shadow chancellor told the lunchtime rally: "The last thing you do if you want to close the tax gap is close offices and cut staff."

Mark said the government should invest in HMRC to "cut the tax gap not workers' jobs." He also said that cuts to HMRC were "part of a picture of cuts across the civil service."

Following the rally we had our best ever parliamentary briefing session inside the House of Commons with more than 80 MPs in attendance. PCS members, some of whom had travelled hundreds of miles, were able to explain to their MP the impact of the attacks on their livelihoods and communities.

We have also asked MPs to sign a House of Commons early day motion <http://www.parliament.uk/edm/2015-16/959> that calls on the government to suspend the closures and hold a comprehensive consultation.

Sign and share the petition against the closures, launched by PCS Revenue and Customs Bootle Taxes Branch.

**HMRC press notice, [\*HMRC announces next step in its ten-year modernisation programme to become a tax authority fit for the future\*](#), 12 November 2015**

**Fewer, more modern regional centres and highly skilled staff will provide customers with better services**

HMRC has today announced the next step in its ten-year modernisation programme to create a tax authority fit for the future, committing to high-quality jobs and the creation of 13 new regional centres over the next five years, serving every nation and region in the UK.

The modernisation programme, now at the halfway point, includes investment in new online services, data analytics, new compliance techniques, new skills and new ways of working, to make it easier for the honest majority of customers to pay their tax, including by improving customer service, and harder for the dishonest minority to cheat the system. The changes have already resulted in over 80% of people filing their Self Assessment returns online and

given customers new, simple ways to check their payments, make changes or find answers to questions.

The tax authority, which raised a record £517 billion for public services last year, will open its first new regional centre in 2016-17, with others following between 2017 and 2021.

HMRC's 58,000 full-time equivalent employees are currently spread across 170 offices around the country, many of which are a legacy of the 1960s and 1970s, which range in size from around 6,000 people to fewer than ten. HMRC will bring its employees together in 13 large, modern regional centres, equipped with the digital infrastructure and training facilities needed to build a more highly-skilled workforce to meet the challenges of bringing in more revenue from those evading tax and improving its customer service to the honest majority.

The transformation supports the Government's commitment to locate jobs throughout the country. Bringing staff together in large centres will enable people to develop careers up to senior levels, with less need to move around the country, and will support the growth of specialist teams and links with universities and other sources of skilled recruits.

Lin Homer, HMRC's Chief Executive, said: "HMRC is committed to modern, regional centres serving every region and nation in the UK, with skilled and varied jobs and development opportunities, while also ensuring jobs are spread throughout the UK and not concentrated in the capital. HMRC has too many expensive, isolated and outdated offices. This makes it difficult for us to collaborate, modernise our ways of working, and make the changes we need to transform our service to customers and clamp down further on the minority who try to cheat the system."

"The new regional centres will bring our staff together in more modern and cost-effective buildings in areas with lower rents. They will also make a big contribution to the cities where they are based, providing high-quality, skilled jobs and supporting the Government's commitment for a national recovery that benefits all parts of the UK."

The changes will enable HMRC to give customers the modern services they now expect at a lower cost to the taxpayer, meeting the Government's challenge for all departments to do more with less.

HMRC expects the majority of staff to be able to move from their current offices to a regional centre, and is phasing the moves over ten years in order to minimise redundancies. But HMRC will aim to have fewer staff in the future as it streamlines how it works and uses the best of modern technology to reduce costs.

#### **Note to editors**

1. The high-level plans for transforming HMRC were first shared with its staff 18 months ago. Since then, HMRC has held around 2,000 events across the UK, talking to its employees about how it is changing and involving them in the discussions.
2. The plans announced today will mean HMRC will be able to create better workplaces and generate estate savings of £100 million a year by 2025.
3. Moving more of HMRC's work out of central London, which has some of the world's most expensive office space, will enable HMRC to make substantial savings.

4. Regional centres will vary in size and in the mix of operational, tax professional and corporate services work that they contain. The smallest will hold 1,200 to 1,300 full-time equivalent members of staff and the largest, operationally-focused centres will hold more than 6,000.
5. HMRC will have four specialist sites for work that cannot be done elsewhere, notably where HMRC needs to work with its IT suppliers or other government agencies or departments. These will be in Telford, Worthing, Dover and at the Scottish Crime Campus in Gartcosh.
6. The 13 new regional centres will be in: North East (Newcastle); North West (Manchester and Liverpool); Yorkshire and the Humber (Leeds); East Midlands (Nottingham); West Midlands (Birmingham); Wales (Cardiff); Northern Ireland (Belfast); Scotland (Glasgow and Edinburgh); South West (Bristol); and London, South East and East of England (Stratford and Croydon). We cannot currently say more about the exact locations, because we need to negotiate with landlords and contractors, but they will be locations in the cities we have named with good transport links.
7. Ultimately, these changes will involve the closure of 137 offices by 2027. Offices will be released, for instance, as lease breaks arise or at the end of the PFI contract with Mapeley in 2021. HMRC shared the broad outline of the transition with its staff on 12 November – including potential office closure dates and the likely outcomes for individuals working in each office.
8. HMRC will consult staff and other interested groups on the best way to carry out this transition. Where staff are not based in or near a proposed or existing regional centre, they will be given a range of options and will have time to consider and discuss their future with HMRC.
9. Much modern compliance work can be done from any location but HMRC's investigators and field force remain a mobile workforce able to cover the entire country as and when we need to make contact face-to-face or at people's premises. There will also continue to be mobile customer services for vulnerable individuals or those with additional needs.

## Press articles

### **Tax Journal, 18 November 2015**

[\*HMRC office closures prompts mixed reaction from tax profession\*](#)

### **Civil Service World, 12 November 2015**

[\*HMRC announces major office closure programme – full regional breakdown and reaction\*](#)

### **The Telegraph, 12 November 2015**

[\*HMRC to merge 170 offices into 13 hubs as part of major overhaul\*](#)

## [List of proposed HMRC office closures](#)

### **BBC News, 12 November 2015**

The list of HMRC offices to shut, and their proposed closure dates:

#### Yorkshire and the Humber

Bradford (Centenary Court) 2020-21, Bradford (The Interchange) 2019-20, Grimsby (Imperial House) 2020-21, Harrogate (Victoria Avenue) 2016-17, Hull (Cherry Court) 2020-21, Leeds (Munroe Court) 2019-20, Leeds (Castle House) 2019-20, Leeds (Peter Bennett House) 2019-20, Leeds (Windsor House) 2020-21, Sheffield (Concept House) 2010-21, Shipley (Accounts Office) 2019-20, York (Swinson House) 2019-20.

#### North East of England

Middlesbrough (Russell Street) 2018-19, Middlesbrough (Eustace House) 2019-20, Peterlee (Emerald Court) 2020-21, Stockton-on-Tees (George Stephenson House) 2020-21, Sunderland (Waterside House) 2019-20, Washington (Waterview Park) 2024-25.

#### East Midlands

Derby (Northgate House) 2018-19, Leicester (Saxon House) 2020-21, Lincoln (Lawress Hall) 2020-21, Lincoln (Cromwell House) 2016-17, Chesterfield (Markham House) 2016-17, Nottingham (Castle Meadow) 2020-21 when the move will be made into a new regional centre in Nottingham - possibly at Castle Meadow.

#### London, the South East and East of England

Bedford 2016-17, Brighton 2018-19, Cambridge 2018-19, Canterbury 2019-20, Chatham 2016-17, Chelmsford 2016-17, Colchester 2016-17, Crawley 2017-18, Felixstowe 2016-17, Gravesend 2019-20, Harwich 2017-18, Ipswich (Haven House) 2027-28, Ipswich (St Clare's House) 2023-24, London (Berkeley House) 2016-17, London (Bush House) 2019-20, London (Capitol House) 2020-21, London (Custom House) 2019-20, London (Dorset House) 2019-20, London (Euston) 2020-21, London (Ealing International House) 2020-21, London (Riverside House) 2017-21, Luton 2020-21, Maidstone 2020-21, Milton Keynes 2016-17, Norwich 2016-17, Oxford 2017-18, Peterborough (Churchgate) 2020-21, Peterborough (Clifton House) 2017-18, Portsmouth (Lynx House) 2025-26, Portsmouth (Wingfield House) 2018-19, Reading 2024-25, Redhill 2018-19, Romford 2016-17, Southampton 2019-20, Southend 2019-20, Staines (Forum House) 2017-18, Staines (Heliting House) 2017-18, Surbiton 2017-18, Tilbury 2016-17, Uxbridge 2018-19, Watford 2020-21, Wembley 2020-21, Woking 2017-18.

#### Northern Ireland

Newry (Custom House) June 2016, Coleraine (Fern House) 2016-17, Craigavon (Marlborough House) 2017-18, Enniskillen (Abbey House) 2017-18, Belfast (Beaufort House) 2017-18, Belfast (Carne House) 2017-18, Belfast (Custom House) 2017-18, Belfast (Dorchester House) 2017-18, Lisburn (Moira House) 2019-20, Londonderry (Foyle House) 2020-21.

#### North West of England

Warrington 2018-19, Carlisle 2017-18, Workington 2018, Bolton 2019-20, Manchester (four offices) 2019-20, Blackburn 2019-20, Blackpool transfer to the Department for Work and Pensions, Preston (three offices) 2020-21 and three to later transfer to the Department for Work and Pensions, Bootle (four offices) 2018-19 and 2019-20, Liverpool one office 2018-19 and two to later transfer to the Department for Work and Pensions, St Helens 2018-19.

#### Scotland

Aberdeen (Ruby House) 2020-21, Bathgate (Pyramids Business Centre) 2019-20, Cumbernauld (Accounts Office) 2019-20, Dundee (Sidlaw House) due to transfer to DWP, Dundee (Caledonian House) 2017-18, East Kilbride (Hawbank Stores), East Kilbride (Plaza Tower) 2020-21, East Kilbride (Queensway House) 2025-26, Edinburgh (Elgin House) 2019-20, Edinburgh (Grayfield House) 2019-20, Edinburgh (Meldrum House) 2019-20, Glasgow (Cotton House) 2019-20, Glasgow (Portcullis House) 2019-20, Inverness (River House) 2017-18, Livingston (Barbara Ritchie House) 2019-20, Irvine and Glenrothes offices are also both in the process of closing.

#### South West of England

Avonmouth (Custom House) 2017-18, Bournemouth (Holland House) 2019-20, Bristol (101 Victoria Street) 2017-18, Bristol (Crescent Centre) 2017-18, Exeter (Longbrook House) 2020-21, Gloucester (Twyver House) 2017-18, Plymouth (The Apex) 2016-17, Plymouth (Westpoint) 2016-17, Redruth (Piran House) 2018-19, Swindon (Wiltshire Court) 2017-18, Taunton (Michael Paul House) 2016-17.

#### Wales

Wrexham, Swansea, Porthmadog and the present Cardiff base at Llanishen will close. An office in Merthyr is already due to shut in 2016.

## West Midlands

Birmingham (City Centre House) 2019-20, Birmingham (Norfolk House) 2019-20, Brierley Hill (Bridge House) 2016-17, Brierley Hill (Merry Hill) will transfer to Department for Work and Pensions, Coventry (Sherbourne House) 2019-20, Northampton (Princess House) 2020-21, Northampton (Northgate House) 2016-17, Solihull (Sapphire East) 2019-20, Solihull (Royal House) 2019-20, Telford (Parkside Court) 2019-20, Walsall (Pattison House) 2016-17, Wolverhampton (Crown House) 2019-20, Worcester (Council Buildings) 2019-20.

Source: HMRC

## Other

“Plans for tax administration”, National Audit Office, [HM Revenue & Customs 2014-15 Accounts](#), July 2015

4.1 In July 2014 HM Revenue & Customs (HMRC) announced its plans to undertake an ambitious programme of work to transform how it administers tax.<sup>16</sup> This will be HMRC's third major change programme since its formation in 2005.

4.2 While HMRC's plans are in the early stages, it is already clear that the scale of the transformation is significant, and more complex and far-reaching than its previous change programmes. With such high levels of change we would expect any organisation to experience implementation difficulties and for some projects to fail.

This part of the report:

- describes HMRC's history of delivering change;
- explains HMRC's new strategy to improve tax administration; and
- identifies high-level challenges HMRC faces in delivering its transformation plans.

4.3 HMRC will develop detailed cost and delivery plans during the upcoming 2015 Spending Review. Therefore we have not evaluated HMRC's plans to deliver its strategy here. We intend to report on progress as the programme develops.

### Making changes

4.4 HMRC has carried out two major change programmes since the merger of the Inland Revenue and HM Customs and Excise in 2005:

- **The Departmental Transformation Programme (2006-07 to 2010-11)**: to deliver the service improvements, tax yield and efficiency savings from the merger.
- **The Change Programme (2011-12 to 2014-15)**: to deliver commitments in the 2010 Spending Review settlement.<sup>17</sup>

<sup>16</sup> Ruth Owen, '[Building our Future: transforming how HMRC serves the UK](#)', speech to HM Revenue & Customs annual stakeholder conference, 17 July 2014

<sup>17</sup> Over the 4 years covered by the 2010 Spending Review (2011-12 to 2014-15), HM Revenue & Customs committed to reduce the administration budget by 33%; reduce spending by 25%; and generate additional revenue of £7 billion per year by 2014-15.

The programme’s main aims were to reduce costs and increase tax revenues by reinvesting £917 million of efficiency savings into its compliance activities to generate additional revenues. It also included some transformation programmes like Real Time Information (RTI) for PAYE.

4.5 HMRC has spent £4.6 billion on change programmes over the past nine years (£2.4 billion on the Departmental Transformation Programme and £2.2 billion on the Change Programme). The proportion of HMRC’s total spending on change programmes has increased from 12% in 2011-12 to 20% (£682 million) in 2014-15 (Figure 17).<sup>18</sup>

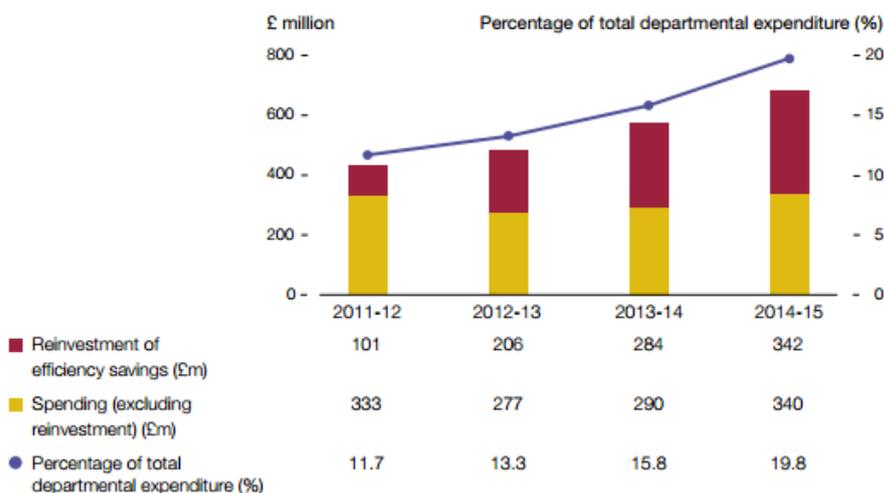
4.6 HMRC designed its change programmes to maximise revenue, reduce running costs and improve the customer experience. Since its creation, HMRC has reduced the number of full-time equivalent staff by 40,000 (from 97,000 in April 2005 to 57,000 in March 2015) and the number of offices by more than two-thirds (from 593 to 190). It has reduced its annual running costs since 2005-06 by £0.7 billion, from £3.8 billion in 2005-06 to £3.1 billion in 2014-15.<sup>19</sup> At the same time it has increased the revenue it raises from compliance work.<sup>20</sup> It has modernised its services through initiatives such as:

- the expansion of online filing of tax returns since 2007;
- the integration of National Insurance and PAYE services in 2009;
- the introduction of an online VAT registration system in 2012; and
- the roll-out of RTI in 2013.

**Figure 17**

HMRC’s annual expenditure on change programmes, 2011-12 to 2014-15

HMRC’s total spending on change programmes has increased



**Note**

<sup>1</sup> Total departmental expenditure includes both resource and capital spend.

Source: National Audit Office analysis of HM Revenue & Customs spending data

<sup>18</sup> Total spending includes resource and capital departmental expenditure.

<sup>19</sup> HM Revenue & Customs’ resource spending voted by Parliament (which excludes the costs of collecting National Insurance Fund income and the e-filing incentive payments) fell by £0.7 billion in cash terms between 2005-06 and 2014-15. After adjusting for inflation, the real terms decrease in HMRC’s running costs over this period was 34% or £1.6 billion.

<sup>20</sup> HM Revenue & Customs, *Building our Future: Transforming the way HMRC serves the UK*, July 2014

4.7 HMRC estimates the financial benefits of its change programme using three primary measures. HMRC had targets for two of these measures in its 2010 Spending Review settlement: efficiency savings and compliance yield, both of which it met. HMRC later agreed to deliver a number of initiatives intended to deliver tax credits fraud and error savings: these are estimates of savings made by HMRC through the identification and resolution of fraud and error or through the increased success in collecting tax credit debt. By 2013-14 the Department estimated that it had reduced tax credits fraud and error to 4.4% against its target to reduce it towards 5.5% by 2014-15. This is discussed separately in Part Five of this report.

In addition, HMRC also measures quantifiable customer benefits from its change projects, in the form of customer compliance cost reductions, but agreed no targets for this measure. HMRC estimates customer compliance cost reductions when it makes changes to services which reduce the cost to taxpayers of interacting with the tax system.

4.8 When we reported on HMRC's progress on reducing its costs in 2013, we also looked at how well it managed change. We found HMRC managed change well, with robust reporting and monitoring arrangements in place. However, HMRC needed to do more to manage the dependencies and connections between projects and to better understand the link between the cost and value of activities.<sup>21</sup>

4.9 HMRC has a strong track record in delivering IT-enabled change, and implementation problems have been the exception rather than the rule. However, making major changes to customer services often carries high risk and can have a big impact on taxpayers when things go wrong. For example, we have reported a number of times on HMRC's implementation of major projects to improve how personal tax is administered. We first reported on significant difficulties HMRC faced implementing a new service for National Insurance and PAYE (NPS) in 2009-10.<sup>22</sup> Millions of employees' tax records were affected, and it took HMRC a number of years to stabilise the new system. HMRC learned from its experience implementing NPS and its later major project to modernise PAYE between 2012 and 2014, known as Real Time Information, was more successful.

### Improving tax administration

4.10 HMRC launched its new strategy for transforming the tax system in June 2014.<sup>23</sup> The strategy aims to help customers pay the right amount of tax at the right time by making better use of its data and providing more personalised online services. A key ambition is to give every customer in the UK a personal online tax account so that they can manage all their tax affairs easily in one place, rather than deal with HMRC separately for each tax they pay. The March 2015 Budget announced the end of the annual tax return by the end of the next Parliament.<sup>24</sup>

4.11 HMRC's strategy will affect almost all customers in some way during the next Parliament. Examples of the impact of the changes on customer experience are:

- **Improving the provision of systems, guidance, and support to make it easier to comply:** Customers accessing their online tax accounts will get intelligence-led guidance and automated answers

<sup>21</sup> Comptroller and Auditor General, *HM Revenue & Customs: Progress on reducing costs*, Session 2012-13, HC 889, National Audit Office, February 2013.

<sup>22</sup> Comptroller and Auditor General, *HM Revenue & Customs Annual Report and Accounts 2009-10*, Session 2009-10, HC 299, National Audit Office, July 2010.

<sup>23</sup> See, *Building our Future: transforming how HMRC serves the UK*, 17 July 2014

<sup>24</sup> HM Revenue & Customs, *Making tax easier: The end of the tax return*, March 2015. [For further details see, HMRC, *Making tax digital*, December 2015.]

to their queries. This will help them carry out more tasks themselves. Face-to-face and phone support will be available for those customers who need extra help.

- **Automating routine processing of tax information and transactions:** Moving services online means that many manual processes will become automated. For example, HMRC plans to pre-populate tax returns and online accounts with real-time data. This will save customers' time and reduce the need for contact and manual processing by HMRC.
- **Concentrating resources on enforcement and compliance activities to tackle tax avoidance and evasion:** HMRC expects compliance staff will need less time on routine work and correcting errors. Compliance staff will have better data and information about risks to tax revenue. This means they can focus more on dealing with taxpayers who deliberately avoid or evade their taxes.

4.12 To deliver its strategy, HMRC has started re-designing its processes and services around customers, rather than around the taxes they pay. HMRC expects to:

- **develop a 'multi-channel digital platform'** that interacts with customers flexibly through a range of channels such as web chat and secure messaging;
- **create a 'single customer view'** in HMRC that allows staff to see information about all the taxes paid by an individual, and their interactions with HMRC, in one place;
- **give small and medium enterprises (SMEs) 'your tax account'** – an online service with a personalised homepage, providing an overview of the SME's main taxes and allowing it to quickly access all services from one place; and
- **build an 'enterprise data hub'** to house all HMRC data, replacing its current system of multiple, disconnected data stores to allow HMRC to analyse data more easily and efficiently, and to improve customer service and compliance.

4.13 HMRC's strategy means changing the shape and size of its workforce and estate to support the new way of administering tax. HMRC intends to reduce spending on its buildings. It will use resources more flexibly by consolidating its 190 existing offices into a small number of large regional centres. HMRC expects to continue reducing its staff. It plans to invest in developing new skills in its staff, recognising that its needs will change. For example, compliance staff will increasingly focus on complex and challenging cases. This will require new legal and analytical skills. HMRC also intends to invest in developing its digital, programme and project management, and commercial skills.<sup>25</sup>

#### **Key challenges to making changes**

4.14 HMRC is beginning to plan activities to deliver its strategy over the next five years. It expects to spend over £500 million on the changes during 2015-16 (around 15% of its total spending). It will decide how to fund and schedule key activities after 2015-16 during the upcoming Spending Review; HMRC and HM Treasury will also agree new performance measures to monitor progress and hold HMRC to account for its performance.

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<sup>25</sup> HMRC, *Building our Future*, July 2014.

4.15 HMRC must change more radically than it has in the past to achieve this transformation. HMRC's previous change programmes had focused on increasing efficiencies, improving processes and investing more in pre-existing compliance activities. This time the change programme is more ambitious and more complex: making planned cost reductions while moving millions of taxpayers to digital customer services and decommissioning old ones.

4.16 We reviewed HMRC's strategy and identified three high-level challenges it will face delivering its transformation plans:

- **Managing the high levels of complexity and ambition in HMRC's plans, given the scale of the transformation that will be required, alongside further cost reductions.**

In 2013 we reported on HMRC's progress in reducing its costs. We found it had more to do to understand how all its change projects linked together and to identify the key projects that will enable it to reduce costs.<sup>26</sup> HMRC's new change programme is more complex than the one we reviewed in 2013: it has more than double the number of projects. These projects will be delivered across all parts of HMRC's business, often by new cross-organisational teams. Establishing the right sequencing, managing dependencies and prioritising the most valuable projects will be challenging. HMRC will also need the commitment and resilience not to be deflected from the delivery of its strategic vision when implementation problems occur.

While HMRC has a generally successful record in delivering change, it recognises its transformation plans are more ambitious than its earlier change programmes. It will need to balance this ambition with realism about its critical assumptions and make contingency plans. Other departments face similar issues: our work on implementing welfare reforms found that the Department for Work & Pensions had relied too much on assumptions that were uncertain and unchallenged. It did not have a sufficient understanding of its portfolio of programmes or overall capacity to manage them.<sup>27</sup>

- **Managing significant operational change alongside changes to how it procures and manages its digital services.**

Digital technology is one of the primary enablers of HMRC's planned transformation by 2020. For the past 11 years HMRC has procured the majority of its IT (including digital) services through the Aspire contract. The Aspire contract ends in 2017. HMRC will therefore need to implement its digital transformation alongside activity to replace the Aspire contract.<sup>28</sup>

- **Designing management information into programmes from the start.**

HMRC will need to decide how to measure and record the benefits expected from its transformation. HMRC's current customer service measures include the speed of its response to telephone queries. If HMRC is successful in helping customers to get their tax returns right first time, this should reduce demand for telephone contact. A key challenge will be for HMRC to establish what its current services cost, and develop how it measures the impact of any changes on its

<sup>26</sup> Comptroller and Auditor General, *HM Revenue & Customs: Progress on reducing costs*, Session 2012-13, HC 889, National Audit Office, February 2013

<sup>27</sup> Comptroller and Auditor General, *Department for Work & Pensions: Welfare Reform – lessons learned*, Session 2015-16, HC 77, National Audit Office, May 2015.

<sup>28</sup> Comptroller and Auditor General, *HM Revenue & Customs: Managing and replacing the Aspire contract*, Session 2014-15, HC 444, National Audit Office, July 2014; Comptroller and Auditor General, *The HMRC VAT Service: the impact of legacy ICT*, August 2013.

customers. This includes developing leading indicators for major risks within programmes. HMRC recognises that it will need to change the measures it uses to prioritise investments, measure progress and evaluate whether its transformed services are more cost-effective. It is developing a new set of performance measures for 2016.

4.17 We intend to return to HMRC's transformation over the coming five years as it develops more detailed and specific plans. We will review how well HMRC manages these challenges.

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