House of Commons Library

DEBATE PACK

Number CDP-2007/0209, 31 October 2017

HMRC closures

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Summary

On Thursday 2 November 2017 there is to be a general debate on HMRC closures in Westminster Hall. The subject of the debate was nominated by the Backbench Business Committee, and the debate is to be opened by Stuart McDonald MP.

Contents

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. Policy background

1.1 HMRC's modernisation programme

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, who was then 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.[1]

In a presentation on HMRC's plans for digital technology, Ruth Owen, who was 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.[2]

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.[3] 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

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1 HMRC press notice, *Lin Homer's speech at HMRC Annual Stakeholder Conference*, 17 July 2014

2 HMRC press notice, *Ruth Owen's speech: Building our Future: transforming how HMRC serves the UK*', 17 July 2014

3 *Budget 2015*, HC 1093, March 2015 paras 107-9. Subsequently in December 2015 HMRC published *Making Tax Digital*, which set out its strategy to implement this new system by 2020. For more details see, *Making Tax Digital*, Commons Briefing paper CBP7949, 12 October 2017.

smaller network of regional centres in large urban areas … Ultimately, this will help us deliver better services for our customers around the UK."[4] 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.[5]

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

4 *Building our future: Transforming the way HMRC serves the UK*, July 2015 p7

5 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

> commercial negotiations have finished. This does mean that by 2020 to 2021, we plan to close 137 offices.[6]

At the time the BBC published a list of the individual offices that were planned for closure.[7]

This programme followed 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.[8] 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.[9]
>
> At the same time it has increased the revenue it raises from compliance work.[10] 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.[11]

During 2015 there were widespread concerns as to the impact of HMRC's approach to reducing staff numbers for taxpayers, specifically in relation to their needing help and advice with their tax affairs.[12] Subsequently in the light of HMRC's announcement on its

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6 HMRC issue briefing, *HMRC announces next step in its ten-year modernisation programme to become a tax authority for the future*, November 2015

7 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.

8 A Library paper on the legislation to give effect to the merger gives some background to HMRC's creation: RP04/90, 6 December 2004.

9 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.

10 HM Revenue & Customs, *Building our Future*, July 2014

11 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*

12 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).

reorganisation, many Members 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.[13]

In January 2017 the National Audit Office published a report on HMRC's programme. It found that although HMRC had made progress in reducing the size of its estate and its annual running costs, HMRC had concluded that its original plan was unrealistic and estimate of its estate costs over the next 10 years has risen by nearly £600 million (22%), more than half of which was due to higher than anticipated running costs for its new buildings.[14] The report was the subject of an Urgent Question tabled by the Shadow Chancellor John McDonnell, who argued that HMRC's office closure plan was "an emerging disaster":

> The NAO report confirms our fears. First, it called the original office closure plan unrealistic … It forecasts a further 5,000 job losses and finds that the costs of redundancy and travel have tripled from £17 million to £54 million. It also says that HMRC cannot demonstrate how its services can be improved and has not even produced a clear programme business case for the planned closures ...
>
> Some 73% of the staff surveyed said that the plans would undermine their ability to provide tax collection services, while 50% said they would actually undermine their ability to clamp down on tax evasion and avoidance. Will the Minister now call a halt to the planned office closures, end the job cuts at HMRC and come back with a realistic plan to resource HMRC fully in its vital tax collection role?[15]

In response Treasury Minister Jane Ellison said the following:

> The shadow Chancellor's comments do not accurately represent what the NAO said. It has actually recognised that HMRC's move to regional centres is central to its strategic aim to increase tax revenue, improve customer service and make cost savings. The move to regional centres has never been just about cost savings or buildings; it is partly about how people work in those buildings. Ultimately, we will have an opportunity to change how we work…
>
> All staff will be offered the chance to move, and for those who cannot, there will be one-to-one, bespoke support, and some of them will go to other Departments, so some of the comments we have heard are absolute nonsense … This is a major programme, and it is right that the overall costs be periodically reviewed, but HMRC is not looking to make any significant changes to its overall strategy. We want its staff to work closer together in regional centres and specialist sites in a modern, flexible and high-quality working space.[16]

In April 2017 the Public Accounts Committee published a report on the HMRC Estate in which it concluded that the department "has yet to demonstrate that it has a realistic and affordable plan to deliver such a

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13 The issue was the subject of Opposition Day debates on 14 November 2015 (HC Deb cc1258-1301), and 28 April 2016 (HC Deb 1631-1653).
14 *Managing the HMRC Estate*, HC 726 of 2016-17, 10 January 2017
15 HC Deb 10 January 2017 cc163-4
16 HC Deb 10 January 2017 c164

radical change to its estate, and we do not believe that it needs to be based in expensive cities across the UK":

> HM Revenue & Custom (HMRC) aims to bring its staff together in large regional centres located in the centre of the main city in each region. Between November 2015 and September 2016, HMRC's estimate of the cost of its estate over the next 10 years rose by £600 million (22%), at which point it acknowledged that its original plan was not affordable. It has since identified options for reducing the cost to bring it nearer to the funding level agreed in the spending review 2015, but its plans are evolving and it does not have a settled business case.
>
> HMRC has not demonstrated how moving to major city centre locations will achieve its intended benefits, given its strategy is to transform its services to mainly digital channels. It has not adequately explained why offices in such expensive locations are necessary to serve customers better or increase the efficiency and effectiveness of its tax compliance work. For example, HMRC has chosen to locate its Yorkshire office in Leeds, despite being more expensive than Bradford, where many HMRC staff already work.

Among its recommendations the Committee asked HMRC to provided details, "identifying the costs and benefits of the options it has considered in its revised business case, the risks it will need to manage, and what contingency plans it has in place." [17]

Jon Thompson, CEO of HMRC wrote to the Committee in June,[18] and the Government published its response to the Committee's report on 18 October.[19] Further to this, the Committee has announced that it will hold an evidence session on 5 November on HMRC's performance in 2016–17 and the department's Estate.

On 26 October the Backbench Business Committee announced that there would be a Westminster Hall debate on HMRC closures, following representation from Stuart McDonald. Mr McDonald made the case for this debate to the Committee on 10 October:

> **Stuart C. McDonald:** As I am sure all Members will be aware, the HMRC's agenda for change is one heck of a significant programme, whatever your view of it.
>
> We are talking about reducing the HMRC estate from about 160 or 170 offices down to 13, plus some small dedicated hubs doing specialist work. Huge questions arise from that, as to how that has an impact on HMRC's ability to do its job of providing tax advice and clamping down on tax evasion and avoidance. It also raises huge questions about the impacts of moving those jobs away from 120 or so different towns and cities. Obviously, it has a huge impact on the employees.
>
> In the last Parliament, MPs had two opportunities to debate these issues; the first was an Opposition day debate in November 2015,

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17 *Fifty-third report of Session 2016-17*, HC 891, 28 April 2017 p5

18 Letter from Jon Thompson, Chief Executive HMRC, to the Clerk of the Public Accounts Committee, 16 June 2017 – this is reproduced in full in section 2 of this paper.

19 HM Treasury, *Treasury Minutes : Government reponses to the Committee of Public Accounts on the 42nd-44th and the 46th-64th reports from Session 2016-17*, Cm 9505, October 2017 pp39-42. This is also reproduced below.

> and the second was a Backbench Business debate in April 2016—about a year and a half ago. Since then, as I point out in my application, there have been a couple of important developments. The National Audit Office issued a fairly critical report in January; then in April, just prior to the election, the Public Accounts Committee also reported and raised significant concerns about how the programme was proceeding.
>
> Given the massive scale of change proposed, it is important that MPs continue to have the opportunity to input into the debate. As you will see, at fairly short notice there are already 16 MPs interested in taking part in the debate, and I am sure that more would emerge.
>
> **Chair:** Yes, we have received your additional list, Stuart. Just for the record, I will run through them: yourself, Chris Stephens, Lisa Cameron, Hannah Bardell, Chris Law, Gavin Newlands, John McNally, Ian Lucas, Sandy Martin, Eleanor Smith, Hugh Gaffney, Emma Hardy, Naz Shah, Christine Jardine, Philip Davies and Lucy Allan—although it has to be said that Lucy Allan has expressed an interest in the debate but is not in full agreement with the motion. That is the nature of debate; some people speak against motions. That happens in this place occasionally.[20]

1.2 HMRC office numbers & closures: figures

HMRC had 170 office buildings in November 2016.

It spent £269 million in 2015/16 on accommodation its 58,600 employees (full-time equivalent) – 8% of its total running costs.[21]

HMRC used to have many more office buildings – for example it had 446 in 2010, itself a reduction from previous years.[22]

It plans to move from 170 office buildings to having 13 regional centres, four specialist sites and one headquarters. As part of these changes it expects to **close 137 existing offices by 2021**.

The table below is based on August 2016 lists plans for office closures. The list was provisional, and is now a year old, so plans may have changed to some extent.[23]

20 Backbench Business Committee, Representations: Backbench Debates, 10 October 2017 Q13
21 National Audit Office, Managing the HMRC estate, January 2017
22 HC Deb 9 Nov 2011 c340W
23 Deposited Paper DEP2016-0676

HMRC office closures
Plans at August 2016

	Numbers closed
2016/17	22
2017/18	27
2018/19	15
2019/20	48
2020/21	30
2023/24	1
2024/25	2
2025/26	2
2027/28	1
Other:	
Closure (previously) announced	12
To be closed (date to be announced)	1
Transfer to universal credit	7

Source: Deposited Paper DEP2016-0676

As part of these changes, 38,000 employees will need to move to regional centres or leave HMRC.[24]

Contributed by, Lorna Booth, Economic Policy & Statistics

[24] National Audit Office, Managing the HMRC estate, January 2017

2. Parliamentary material

2.1 Treasury Committee

Exchange of letters between Jon Thompson, HMRC Chief Executive & Permanent Secretary, and Andrew Tyrie, Chair of the Committee, September-October 2016

Letter from Jon Thompson to the Chair, 7 September 2016

Dear Mr Tyrie,

Building our Future organisation: changing how HMRC is organised

I am writing to let you know that HMRC has announced the next stage of our Building our Future transformation to our staff today, with some restructuring of our high-level organisation. As you know, HMRC is transforming into a smaller, more highly-skilled operation, based in fewer locations and offering modern, digital services to customers. As part of this transformation, we announced in November 2015 that we are consolidating into 13 large Regional Centres and four Specialist Sites, where we will invest in skills and career development. This includes ensuring that we have the right people, with the right skills and tools, in the right place, at the right time, and managed by capable leaders.

As we have been evolving what we do, and where we do it, as part of this transformation, we have also kept our organisational structure under review, to ensure that it is fit for the future and that it supports our new digital and collaborative ways of working. As a result, we have now decided to make some further changes to how we are structured.

From October, we will be reorganising Directorates in our four existing lines of business into three new groups:

● a new **Customer Strategy and Tax Design group**, which brings together our customer strategy, tax policy, process design and tax assurance teams, led by Jim Harra

● an expanded **Customer Services group**, which includes all of our big operational teams, led by Ruth Owen

● a **Customer Compliance group**, which will tackle non-compliance and enforcement for all customer groups, including large businesses, led by Jennie Granger.

The three new groups will be supported by the existing Transformation and Corporate Services areas.

We will begin to move to the new model from 1 October and expect to complete the transition by the end of December. For the most part, this reorganisation involves the move of the line management of a number of Directorates from the four existing lines of business into the three new groups, and in a small number of cases it involves some reallocation of teams from within directorates into the new groups. These changes will help us to become an organisation that is truly focused on customers, providing great customer service and designing policies, products and processes with customers in mind. They will also enable us to deepen our specialist skills and knowledge, by bringing together teams engaged in similar work allowing us to respond more flexibly and speedily to changing business and customer needs.

The reorganisation also builds on changes we have made over the past couple of years of which you are already aware. We believe that this new organisation design provides us with a great opportunity to change how we provide our services, to help people get their taxes right and target our response to those who deliberately seek to cheat the system. If you would like any more information on these changes, then I would be happy to arrange a briefing for you.

Yours sincerely, Jon Thompson

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Letter from the Chair to Jon Thompson, 9 September 2016

Dear Mr Thompson

Thank you for your letter of 7 September informing me of your proposed restructuring. There may well be a good reason for it. The Treasury Committee will, no doubt, examine it next time you come in to provide oral evidence.

There appear to have been over a dozen major reorganisations in HMRC since the merger in 2005. There is a trade-off between stability and what may work better on a management consultant's whiteboard. Lack of stability may have contributed to low staff morale in HMRC, at least since 2009. You told us on 8 June that staff morale had improved.[25] But it remains well below the Civil Service average. The primary purpose of these reorganisations is, no doubt, to make HMRC an organisation that is "truly focussed on customers". I would be grateful for your assessment of the impact of these reorganisations on morale, and of whether those that require office closures have a larger impact on morale than those that do not. I would also be grateful for your assessment of the effects of relatively low morale on the capacity of HMRC to protect the yield.

I will be placing this correspondence in the public domain.

Rt Hon Andrew Tyire MP

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Reply from Jon Thompson to the Chair, 20 September 2016

Dear Mr Tyrie

Thank you for your letter of 9 September 2016 regarding the changes to our organisation design.

The feedback I have from our recent announcement is that on the whole it has been received well, and has been seen as a sensible next step by our staff. I was in the Stratford office on the day and staff understood the logic, especially the announcement of a DG to lead the policy partnership with HM Treasury, the renewed focus on the customer through an enlarged Customer Services and the continued focus on compliance.

25 See, *Oral evidence: HMRC Executive Chair and Chief Executive*, HC 232, 8 June 2016 Qs3-4

These announcements did not set out any additional office closures or change what we had previously announced about where teams will work, so staff were pleased that this organisational change did not have further personal implications for them.

You also asked whether relatively low morale impacts on the capacity of HMRC to protect yield. For the last six years we have collected record total tax revenues year on year, and in 2015-16 we met the target set by ministers of securing £26.6 billion in compliance revenues. I am confident that HMRC will continue to perform well and that the organisation design changes we are making will support our transformation and provide a strong basis for future performance. However, I continue to travel widely and listen to staff concerns as it is my view that a more engaged workforce is a more productive one.

We are close to launching the annual staff survey, in October, and we will review the outcome very seriously. I am happy to share the outcome of that survey with the Committee if you would find that helpful.

Yours sincerely, Jon Thompson

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Letter from the Chair to Jon Thompson, 17 October 2016

Thank you for your letters of 20 September and 12 October on HMRC's departmental reorganisation.

As you will recall, in the Committee's letter of 9 September we asked for HMRC's assessment of the impact of successive reorganisations on staff morale (especially those that require office closures) and the effects of relatively low morale - as suggested by successive Civil Service staff surveys - on the capacity of HMRC to protect the yield. Neither of your letters provides a substantive assessment in response to either question.

Your first letter asserts that the yield is being protected (in so far as HMRC is collecting more tax year on year). It also makes an unsubstantiated assertion that HMRC will continue to perform well through this latest round of organisational changes. There is no assessment of the effect of low morale, merely a reference to the forthcoming staff survey. You appear to concede that a more engaged workforce is a more productive one. Does this not imply that a workforce with low morale will be less productive, and therefore affect HMRC's yield?

Given the importance of your Department's work and the frequency with which reorganisations seem to occur, I would be grateful if you could respond in more detail to our original letter. The Committee will respond to you separately on the appointment of Jim Harra as Tax Assurance Commissioner.

Rt Hon Andrew Tyrie MP

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Reply from Jon Thompson to the Chair, 27 October 2016

Dear Mr Tyrie

Thank you for your letter of 17th October received on 24th October.

In relation to staff engagement there is a wealth of general economic and other research that indicates clearly that increasing staff engagement is linked to a more productive workforce, reduced sickness and other benefits for staff and the organisation. Notable examples of this research include that by Nita Clarke and David Macleod, in *Engaging For Success* amongst others

So far, HMRC has not been able to clearly link the engagement of colleagues and the performance of the organisation. Neither have we been able to clearly link the performance of customer services to the delivery of yield. I gave evidence on this to a recent Public Accounts Committee hearing[26] and we have committed to conducting research into connections between these kinds of organisational factors and our overall performance. It should be noted that neither we, nor the National Audit Office, can find any clear examples of the connectivity in this area in any other national tax administration organisation in the world. That should not however stop us from striving to find some evidence to strengthen the case that instinctively more leaders accept to be true.

I strongly believe that improving staff engagement is a key task for all leaders in HMRC and that I personally need to lead that work as Chief Executive. I have travelled widely, as has the Executive Chair, and listened very carefully to what our people are saying. I am using all the tools available to me to ensure that we reach as many staff as possible. For example, I write a weekly interactive diary and a regular topical interactive blog for HMRC s intranet, have recorded nearly 20 vlogs for staff events and attended nearly 40 office and staff events across the country. We estimate that I have directly engaged with almost 10,000 staff in just over six months.

This activity has helped identify some of the burning issues affecting staff which I am now leading the charge to address starting with the arrangements for staff who will need to travel to a Regional Office when their local office closes We have recently announced changes to this policy and the in-year performance management system which have received very positive feedback from staff. This is only the beginning, there will be other issues I want to explore, based on feedback from staff and evidence assembled by the organisation.

I am totally committed to improving staff engagement in HMRC as I did in the MoD which last year was 13% ahead of HMRC and the most engaged workforce for a large civil service department. My hope is to build on this next year and ensure other senior leaders become more visible in the effort to shift our approach on staff engagement. I am happy to engage with you or the Committee further on this critical aspect of our development

As I write we are in the middle of Building Our Future 5, a national programme of 50 events which will engage almost 10,000 front line managers in considering the kind organisation we need in the future, the culture they want to create together and the impact of their personal leadership of the other 56,000 HMRC colleagues across the UK. I am personally signed up to attend several of these events. So far this has created real engagement on the future

[26] See, Public Accounts Committee, *Quality of service to personal taxpayers and replacing the Aspire contract*, HC 78 of 2016/17, 28 July 2016 (see p11); HM Treasury, *Treasury Minutes: Government responses to the Committee of Public Accounts*, Cm 9351 November 2016 p68

of HMRC, with people being able to shape how we need to be and their role in it. I believe that engaging people early is the sign of a more open and engaging culture where people up and down the country can influence the direction of their organisation. If helpful, I am happy to share background material and the impact it is having with you or the Committee.

My reference to the ongoing Staff Survey, which completes at the end of October, is that it will give me, and other senior leaders, an early assessment of whether the substantially increased activity to engage colleagues is having any impact at all. So far completion rates are more than 5% up, year on year which is generally seen as a good indicator. I will happily share the full results with the Committee if you would like to discuss those in more detail. They should be available early in the New Year.

In relation to the reorganisation of HMRC let me assure you that the Executive Committee considered the proposed changes several months before I arrived and came to the conclusion that we had to strengthen our focus on the health of the tax system as well as more clearly focus on our customers. I subsequently agreed with that assessment and we proceeded to make the changes at the top of the organisation in line with other changes announced and the clear direction of travel in policy, customer services and customer compliance.

The change to create a single Director General (DG) as the tax strategy and policy lead has already strengthened the policy partnership with HM Treasury and, I believe, the impact we are having with HM Treasury Ministers. Having a single DG to interact with the HM Treasury DG for Tax is a much more streamlined and effective partnership on strategy and policy especially in the light of Brexit. The addition of the role of the Tax Assurance Commissioner (TAC) to this DG role, with Jim Harra in post, is a further strengthening of the oversight of the tax system by HMRC. We are contemplating other changes which would go further, for example that the Annual Report of the TAC should be an integral element of the Annual Report and Accounts of HMRC. I believe TAC arrangements is an area which we will want to continually assess and will work with HM Treasury Ministers when necessary to explore what other changes In this area we might wish to consider.

In relation to customer services we have enlarged this area significantly bringing together debt management tax credits and child benefit with previous customer service functions. This aligns with our thinking that we should strive, over this Parliament, to bring together all the affairs of businesses and individuals into single accounts The development of the Personal Tax Account, with more than 6.2m now opened, and the Business Tax Account, with more than 7m users, will develop over time to create a single view of all aspects of customer relations with HMRC If you add to that Making Tax Digital and other digital service changes, such as on-line notification of changes of circumstances then the logic of a single DG leading all aspects of customer services is the right strategic change in our view.

I hope this slightly longer response provides you with further reassurance. I am of course very happy to work with you on these issues and, If appropriate give further evidence to the Committee.

Yours Sincerely, Jon Thompson

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Evidence Session on HMRC 2016/17 Annual Report, HC314, 14 September 2017

Q141 John Mann: One of your strategy aspirations is to have a more sustainable workforce. What is your definition of sustainable?

Mr Thompson: I am slightly uncomfortable about the level of turnover, frankly. It is surprisingly high—I am not including those people we are stimulating through redundancy and office closure. It is bobbing around 10%. That is a bit too fluid for me. So part of the transformation of HMRC is to try to be really clear about where we need to intervene on the transactional level—you can try to do that digitally with us—while we work more in the value-added space, and therefore people have, as it were, a more sustainable career with us because it is higher-skilled work, which is generally higher-paid work.

We are investing in technology, we are investing in buildings, we are investing significantly in training, and therefore we hope that people will stay with us longer and build a career. The future regional centre model - 13 regional centres - means that there are thousands of people working in a single place, which means that you could fairly easily change between different business strains, whereas if you are currently working in a local office, your opportunities are much more limited. Part of that here is to give people a more rewarding career, a longer career with us, a higher-skilled career with us, and hopefully they will stay with us longer.

Q142 John Mann: I recall in this Committee in 2009 the then Minister struggling to explain why staff morale was so low. That has been seen to be an ongoing issue. You have got all these other exciting duties and challenges. In terms of your human resource policy, how high a priority is it to have more people staying longer, maintaining their expertise and not being poached by the private sector? If I may say so, a fairly sophisticated human resource strategy is needed for that. How are you going to do that? How big a priority is that, in terms of the range of other things?

Mr Thompson: In terms of running HMRC, people make HMRC work. We have a great workforce; it is very signed up to the mission. We have more than 90% endorsement of the mission of what we are about, which is: we collect the revenues that pay for public services. However, you are right to say that overall morale and engagement of the workforce was indeed the lowest in the civil service in 2015; we were 99th out of 99.

Last year, we saw that begin to pick up, and on all aspects of the staff survey we saw people more engaged. There are some specific things we have done to get people more involved in what the change programme is and so on, and we moved up to 94th. When you are 99th and you have moved up, that is a good thing, right? There are green shoots there. We know what staff think. We have a quarterly survey in which people can give us very frank views on whatever they think the problems are. We have tried to develop a more open culture, in which people like us, specifically, travel a lot more, listen a lot more and talk a lot more about what is going on and so on and so forth. In the end, we have reframed and redone the HR strategy. There are now seven elements to it, which was agreed just before Christmas, and we have a new chief people officer, so I am reasonably hopeful about the future.

2.2 Public Accounts Committee

The HMRC Estate, 28 April 2017, HC 891 of 2016-17

Conclusions and recommendations

1.**HM Revenue & Customs has yet to demonstrate that it has a realistic and affordable plan to deliver such a radical change to its estate, and we do not believe that it needs to be based in expensive cities across the UK.** HM Revenue & Custom (HMRC) aims to bring its staff together in large regional centres located in the centre of the main city in each region. Between November 2015 and September 2016, HMRC's estimate of the cost of its estate over the next 10 years rose by £600 million (22%), at which point it acknowledged that its original plan was not affordable. It has since identified options for reducing the cost to bring it nearer to the funding level agreed in the spending review 2015, but its plans are evolving and it does not have a settled business case. HMRC has not demonstrated how moving to major city centre locations will achieve its intended benefits, given its strategy is to transform its services to mainly digital channels. It has not adequately explained why offices in such expensive locations are necessary to serve customers better or increase the efficiency and effectiveness of its tax compliance work. For example, HMRC has chosen to locate its Yorkshire office in Leeds, despite being more expensive than Bradford, where many HMRC staff already work.

Recommendations:

In re-working its business case, HMRC should reconsider whether moving to major city centres is the optimal way to deliver its objectives and achieve value for money. As part of this exercise it should compare the costs and benefits of its chosen approach, and the selected locations, with alternative sites.

HMRC should write to us by the end of June 2017 identifying the costs and benefits of the options it has considered in its revised business case, the risks it will need to manage, and what contingency plans it has in place.

2.**Measures being considered to de-scope the programme to reduce its costs could compromise the long-term outcomes sought by HMRC.** In November 2015, HMRC forecast £499 million of savings by 2025–26 from the moves to regional centres, but by September 2016 had cut its forecast savings by more than half, to £212 million. HMRC is examining options to reduce costs and told us it now expects to restore the planned savings to at least £300 million. Its options include: closing some existing buildings earlier; opening regional centres later; moving some work to cheaper locations; and using space more intensively.

HMRC's strategy is predicated on a more modern and flexible estate to support flexible ways of working both for HMRC and for other government departments which would also use the hubs. It told us that it would consider the programme worth doing even if no savings were generated. It was not clear to us that the twin aims of improving the estate and saving money were reconcilable, or how HMRC, the Treasury and the Government Property Unit will make judgments where there is trade-off between quality and cost. Unless there is clarity about the main objective of the programme, there is a high risk that decisions made now to reduce its scope could prove to be wrong in the long run.

Recommendation: ***HMRC, HM Treasury and the Government Property Unit must decide what matters most: a programme which makes savings for HMRC in the short to medium term; or one which optimises the value for money of HMRC's and wider government's estate in the long run. When we return to this topic, we expect to hear how government has reconciled these potentially conflicting challenges.***

3.**The scale of HMRC's relocation plan carries a high risk of disruption to its core business of collecting tax and serving customers.** HMRC has embarked on one of the largest organisational change programmes in Europe. It is carrying out 15 large and interdependent change programmes and will have to deal in the same period with the consequences of Brexit. There is a significant risk to maintaining business as usual while moving to new premises and relocating so many of its employees.

Around 38,000 of HMRC's employees will need to move to a different office, or leave, when their workplace closes. HMRC expects around 5,000 employees will leave because of its relocation programme. It accepts that this loss of staff will drain corporate memory and expertise but does not yet have a solution. HMRC already experiences too high a level of staff turnover, with 5–6,000 staff leaving each year, and it will take time to recruit and train staff in the new regional centres.

Recommendation: ***HMRC must prioritise the continuity of tax collection and customer service during office closures and the moves to regional centres, and identify how it is protecting its operations from the risk of business disruption. It should develop a clear plan to preserve its corporate memory and retain the expertise of key staff for as long as is necessary to recruit and train adequate replacements. HMRC should set out the actions it is taking when it writes to us in June 2017.***

4.**HMRC's 20-year contract with Mapeley STEPS Contractor Ltd was too large and took control away from HMRC, leaving the department with an estate that no longer meets its needs.** HMRC now doubts that the STEPS contract with Mapeley, which it entered into in 2001, was ever capable of providing value for money for government or the taxpayer. The "sale and lease back" arrangement left HMRC paying high costs over an extended period because it had to cover Mapeley's costs of raising finance from the private sector.

Because the contract is so big, HMRC has borne a high risk should the contract collapse because of default by the contractor. In addition, deductions made for under-performance in any single area have been insufficient to act as an incentive for Mapeley to perform better. For example, HMRC reduced its payments to Mapeley by about £700,000 in 2014–15 to compensate for under-performance against the standards set for its facilities management services, but felt that this amount, which was just 0.5% of the annual contract value, was not enough to incentivise Mapeley to improve in this area.

Recommendation: ***The Government Property Unit and Cabinet Office should work with HMRC to identify and apply the lessons learnt for government from the STEPS contract. It should prioritise putting in***

place the commercial and property skills needed to negotiate contracts and manage government's future estate efficiently and effectively.

5.**HMRC has signed 25-year leases for two of its regional centres which, as technology and working practices change, could lock government into holding larger properties than it will need.** HMRC has signed lease agreements in Croydon and Bristol, without any break clauses, for its first two regional centres. But it does not know if these properties will match its needs beyond 2026. It has negotiated conditions which would enable it to sublet any surplus space to other government departments but has no further flexibility in the leases. The Government Property Unit considers the use of long-term leases can help departments to negotiate the best commercial deals, but wants to develop a mixture of longer and shorter lease terms in each region to maintain flexibility across the estate.

Recommendation: ***HMRC and the Government Property Unit should work together to ensure there is an appropriate mix of medium- and long-term leases that provide flexibility for regional centres and hubs so that the government estate can adapt to future changes in the way departments work.***

6.**The Government Property Unit did not convince us that its plans to manage the government estate through a new quango will improve value for money.** The Government Property Unit is introducing a new Executive Agency to centralise management of the government estate and to take a more commercial approach to government property. But the rationale for the new agency and how it will deliver value for money are not finalised. It informed us that, while it has appointed an interim chief executive, the strategy and remit are still very much in development and there is still some way to go before plans for the new agency are finalised.

We have commented before on the failure of units at the centre of government to get enough buy-in from departments across Whitehall to central initiatives, and to make sure that individual departments act collaboratively rather than independently, for example in our recent reports on shared service centres and on the use of consultants and temporary staff.

Recommendation: ***Before committing itself to establishing a new agency, the Government Property Unit should write to us setting out clearly why it thinks centralising the management of the government estate will improve quality and efficiency. It should identify in its letter the proposed aim, role and responsibilities of the new organisation, including what authority it will have over government departments.***

7.**It is not clear how the local impact of office closures is being factored into relocation decisions.** The Government Property Unit plans to introduce a network of government hubs in major cities, supported by around 200 "mini-hubs". These mini-hubs will vary in size, with up to several hundred people in some cases, but the unit has not fully decided on their purpose or on locations. HMRC has not indicated any intentions to use mini-hubs, despite the opportunities they could offer for retaining experienced staff or for maintaining a physical presence in some communities.

Closing down offices in any town will affect that local community. For example, HMRC employs around 1,500 people in Cumbernauld, who will be expected to move to the regional centre in Glasgow. Closure of the Cumbernauld office will have a serious impact on the town, community and local businesses. It also takes no account of the already overcrowded transport into the city. We raised similar concerns about the closure of the Livingston and Wrexham offices specifically but this will be a concern across many other towns and communities facing office closures and job losses, and these wider concerns will have a practical impact on HMRC's plans.

Recommendations:

The Government Property Unit should set out the rationale for having regional hubs and mini-hubs and for determining their locations. It should also explain how it is taking into account the impacts on local economies when deciding how the government estate should be configured. We have concerns that HMRC savings could end up shunting costs to other parts of the public sector particularly if jobs are lost. It should confirm as soon as possible the planned locations of regional hubs and mini-hubs.

When HMRC writes to us in May 2017, it should tell us how, if at all, it intends to make use of the proposed network of 200 mini-hubs.

*

Letter from Jon Thompson, Chief Executive HMRC, to the Clerk of the Public Accounts Committee, 16 June 2017

Dear Stephen,

In the 53rd PAC report of session 2016-17 published on 28th April, 2017 following the hearing on HMRCs estate transformation, the Committee made a number of recommendations and asked us to write to them with more detail. In this letter we outline the options we have considered and the costs and benefits of these options, in addition to details of the recent extensive review of the Business Case by the Major Programme Review Group (MPRG), chaired by the Chief Executive of the Civil Service, on 3rd May, 2017

We considered 4 options before embarking on our estates transformation programme and these are outlined below:

1a. To remain in STEPS properties on new terms post contract expiry and improve properties to a minimum standard; in other words **Do Nothing**.

1b. To remain in STEPS properties on new terms post contract expiry but improve buildings to a better standard (similar to what we expect to deliver for Transitional Sites); this option would refurbish existing buildings. This is **not** a preferred option.

2. To move to Regional Centres, Specialist Sites and a Headquarters entirely over the next ten years; the **Preferred Option**. This option was central to the approved HMRC Spending Review (SR) bid.

3. To move out of STEPS properties and into short term leases, before moving into Regional Centres starting in the next SR period. This is **not** a preferred option.

This programme is a fundamental part of HMRC's Transformation and as such there is a strong strategic case underpinned by three key drivers; to enable delivery of HMRC's wider transformation agenda and departmental objectives, advancing the civil service wide Government Hubs initiative and the end of the STEPS PFI Contract in 2021. The recommended option delivers our vision for the future, meets the strategic drivers and also aligns with HMRC's strategic principles for its future workspaces.

Our preferred option, number two still provides the strongest economic case and provides the best value for money option for the programme – **See Annex 1** for a summary of the costs / benefits per option. In summary, option 2 provides an investment of £552m over 10 years leading to:

- cost savings of £344m in the 10 years to 2025
- cost avoidance of £75m per annum from 2021 (end of STEPS contract), and £310m in the 10 years to 2025
- annual recurring cash savings (compared to 2015-16 costs) of £74 million in 2025-26, rising to over £90m by 2028
- total annual cash savings of £165m per year against the Do Nothing option by 2028
- a projected payback period of 12 years
- a wide range of soft benefits (including staff engagement and performance uplifts).

We recognise that this is a programme with some risk, as shared with the NAO and the Committee. Key risks to the programme relate to the following areas: approvals, business disruption, space requirements and affordability. A rigorous risk management process is in place to manage all risks. Mitigating actions have been taken to significantly reduce these risks i.e. joint HMRC/GPU approvals team established, Business Readiness Assurance Team in place, driving out costs during building acquisitions and deals agreed on 8 of 13 Regional Centres.

The programme has a 13% contingency over 10 years within the forecast cost of £552m, which is in line with the Green Book for the stage of programme development. The main proportion of this is for estates investment with the rest being for IT. In addition, access is available to further funding for HR costs from the wider HMRC budget over 5 years. The programme has a high degree of cost certainty on the property costs of each regional centre as we have detailed developer proposals on 11 of the 13 Regional Centre projects. The contingency allowed is appropriate, given the stage of programme delivery, and was endorsed by MPRG on 3 May, 2017. **See Annex 2** for more detail.

The Committee also asked us to provide more information about ***HMRCs plans to prioritise the continuity of tax collection and customer service during office closures and the moves to regional centres, and identify how we are protecting our operations from the risk of business disruption.***

HMRC recognises the importance of continuity of services to the taxpayer. We have taken a number of actions to reduce the effect of estate changes and to minimise the impact on tax collection and customer service. While some business disruption is inevitable, we are planning for this by minimising disruption through spreading the changes over a number of years and retaining transitional sites for up to 10 years, and ensuring plans are in place for business continuity.

Using enhanced data modelling, we have analysed staff moves to the new regional centres, and identified challenges to ensure we have plans in place. We will phase moves to the regional centres, move similar functions over different periods, avoid business peaks and have contingency plans in place. We are also doing work to identify, and subsequently protect, our business critical functions, and have put in place a dedicated team to support business groups in minimising the disruption resulting from moves.

We have also rolled out WiFi in a number of existing buildings. This allows the use of mobile devices to minimise any risk of business disruption, allowing staff to work flexibly across locations and to immediately benefit from the flexible and collaborative working environment this technology allows. We value our people and their skills and want to retain as many of our existing staff as possible. We took this into account when deciding where to locate our regional centres, modelling journey times from home postcodes, ensuring the majority of people will be able to move.

We have established Transitional Sites in areas where we know there will be a higher number of exits due to staff being outside of reasonable daily travel of regional centres, thereby allowing skills retention. We are developing a strategy to maximise the focus on retention of key staff cohorts, in addition to continuity planning for knowledge transfer and sharing of knowledge through proactive solutions to retrain staff. We are maximising the use of HR policies to retain key staff where this is viable and cost effective, such as daily travel allowances, salary advances and home move assistance.

Despite all the actions above, should it become clear that the disruption to the department's outputs cannot be managed, our contingency would be to slow the rate of moving staff to regional centres retaining some buildings longer than currently planned. Taking this action, would, for a short period, reduce the benefits realised by the programme, but it is a step that we are prepared to take if required.

Finally you asked us to explain how, if at all, it intends to make use of the proposed network of 200 mini-hubs. The Government Property Agency (GPA) has not yet announced the proposed locations of the 200 mini hubs. However HMRC has no plans to make use of these as we have announced the locations of our 13 regional centres and 5 specialist sites as well as the transitional and stepping stone sites that we will occupy.

Yours sincerely, Jon Thompson, Chief Executive

Annex 1 – summary of Economic case

The table below provides the high level position for the economic case of each option:

	Option 1a	Option 1b	Option 2	Option 3
5 year investment costs	200	626	**457**	121
5 year running costs	1314	1314	**1283**	1314
5 year benefits	114	114	**16**	114
10 year investment costs	773	1341	**552**	581
10 year running costs	3114	3166	**2284**	3124
10 year benefits	-259	-259	**344**	-268
Payback period	N/A	N/A	**12 years**	22 years
25 year benefits NPV	-1037	-1531	**686**	67
Annual savings at 2025/26	-75	-75	**74**	-92

Annex 2 – Summary of Programme Contingency

Delivery Strands	Contingency	Optimism Bias Considerations
Estates Investment Costs	£66.3m	£38.8m fixed price design and build contract. Solution based on standard office fit out benchmarks. £27.5m TPI based forecast (inflationary)
IT	£ 5.6m	Based on standard unit price. Forecast for cabling is based on high specifications. Savings expected from volume discounts/re-use of assets. Contingency set at 10%.
HR Investment Costs	Access to up to £ 31 m (not included in the £72m programme contingency provision)	HR policies allow cost control. HMRC budget of £ 180 m over 5 years for exits is held centrally.
Time	3 months	3 month 'buffer' when offices are closed to staff to allow for readiness activity to take place prior to handback.
Benefits	Dependent on cost controls	In-year flexibility on office closures within annual allowance. Expect to use full yearly allowance and mothball surplus space. Explore re-letting of this surplus. T&S savings not yet quantified.

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Letter from Sherin Aminossehe, Executive Director - Head of House of Commons Government Property Unit, to the Clerk of the Public Accounts Committee, 22 June 2017

Dear Mr McGinness,

I am writing on request of the Public Accounts Committee (PAC) to set out the Government Property Unit's (GPU) response to three recommendations put forward in the 53rd PAC report of session 2016-17, published on 28th April, 2017. This report followed the hearing on HMRC's estate transformation, at which I appeared as one of the key witnesses.

Firstly, you asked that ***"Before committing itself to establishing a new agency, the GPU should set out clearly why it thinks centralising the***

management of the government estate will improve quality and efficiency."

As I set out in my evidence provided to the Committee, we believe that having a centralised ownership and management model for key asset classes, such as offices, will allow Government to leverage the collective power of its covenant when negotiating leases, partnerships with developers, and other commercial property transactions. It is our view that as the Government's overall estate shrinks, departments will increasingly be unable to generate further efficiencies independently.

There is substantial independent evidence from the global public and private sectors that centralising an organisation's estate is the most effective way to drive savings from it. If this centralised ownership model is not adopted, then the ability to make the best timely consolidated decisions for Government may be lost and much time, effort and cost may be wasted.

The Outline Business Case of December 2016 indicates the benefits of establishing and agency are likely to be in the region of hundreds and millions of pounds over a ten year period. We have developed a professionally developed financial model in which to test this and refine the tools required to establish an agency and to firm up the deliverable benefits as a test of viability. An example of additional benefits demonstrated is that modelling analysis has indicated that there are savings opportunities relating to leases which may be immaterial to individual departments, but worth pursuing at a consolidated Governmental level.

You also asked us to detail: ***"The proposed aim, role and and responsibilities of the new organisation, including what authority the agency will have over government departments."***

The proposed aim of the agency is to help drive better strategic oversight and management of the estate, replicate best practice in efficient property usage and provide greater incentives for departments to rationalise the space they occupy. The agency would be responsible for the ownership of offices, warehouses and some other non-specialist properties, leaving departments to become intelligent clients, rather than holding all their property risk.

Finally, you asked us to***: "Set out the rationale for having regional hubs and mini-hubs and for determining their locations, explaining how we are taking into account the impacts on local economies when deciding how the government estate should be configured."*** and: ***"Confirm as soon as possible the planned locations of regional hubs and mini-hubs."***

The hubs concept is rooted in departmental plans to consolidate workforce locations and offices. In the final business case for hubs, it was agreed that a hybrid model of larger strategic hubs, mini-hubs and touch-down spaces would allow for more efficient sourcing of strategic hubs. It was also agreed that mini-hubs would be in smaller towns and cities where there is need for a presence, but where there are fewer civil servants.

To date, we have confirmed 3 strategic hub locations based on departmental demand, including Croydon, Bristol and Canary Wharf in East London saving the taxpayer tens of millions of pounds per annum. The local economic impact of relocations is considered in the selection process. The analysis looks at three types of impacts (direct, indirect and induced), where a significant number of staff will move in a geographical area. Considerations in the analysis are changes in employment, economic value and salary.

To ensure the best deals for the taxpayer, the GPA are working in confidence with commercial advisors and hubs are announced as soon as negotiations are complete. We expect to confirm around 7 further locations by the end of 2017. All locations are expected to be confirmed by 2023. HMRC have already confirmed the locations of their 13 regional centres which are integral to the first phase of the hubs programme.

As this response covers a number of complex issues, we would be happy to provide more information when further progress has been made with HM Treasury on both the formation of the GPA and the Government Hubs Programme.

Yours sincerely, Sherin Aminossehe

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HM Treasury, *Treasury Minutes : Government reponses to the Committee of Public Accounts on the 42nd-44th and the 46th-64th reports from Session 2016-17,* Cm 9505, October 2017

Fifty Third Report of Session 2016-17, HM Revenue and Customs, HMRC Estate

Introduction from the Committee

HM Revenue and Customs (HMRC) has a strategy to redesign and reduce its estate over the next 10 years. It plans to move from a current estate of 170 offices to 13 large regional centres, supplemented by five specialist sites and a headquarters in central London. HMRC's estate programme is one of 15 current major programmes aimed at transforming how it operates and administers tax. Two thirds of HMRC's current estate is provided under the STEPS contract, a 20-year private finance initiative (PFI) deal, which HMRC set up in 2001 with Mapeley STEPS Contractor Ltd. HMRC considers that the end of this contract in 2021 provides an opportunity to reconfigure its estate. HMRC's relocation programme is the first significant step in government's wider plans to move most civil servants to regional hubs.

In 2015-16, HMRC spent £269 million running its estate, accommodating some 58,600 staff. It forecasts that implementing its plan for a new estate will need an investment of over £500 million over the next 10 years. HMRC considers that it will achieve cumulative efficiency savings of over £300 million in running its estate by 2025-26, and £80 million a year thereafter. It expects that closing existing offices and opening regional centres will result in 38,000 employees needing to move their workplace and estimates that 5,000 staff may leave.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence, on 25 January 2017, from HMRC and the Government Property Unit on HMRC's strategy for moving to regional centres, how this fits with its other transformation programmes and with the Government Property Unit's plans for estate rationalisation, and how HMRC is managing the STEPS contract, through to its end in 2021. The Committee published its report on 28 April 2017. This is the Government response to the Committee's report. …

1: Committee of Public Accounts conclusion: HM Revenue & Customs has yet to demonstrate that it has a realistic and affordable plan to deliver such a radical change to its estate, and the Committee does not believe that it needs to be based in expensive cities across the UK.

Recommendation 1a: In re-working its business case, HMRC should reconsider whether moving to major city centres is the optimal way to deliver its objectives and achieve value for money. As part of this exercise it should compare the costs and benefits of its chosen approach, and the selected locations, with alternative sites.

1.1 The Department disagrees with the Committee's recommendation.

1.2 The Department has put considerable thought into where best to locate the regional centres. It used 8 location principles, including cost, to ensure it chose the best locations to deliver its transformation goals. The Department already has large numbers of staff in the selected city centre locations, which is easier for staff travelling by public transport in the city than to outlying offices. This approach allows the Department to retain staff, thus reducing staff impact, minimising business disruption and reducing cost.

1.3 The Department has now completed the rework to its business case, reviewing the overall costs and benefits of the programme. As a result, some changes have been made that have significantly reduced costs. These changes adapted the timeframe for the programme's implementation, but ensure excellent value for money in the medium and longer term. They were outlined as part of the strategic case presented to the Major Projects Review Group in early May 2017, who agreed to recommend approval, subject to some conditions and clarifications.

1.4 The Department's negotiations are either completed or well advanced in all the selected locations. To pause this work now to facilitate a further review could mean that the Department would incur additional costs of up to £75 million a year, which it would avoid by acting before the contract with Mapeley comes to an end in 2021.

Recommendation 1b: HMRC should write to the Committee by the end of June 2017 identifying the costs and benefits of the options it has considered in its revised business case, the risks it will need to manage, and what contingency plans it has in place.

1.5 The Department agrees with the Committee's recommendation.

Recommendation implemented.

1.6 The Department wrote to the Committee on 16 June 2017, identifying the costs and benefits of the options it has considered in its revised business case.

2: Committee of Public Accounts conclusion: Measures being considered to de-scope the programme to reduce its costs could compromise the long-term outcomes sought by HMRC.

Recommendation: HMRC, HM Treasury and the Government Property Unit must decide what matters most: a programme which makes

savings for HMRC in the short to medium term; or one which optimises the value for money of HMRC's and wider Government's estate in the long run. When the Committee returns to this topic, the Committee expects to hear how the Government has reconciled these potentially conflicting challenges.

2.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department has reviewed its programme business case, including the overall costs and benefits of the programme. As a result it has made some changes that significantly reduce costs, although they do not de-scope the programme nor will they compromise the quality of enduring locations. However, the Department will take slightly longer to implement the programme. This approach ensures value for money in the medium and longer term for the Government.

2.3 The amended programme business case was reviewed by the Major Projects Review Group (MPRG) in May 2017 and was subsequently approved by the Chief Secretary to the Treasury. The MPRG review focused on assessing strategic fit, deliverability, affordability and the value for money of the programme. The MPRG recommended approval of the programme business case to the Chief Secretary to the Treasury and Minister for the Cabinet Office, while putting in place a number of conditions, including progress being assured by the Infrastructure and Projects Authority (IPA) on a regular basis (at least six monthly), and the Department returning to the MPRG in 12 months or earlier if costs increase beyond agreed tolerances.

2.4 HMRC continues to work with the Government Property Unit (GPU) and the shadow Government Property Agency (GPA) to drive the wider Government agenda of ensuring estate policy is aligned to Departmental strategies. Together, the first phase of this transformation will be delivered with approvals from across Government ensuring the right decisions are made for the long term. All HMRC Regional Centres will ultimately form a critical part of regional Government hubs, several of which will also accommodate other Government Departments.

2.5 The Government Hubs Programme will undertake significant work over the next 10 years to acquire new buildings or refurbish existing buildings in order to realise the Government's aim for regional hubs. There is a Government Property Acquisitions Strategy in place that describes how the Government will deliver best value to the Exchequer across the hub estate by balancing the financial benefits of longer leases, timeliness of delivery and the need for flexibility to respond to demand changes, especially void risk and obsolescence. The *HMRC Locations Programme Business Case and Property Strategy* remains fully aligned with this.

3: Committee of Public Accounts conclusions: The scale of HMRC's relocation plan carries a high risk of disruption to its core business of collecting tax and serving customers.

Recommendations: HMRC must prioritise the continuity of tax collection and customer service during office closures and the moves to regional centres, and identify how it is protecting its operations from the risk of

business disruption. It should develop a clear plan to preserve its corporate memory and retain the expertise of key staff for as long as is necessary to recruit and train adequate replacements. HMRC should set out the actions it is taking when it writes to us in June 2017.

3.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department wrote to the Committee on 16 June 2017 about its plan to preserve its corporate memory and retain the expertise of key staff.

4: Committee of Public Accounts conclusion: HMRC's 20-year contract with Mapeley STEPS Contractor Ltd was too large and took control away from HMRC, leaving the department with an estate that no longer meets its needs.

Recommendation: The Government Property Unit and Cabinet Office should work with HMRC to identify and apply the lessons learnt for government from the STEPS contract. It should prioritise putting in place the commercial and property skills needed to negotiate contracts and manage government's future estate efficiently and effectively.

4.1 The Department agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The STEPS PFI contract was good value for money for the taxpayer at the time it was signed in 2001. The NAO endorsed the improved management and the overall reduction of the cost of running the Departmental estate. However, service delivery has not been of an acceptable standard, on a consistent basis across all measures of performance.

4.3 The Department has identified, and is now applying, key lessons learnt from the STEPS contract on how future property deals and service contracts should be structured to deliver both value for money and quality of service. The Department and the shadow Government Property Agency (GPA) have used external expertise and recruited a number of property and commercial leaders to ensure that the best property deals are driven out and that costs are rigorously monitored and reported.

4.4 Following a meeting between the Chief Executive of the Civil Service and the Chief Executive of the Department on 31 March 2017, the shadow GPA and the Department have agreed proposals to bring their respective property teams together to deliver phase 1 of the Government Hubs Programme jointly, including the Building Our Future Locations Programme. This is being done to make the best use of existing assets in both teams, collapse governance and accelerate progress by removing obstacles and facilitating better co-ordination between the shadow GPA and the Department.

5: Committee of Public Accounts conclusion: HMRC has signed 25-year leases for two of its regional centres which, as technology and working practices change, could lock government into holding larger properties than it will need.

Recommendation: HMRC and the Government Property Unit should work together to ensure there is an appropriate mix of medium- and

long-term leases that provide flexibility for regional centres and hubs so that the Government estate can adapt to future changes in the way Departments work

5.1 The Department agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

5.2 The Department is at the forefront of the wider Government Hub Strategy, and is working very closely with the Government Property Unit (GPU). In all locations, the new buildings are in accordance with the Government Property Acquisition Strategy and are subject to national property controls through the Cabinet Office. Regional centres represent no more than 70% of the core civil service demand over the length of the lease. The Department is therefore confident that demand from the civil service alone is more than sufficient to fill the space available.

5.3 As a condition of the leases, the Department will be able to sub-let to other Government Departments and, in most cases, to third parties on a commercial basis. HMRC will be located in Government Hubs, close to other Government Departments. This will provide more flexibility should HMRC's respective space requirements increase or decrease.

5.4 The Department is very clear on the need to avoid the creation of a 'cliff edge' of lease expirations in 25 years, balancing this with the better value for money settlements that longer leases offer. The Department therefore plans to have a balance of 20 and 25 year leases for its major buildings and, where feasible, is looking at negotiating 'lease break' options or shorter leases.

Committee of Public Accounts conclusion: 6: The Government Property Unit did not convince the Committee that its plans to manage the Government estate through a new quango will improve value for money. 7: It is not clear how the local impact of office closures is being factored into relocation decisions.

Recommendations:

6: Before committing itself to establishing a new agency, the Government Property Unit should write to the Committee setting out clearly why it thinks centralising the management of the Government estate will improve quality and efficiency. It should identify in its letter the proposed aim, role and responsibilities of the new organisation, including what authority it will have over Government Departments.

7: The Government Property Unit should set out the rationale for having regional hubs and mini-hubs and for determining their locations. It should also explain how it is taking into account the impacts on local economies when deciding how the Government estate should be configured. The Committee has concerns that HMRC savings could end up shunting costs to other parts of the public sector particularly if jobs are lost. It should confirm as soon as possible the planned locations of regional hubs and mini-hubs. When HMRC writes to the Committee in June 2017, it should say how, if at all, it intends to make use of the proposed network of 200 mini-hubs.

6.1 The Department agrees with the Committee's recommendations.

Recommendations implemented.

6.2 The Government Property Unit wrote to the Committee on 22 June 2017, saying why it thinks centralising the management of the Government estate will improve quality and efficiency. The GPU also set out the rationale for having regional and mini-hubs and for determining their locations. It explained how it is taking into account the impacts on local economies when deciding how the Government estate should be configured.

6.3 HMRC wrote to the Committee on 16 June 2017, confirming that it will not be making use of the proposed network of 200 mini-hubs.

2.3 Selected Parliamentary Questions

Revenue and Customs: Location: PQ2583, 11 July 2017

Asked by Chris Law : To ask Mr Chancellor of the Exchequer, with reference to the oral evidence from the Chief Executive and Permanent Secretary of HM Revenue and Customs (HMRC) to the Public Accounts Committee on the HMRC estate on 25 January 2017, Q14, HC 891, which eight principles HMRC used to determine the location of its regional centres.

Answered by: Mel Stride : HM Revenue and Customs (HMRC) established a clear set of eight location principles to determine the location of its regional centres. These were:

- Sustainable large sites – having the capacity to hold all HMRC's requirements for the region in a single building, ideally accommodating no less than 1,500 staff.
- Talent pipeline – offering access to a pipeline of future talent, with the skills HMRC needs, for example, close to universities and colleges.
- Single location career paths – offering the chance to build careers and skills to a senior level in a number of professions in a single location without the need to move.
- Catchment for a mix of business activity – the right grouping of existing teams to allow a diverse mix of business activities to be brought together in the same place.
- Digital infrastructure – having high capacity, high speed digital infrastructure and mobile networks to benefit customers and staff.
- Facilities for HMRC's people – access to good housing, schools and recreational facilities, so HMRC can recruit and retain staff.
- Market rates- delivering good value for money in property and labour costs.
- Robust long-term infrastructure – locations with the right infrastructure for the long term such as strong transport links within the region and nationally.

HMRC values its people and wants as many as possible to move with the work to the regional centres. In addition to the eight location principles, it looked at where its staff live and initially assessed more than 40 of its existing medium to large sized locations against the principles as possible regional centres. These included: Aberdeen, Belfast, Birmingham, Blackburn, Bolton, Bradford, Bristol, Cardiff, Chatham, Chesterfield, Dover, Edinburgh, Exeter, Glasgow, Grimsby, Harwich, Ipswich, Leeds, Leicester, Liverpool, London, Maidstone, Manchester, Newcastle, Northampton, Nottingham, Peterborough, Peterlee, Preston, Plymouth, Reading, Redruth, Sheffield, Shipley, Solent (including Portsmouth), Southend-on-Sea, Stockton-on –Tees, Taunton, Telford, Workington, Worthing, Wrexham. For areas where a particular town was part of a conurbation, the conurbation was assessed as part of those listed above, for example Sunderland and Washington as part of Newcastle.

HMRC's Programme Business Case has received approval from the Chief Secretary to the Treasury.

Revenue and Customs: Location: PQ5960, 24 July 2017

Asked by Chris Stephens : To ask Mr Chancellor of the Exchequer, to what extent HM Revenue and Customs took account of local labour market conditions and regional economic prospects when it decided to close many of its existing offices and move to regional centres.

Answered by: Mel Stride : I refer the honourable gentlemen to my written answer on 11 July 2017, (UIN 2583) which refers to the to the location principles HMRC used to select its regional centres.

Whilst accepting there may be an impact on locations it is leaving, HMRC is committed to maximising tax revenue, increasing compliance and reducing the tax gap while delivering best value to the taxpayer.

However, HM Revenue and Customs (HMRC) expects the economic impact on locations it is leaving to be limited as those taking up posts in a regional centre will continue their normal activities where they live and the office accommodation HMRC vacates is likely to be re-let or redeveloped by the landlords.

Revenue and Customs: Environment Protection: PQ6005, 11 September 2017

Asked by Chris Stephens : To ask Mr Chancellor of the Exchequer, with reference to page 46 of the HM Revenue and Customs (HMRC) Annual Report and Accounts 2016-17, what account was taken by HMRC of its Greening Government commitments in decisions which led to increased commuting times for its staff.

Answered by: Mel Stride : HM Revenue and Customs' (HMRC's) performance against the Greening Government Commitments to reduce impact on the environment relates to business travel and does not extend to staff commuting. HMRC recognises that its Locations Programme will lead to increased commuting times for some of its staff. All its regional centres will be easily accessible by public transport, which is not always currently the case, and co-location in a single large building will mean that staff can work collaboratively, minimising business travel.

Revenue and Customs: Glasgow: PQ9764, 14 September 2017

Asked by Stuart C. McDonald : To ask Mr Chancellor of the Exchequer, what the (a) capacity and (b) occupancy level is for each of the HM Revenue and

Customs offices which are to be consolidated into the proposed regional centre in Glasgow.

Answered by: Mel Stride : HM Revenue and Customs (HMRC) conducted a high level people impact assessment using known workforce management data to inform the regional centre location decisions. People and equality impacts are managed at both programme and regional level to mitigate potential impacts on different groups, including disabled staff. The regional people and equality impact assessment is undertaken early in the project and is updated on a regular basis throughout the project.

All staff are offered a one-to-one discussion, normally about a year before any office move which affects them, to establish whether they can move. Under the reasonable adjustment policy, HMRC will work with individuals with particular needs to identify any adjustments required to enable this. Accessibility to regional centres has been factored into overall requirements for those centres from the outset.

As previously announced, the Glasgow Regional Centre is expected to have between 2,700 and 3,000 full time equivalent posts when it opens. East Kilbride will be retained as a transitional site beyond the opening date of the Glasgow Regional Centre until 2025-26. The number of current full time equivalent staff employed at the offices which will feed into the Glasgow Regional Centre is shown in the table below.

Location	Office	Closure date as announced	Full Time Equivalent Employees as of 31/08/2017	Destination by 2021
Cumbernauld	Accounts Office Timing depends on Accounts Office in Shipley	2019-20	980	Glasgow Regional Centre
Glasgow	Portcullis House	2019-20	800	Glasgow Regional Centre
Glasgow	Cotton House	2019-20	570	Glasgow Regional Centre
East Kilbride	Plaza Tower	2020-21	750	East Kilbride Transitional Site
Glasgow	Cotton House	2019-20	1600	East Kilbride Transitional Site

Specific details about the rental liability of the current HMRC offices in the Glasgow area is commercially sensitive information; disclosing it could compromise the future ability of the landlords to re-let the buildings.

Revenue and Customs: Recruitment: PQ9909, 15 September 2017

Asked by Stewart Malcolm McDonald : To ask Mr Chancellor of the Exchequer, for what reasons recruitment controls were imposed at HM Revenue and Customs offices in Glasgow, London, Newcastle and Worthing from 1 August 2017; and what is the nature of those controls.

Answered by: Mel Stride : HM Revenue and Customs' (HMRC's) ambition to move to 13 Regional Centre locations, along with a small number of transitional and specialist sites, requires effective planning of future workforce numbers.

Additional recruitment controls have been introduced in Glasgow, London, Newcastle and Worthing to ensure HMRC is not recruiting more people than required.

These are designed to ensure that greater rigour is applied to the vacancy filling and external recruitment processes. HMRC will manage and monitor these controls as part of the normal approval processes for vacancies and external recruitment.

Revenue and Customs: Staff PQ107832, 19 October 2017

Asked by Chris Stephens : To ask Mr Chancellor of the Exchequer, pursuant to the Answer of 11 September 2017 to Question 6005, what plans HM Revenue and Customs has to conduct compliance work nationally from a reduced number of tax offices.

Answered by: Mel Stride : HMRC has always taken a risk-based approach to its compliance interventions, allowing it to focus its resources on the highest tax risks which it tackles through a wide range of targeted compliance interventions.

This national risk-based model and compliance approach has enabled HMRC to secure more than £160 billion in compliance yield since 2010. This amount increased year-on-year as the model has been further refined, reaching a record £28.9 billion in 2016-17.

HMRC's world-leading data and analytical function gives it an informed view of tax risks across the whole of the UK; including geographically remote areas. All of the available evidence shows that the highest compliance risks are in, or close to, urban centres, and that 95 per cent of the highest risks are within 90 minutes' drive of one of the planned Regional Centres or Specialist Sites.

Although face-to-face compliance work will continue to have an important role, HMRC will only use it where it is the most efficient way to progress an intervention or regulatory requirement. As its use of data and customer insight continues to grow, more of this work will be done remotely, supported by high-profile targeted taskforce interventions that will enable it to address compliance risks in more remote locations.

3. Press releases

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

Chartered Institute of Taxation press notice, *Tax bodies tell HMRC its service must not suffer because of restructuring*, 12 November 2015

Low Incomes Tax Reform Group press notice, *HMRC modernisation programme – service levels a crucial test*, 12 November 2015

HMRC/HM Treasury press notice, *Revenue and Customs' settlement at the Spending Review 2015*, 25 November 2015

National Audit Office press notice, *Managing the HMRC Estate*, 10 January 2017

Chartered Institute of Taxation press notice, *HMRC – office location update*, 10 July 2017

Cabinet Office/HMRC press notice, *Civil service 'hub' to bring growth to Edinburgh*,12 July 2017

HMRC press notice, *HMRC publishes Annual Report and Accounts for 2016-17*, 13 July 2017

National Audit Office press notice, *Her Majesty's Revenue & Customs Annual Report and Accounts 2016-17*, 14 July 2017

Cabinet Office/HMRC press notice, *Government Hub to be built in the heart of Leeds*, 6 September 2017

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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

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.

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.

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.

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.

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.

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.

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Chartered Institute of Taxation press notice, *Tax bodies tell HMRC its service must not suffer because of restructuring*, 12 November 2015

The Chartered Institute of Taxation (CIOT) and the Association of Taxation Technicians (ATT) have said a planned restructuring of HMRC must not adversely impact the service that it gives to the public.

HMRC has announced today a restructure that will see its 170 offices close and be replaced by 13 regional centres as part of a ten-year programme.

Chris Jones, CIOT President, said:

"Taxpayers and tax professionals alike will be anxious that a public body that is struggling to meet its public-facing service targets1 has announced that it is about to lose many staff and close its local offices. It is crucial that HMRC retains as many appropriately qualified and experienced staff as it can.

"It is vital that HMRC closely and continuously monitors what the impact of its restructure is on the quality of its service to the public, over the next ten years and acts promptly to rectify any failure to meet its targets and then adapt its plans.

"We simply cannot wait until ten years' time to see whether the changes meet HMRC's goal to transform its service to taxpayers - they must have an immediate effect that is felt by ordinary people."

Paul Hill, Chair of the ATT's Technical Steering Group, said:

"It is vital that any adverse impacts of the transition on HMRC's customers and staff are minimised. If service standards suffer in the process, tax compliance could decrease significantly and that could erode or even wipe out the eventual savings which the restructuring is intended to deliver.

"HMRC is in an unenviable position. It has to cope with reduced resources, introduce fundamental changes in the way that we all deal with the department and consolidate its staff into 13 regional centres. None of that will be easy but we look forward to helping HMRC identify how to achieve and maintain a high quality service over the transitional period.

"It is essential that specific provisions are in place, such as ensuring that HMRC is able to stage face to face meetings with a taxpayer in a convenient location."

Notes to editors

1. In its report on HMRC's performance in 2014/15, published earlier this week, the House of Commons Public Accounts Committee (PAC) found that 'HMRC is still failing to provide an acceptable service to customers and could not tell us when it would be able to do so'. PAC reports that HMRC answered 72.5 per cent of calls during 2014/15 (39 per cent were answered within five minutes) and only 50 per cent in the first six months of 2015 against an unambitious target of 80 per cent. PAC is concerned that 'customer service levels are so bad that they are having an adverse impact on the collection of tax revenues'. PAC's '6th Report - HM Revenue and Customs performance in 2014-15' can be viewed here.

2. Vital that present failures at HMRC strengthen its determination to move to a more systemic approach to tax collection in the long-term, says tax body – read here

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Low Incomes Tax Reform Group press notice, *HMRC modernisation programme – service levels a crucial test*, 12 November 2015

The LITRG is seeking reassurance from HMRC that nothing will be done which will impact adversely on customer service as a result of a restructure announced today.

LITRG is particularly worried about the consequences for call waiting times and other aspects of public-facing services, including the Needs Enhanced Support

(NES) service for those who need extra help in dealing with their tax affairs and support for the tax charities.

Anthony Thomas, LITRG Chairman, said:

"This centralisation will not of itself reduce levels of service to taxpayers. The last HMRC enquiry centre, where taxpayers could call in to discuss their tax affairs in person, closed more than a year ago. However the closure of so many offices and the moving of staff and functions to new offices in some cases over 100 miles away will inevitably be disruptive. It is important the process is managed smoothly and that every effort is made to retain experienced HMRC personnel wherever possible.

"The statement that HMRC is aiming for further staff reductions is worrying though. If this is genuinely because tasks previously carried out manually are being automated – and we acknowledge this is happening to some extent – then that is reasonable, but ministers and the HMRC leadership need to provide reassurance that further cuts in staff numbers will neither make it harder for taxpayers to get responses to enquiries nor damage HMRC's ability to carry out its compliance role.

"The Government needs to recognise the strain placed upon the public by constant change and increasing complexity in the tax system, and to ensure HMRC has the resources it needs to cope with the resulting demands on its helplines. As HMRC acknowledge, recent levels of service – call waiting times in particular – have been inadequate and unacceptable.

"HMRC are gradually expanding what can be done online, but in many circumstances the telephone remains the only real option for dealing with the taxman. With the increasing complexity of the tax system and opacity of HMRC communications, more and more people are being driven to call the helplines to make claims, ask for explanations, query apparent mistakes, enquire after delayed post, or seek help in completing forms. We wait anxiously to see how HMRC will cope with the inevitable flood of calls from tax credit claimants should the proposed tax credit changes go ahead and they realise the extent of the reductions in their awards from April 2016.

"HMRC's customer service and enquiry facilities must be adequately funded in this month's spending review. Significant investment should be made in HMRC's Needs Enhanced Support service which offers a good service to unrepresented taxpayers who experience particular difficulties in dealing with their tax and tax credit affairs. Also, we urge Government to continue and enhance their support for the tax charities who play a vital role in helping the unrepresented pay the right amount of tax, and to whom HMRC are referring more and more of their customers.

"We all in LITRG offer our sympathy to the individual staff members of HMRC for whom today's announcement may mean continuing uncertainty, and express our appreciation of the good work which many customer service officials do for taxpayers."

Taxpayers who need extra support with their tax affairs can access this help in two ways:

1. By telephoning the normal helpline number for your query. The main helplines are listed on the HMRC website and the adviser will ask a

series of questions to assess your need and put you through to the appropriate team if you meet the relevant criteria.

2. If you are hard-of hearing and unable to use the telephone you can ask for a face–to-face appointment with one of HMRC's mobile teams by using the online booking form which can be accessed from the HMRC website.

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HMRC/HM Treasury press notice, *Revenue and Customs' settlement at the Spending Review 2015*, 25 November 2015

The Chancellor has published the results of the Spending Review, including details of HMRC's budget over the course of this Parliament.

The Spending Review and Autumn Statement delivers on the government's priority to provide security to working people at every stage of their lives. It sets out a 4 year plan to fix the public finances, return the country to surplus and run a healthy economy that starts to pay down the debt. By ensuring Britain's long term economic security, the government is able to spend £4 trillion on its priorities over the next 4 years.

For HM Revenue and Customs (HMRC) this means:

- £717 million of sustainable resource savings a year by 2019-20, achieving £1.9 billion cumulative savings over the Spending Review period, representing a headline 21% reduction in baseline resource costs, delivered through digitisation of tax collection and a smaller but more highly skilled workforce
- £1.3 billion reinvested to transform HMRC into one of the most digitally advanced tax administrations in the world, with access to digital tax accounts for all small businesses and individuals by 2016-17, delivering an additional £1 billion of tax revenue by 2020-21 and sustainable efficiencies
- £800 million confirmed funding for additional work to tackle evasion and noncompliance in the tax system, delivering an additional £7.2 billion over the next 5 years
- £400 million total reduction in business customer costs by 2019-20

HMRC settlement (£ billion)

	2015-16 baseline	2016-17	2017-18	2018-19	2019-20	2020-21 [3]
Resource DEL [1]	3.3	3.5	3.4	3.1	2.9	*
Capital DEL [2]	0.1	0.2	0.2	0.2	0.2	0.2
Total DEL	3.5	3.8	3.6	3.4	3.1	*

[1] In this table, Resource Departmental Expenditure Limits (DEL) excludes depreciation

[2] Includes £45m over the period for the Valuation Office Agency

[3] 2020-21 Resource DEL departmental budgets have only been set for some departments. For the rest, these budgets will be set in full at the next Spending Review

HMRC will continue to tackle fraud and error in the tax credits system and will work with debt collection agencies to collect £324 million of tax credit debts owed by 2019-20.

Long-term investment

This Spending Review confirms funding to maintain HMRC's current level of compliance performance while making efficiencies, and £800 million to fund additional work to tackle evasion and non-compliance by 2020-21. The government is committed to raising an additional £5 billion a year through tackling avoidance, aggressive tax planning, evasion, non-compliance and imbalances in the tax system by 2019-20.

Efficiency and reform

Through re-investment of £1.3 billion HMRC will transform into one of the most digitally advanced tax administrations in the world, becoming more effective, efficient and easier for taxpayers to deal with while delivering sustainable efficiencies and almost £1 billion of additional tax revenues by reducing errors through record-keeping. All individuals and businesses will be able to view their tax affairs in real time, providing them with greater certainty about the tax they owe. HMRC expects the number of calls to reduce from 38 million in 2015-16 to 15 million in 2019-20, as customers increasingly find all the information and services they need online.

HMRC will find significant savings by consolidating its estate from 170 offices to 13 large, modern regional centres. These centres will bring staff into more cost-effective buildings while making it easier for HMRC teams to collaborate and modernise the way they work.

Chief Executive of HM Revenue and Customs, Lin Homer, said:

"This settlement will enable HMRC to become more highly-skilled and more cost-effective as it transforms into one of the most modern and digitally advanced tax authorities in the world.

The tax system will be streamlined and customer service improved through better use of data, both for catching the dishonest minority who try to cheat the system and supporting the honest majority in getting their tax right. And we'll do this while increasing the extra tax collected from those who do not pay the tax they owe by £7.2 billion by 2020-21."

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National Audit Office press notice, *Managing the HMRC Estate*, 10 January 2017

"HMRC has improved the handling of its current contract with Mapeley and achieved better outcomes, though significant risks remain. Looking ahead, HMRC has acknowledged its original plan for regional centres was unrealistic and is now re-considering the scope and timing of the programme. It should step back and consider whether this strategy still best supports its wider business transformation and will deliver the sustainable cost savings it set out to achieve in the long run."

Amyas Morse, head of the National Audit Office, 10 January 2017

By reducing the number of its offices and moving to a regional centre model HM Revenue & Customs (HMRC) hopes to significantly reduce its running costs and modernise the way it works. However, in a report released today, the NAO stated that HMRC has recognised that its original plan was unrealistic and is considering how it can adjust the scope and timing of the programme to reduce the cost and delivery risk. Any changes will need to be carefully managed to avoid diminishing the long term value of the strategy.

HMRC is undergoing a major transformation programme to redesign and significantly reduce its estate by 2020-21. It is moving from a widely dispersed estate of 170 offices to 13 regional centres supplemented by four specialist sites and a headquarters in central London. This programme is part of a wider civil service agenda to move to shared government 'hubs'.

HMRC believes that moving to regional centres will provide the flexibility to modernise and transform the way it works to a primarily digital service. It has more space than it needs and much of it is in poor condition, which it considers reduces morale and productivity. HMRC's plans for regional centres are therefore integral to its strategic aims to increase tax revenue and to transform the service it provides to its customers.

The report finds that HMRC has reduced the size of its estate by over a quarter since 2011, saving £102 million (30%) in its annual running costs. However, the scale of the changes it could make has been limited by the terms of its long-running contract with Mapeley STEPS Contractor Ltd, which expires in 2021 and covers around two-thirds of HMRC's estate. In its business case for moving to regional centres, HMRC estimated that it would continue to make savings over the next eight years as it leaves most of its existing buildings.

HMRC's regional centres need to be up and running and its estates plans settled before the STEPS contract ends in March 2021. It expects if it stays in STEPS properties beyond this its rental and service costs will increase. Its aim is to occupy regional centres before this happens, and it has sought to make decisions about its choice of locations early in order to negotiate with Mapeley about the timeframe for leaving existing buildings. HMRC's aim to occupy regional centres quickly has meant in some locations having to balance the need to achieve timely occupancy against cost and quality.

In response to previous NAO and PAC recommendations, HMRC has improved its working relationship with Mapeley and its management of the contract, achieving cumulative savings of £189 million since 2011. It has closed 160 buildings managed under the contract and reduced the contract's annual cost by £54 million. HMRC has assessed that Mapeley's performance in 2014-15 remained below the quality standards HMRC had set. In 2014-15, HMRC's payments to Mapeley for facilities management were reduced by £700,000 to compensate for this underperformance, equating to 2% of what HMRC pays annually for this part of the contract.

During the transition to regional centres, HMRC recognises it must not impair its service to taxpayers or its ability to collect tax revenue. HMRC has concluded that its original plan was unrealistic and carried too high a risk of disruption to its business as it involved moving or replacing too many staff too quickly while delivering 14 other major change programmes in parallel. Since it submitted its business case for the 2015 spending review settlement, HMRC's estimate of its estate costs over the next 10 years has risen by nearly £600 million (22%), more than half of which is due to higher than anticipated running costs for its new buildings.

HMRC is now re-considering the scope and timing of its moves to regional centres to reduce the costs and the risks of disruption over the next four years. Its options include: changing the timetable for opening regional centres; re-considering the functionality, location and size of some regional centres; and re-assessing how and when to introduce flexible ways of working. HMRC must manage the risk that such changes compromise its objectives to improve the engagement, morale and productivity of its workforce while achieving sustainable savings in the cost of running its estate in the long run.

As some of the moves to regional centres will now happen later than HMRC had planned, it will be longer before savings from its new estate are realised, but HMRC still expects the moves to provide better long term value for money. It estimates cumulative efficiency savings by 2025-26 of £212 million, reduced from £499 million from its November 2015 business case. By 2025-26, HMRC expects its annual estate running costs to be £83 million lower than they are now.

HMRC has yet to define fully how regional centres will support better customer service and more efficient and effective compliance activities. HMRC has signed the contract for its first regional centre in Croydon, but faces a demanding timetable to occupy the site as it plans in 2017.

The NAO believes that HMRC must manage the risk that it locks itself into long term property deals which limit its flexibility to change its future business model. The NAO notes that HMRC is now implementing its third major change programme since the merger of the Inland Revenue and HM Customs and Excise in 2004. It has not negotiated any break points in the 25 year leases it has signed so far in Croydon and Bristol. HMRC aims to provide flexibility through a mix of lease terms across the estate, maintaining the ability to sub-let to other departments, and working with the Government Property Unit to provide for future flexibility in the design of cross-government hubs.

Among the NAO's recommendations is that HMRC should improve its control of the costs of the new regional centres and demonstrate how in practice these centres will help its employees provide a better service to customers while increasing the efficiency and effectiveness of its compliance work.

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Chartered Institute of Taxation press notice, *HMRC – office location update*, 10 July 2017

HMRC has provided us with the following information regarding its office plans:

"We're now very close to being able to announce the locations of a number of our regional centres – and we expect to have announced the majority of them by the end of the summer. The nature of negotiations means that it is difficult to provide an exact date. We have promised our staff that we will tell them first of the location as soon as we are able to, but we plan to provide you with an update too. We announced Croydon and Bristol last year and we will open our Croydon Regional Centre this summer.

Our Locations programme is one of the UK's largest office property programmes. It will bring employees together into 13 modern regional centres, five Specialist Sites and - until 2027 - six Transitional Sites.

- Thirteen regional centres located in:

- Edinburgh
- Glasgow
- Belfast
- Newcastle
- Leeds
- Liverpool
- Manchester
- Nottingham
- Birmingham
- Cardiff
- Bristol
- Stratford
- Croydon

- HMRC will retain a **Head Office** in Westminster.

- **Five 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 specialist sites will be located in:

- Dover
- Gartcosh (Scottish Crime Campus)
- Telford (Plaza 1 and Plaza 2)
- Worthing
- Ipswich

- HMRC will also retain **six transitional sites** located in:

- East Kilbride (Queensway House)
- Ipswich (Haven and St Clare Houses)
- Portsmouth (Lynx House)
- Reading (Sapphire Plaza)
- Washington (Waterview Park)
- Canary Wharf (10 Colonnade, E14)

First regional centre

- HMRC's first regional centre will open in Croydon in 2017, and all regional centres will be up and running by 2022."

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Cabinet Office/HMRC press notice, *Civil service 'hub' to bring growth to Edinburgh*,12 July 2017

A new government hub in Edinburgh will create a centre of excellence for public services for 2,900 civil servants in 2020.

The new Edinburgh hub will provide high quality, skilled jobs to the city centre, as well as contributing to the local economy.

The UK government has today announced the location of a new hub at New Waverley, Edinburgh, which will deliver significant growth to the city by moving 2,900 civil servants into the city centre premises in 2020.

The new hub will:

- contribute to the creation of a modern Civil Service - with fit-for-purpose workspaces, cross-departmental collaboration, smarter technology, and enhanced career opportunities;
- demonstrate the government's commitment to engaging with and supporting the local Edinburgh community;
- contribute to growth in Edinburgh, as the largest office prelet in the city for over 20 years;
- create a centre of excellence for the delivery of public services in Scotland and facilitate more effective working between government departments within a devolved administration.

The UK government will take approximately 190,000 square feet at New Waverley Edinburgh, with a lease commitment of at least 20 years. This hub will continue to strengthen the government's commitment to building a strong Civil Service outside London.

The new development, adjacent to Waverley Station, will deliver grade A offices to be occupied by civil servants from several UK Government departments. This includes HMRC who will operate one of its 13 regional centres from New Waverley.

The hub will provide high quality, skilled jobs to the city centre, as well as contributing to the local economy. The UK government intends to develop strong links with those living and working locally and for the Hub to become a valuable asset to the local area.

Relocating civil servants from existing, often fragmented office locations, to modern, cross-departmental workplaces maximises efficiency by using space more effectively and encourages collaboration across departments.

The location of the Edinburgh hub has been chosen due to its exceptional public transport connections to the rest of Scotland and the UK.

Minister Caroline Nokes said:

"This new flagship building is part of our radical upgrade of the Civil Service and will support our diverse and creative workforce as they make a real difference to the lives of people in Scotland. This landmark development will deliver significant benefits to Edinburgh and the communities within it.

Alongside significant savings for the taxpayer, the roll out of government hubs will provide modern working environments across the whole of the UK that will enable us to provide the best public services we can."

HMRC Chief Executive, Jon Thompson, said:

"Locating HMRC's new regional centre for Edinburgh in the New Waverley development is another step in HMRC's transformation, into a modern, digitally-advanced tax authority. HMRC will bring its teams together to promote closer working relationships, and increasing our effectiveness in collecting taxes."

The UK Government Property Unit, as part of its remit to drive savings across the UK government estate, is overseeing the deal for the new Hub.

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HMRC press notice, *HMRC publishes Annual Report and Accounts for 2016-17*, 13 July 2017

Improved customer service and record-breaking crack-down on avoidance, evasion and non-compliance

The report shows that HMRC brought in an additional £29 billion by cracking down on the minority of individuals and businesses who try to not pay the tax they owe, while improving customer service for all taxpayers.

Jon Thompson, Chief Executive and Permanent Secretary, HMRC, said:

"In the last year, we have generated £28.9 billion of compliance yield, billions of pounds that would have otherwise been lost to the UK through avoidance, evasion and organised crime but will now be spent on public services. That's around £1,000 for every household in the UK. We have also strengthened our grip on the minority who deliberately try to cheat the system and continue to pursue those who refuse to pay what they owe, on behalf of the honest majority. The message is clear to those who try to not pay their fair and legal share: there is nowhere left to hide."

Edward Troup, Executive Chair and Permanent Secretary, HMRC, said:

"Our ability to collect the money required to fund the UK's public services is, of course, the ultimate yardstick by which we will be measured, but the public rightly judge us on the quality of service we provide to the overwhelming majority of people in the UK who are honest and pay the right amount of tax on time. Our continued focus on giving our customers the service level they deserve is paying dividends. There are now quick and simple online tools to allow people to deal with their taxes or tax credits anywhere, anytime and the best phone service in years for those wanting to call us."

In the last financial year HMRC surpassed expectations and exceeded targets across the board, but investment in supporting the vast majority of honest taxpayers to pay their tax and access services, has paid particular dividends. New online services are making it easier for customers to get advice and support, such as completing their Self Assessment, and has led to record numbers going digital.

And for customers still wishing to contact HMRC on the phone, they can now do so seven days a week, getting through in just four minutes on average.

HMRC's focus on making sure the minority of people who try to get away with paying less than their fair and legal share has meant record additional revenues from avoidance, evasion and organised crime. And continued progress on developing increasingly sophisticated and world-leading techniques will further close this net, making it harder than ever to get away with tax dodging.

The report shows that HMRC:

- is transforming tax and payments for customers with contact centre staff now available seven days a week and answering phone calls in less than four minutes in 2016/17
- is marking the seventh consecutive year of record total tax revenues, collecting a total of £574.9 billion – £38.1 billion more than last year
- generated record compliance yield of £28.9bn through our work to stop avoidance, evasion and organised crime; more than ever before
- has over the last six years brought more than 500 serious organised criminals to justice. Investigations and enforcement action against organised crime generated or protected £3.2 billion in compliance yield in 2016-17
- handled more than 1,200 cases heard in courts and tribunals – winning 83% and protecting £15 billion in tax revenues
- helped more than nine million individuals to access online services with more than five million businesses having access to their online account to file, pay and obtain help.

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National Audit Office press notice, *Her Majesty's Revenue & Customs Annual Report and Accounts 2016-17*, 14 July 2017

"HMRC collected more tax revenue in 2016-17 and improved its service levels for taxpayers. However error and fraud is rising within Tax Credits and HMRC needs to make it easier for claimants to get help. HMRC is part-way through an ambitious programme to bring in digital services and reduce its costs. In doing so HMRC must ensure it maintains adequate services if it is to protect revenue and tackle error and fraud".

Amyas Morse, head of National Audit Office, 14 July 2017

Amyas Morse, the Comptroller and Auditor General, has today issued a report on the 2016-17 accounts of HM Revenue & Customs. Each year he chooses parts of HMRC's business to report on in more detail. This year's report has four parts:

Tax revenues and spending in 2016-17

HMRC raised £574.9 billion of tax revenues this year1, an increase of £38.1 billion (7.1%) on 2015-16 and paid out £39.1 billion in benefits and credits (approximately one-fifth of the government's total benefit expenditure). The taxes that contributed to most of this increase were Income Tax and National Insurance Contributions which together increased by £14.9 billion (5.3%); Corporation Tax which increased by £5.6 billion (12.3%); and VAT which increased by £8.4 billion (7.2%). The annual cost of running HMRC was £3.3 billion in 2016-17.

Tax credits and Child Benefit error and fraud

The C&AG has qualified his regularity audit opinion on the 2016-17 Resource Accounts because of material levels of error and fraud in the payments of Personal Tax Credits. He has qualified the accounts on these grounds every year since Tax Credits were introduced in 2003-04. HMRC's central estimate of error and fraud in 2015-16 (the most recent available) is £1.57 billion of overpayments (5.5% of total spending on Personal Tax Credits) and £0.21 billion of underpayments (0.7% of total spending on Personal Tax Credits).

HMRC's estimated increase in error and fraud within Tax Credits is contrary to the significant reductions achieved in previous years, and the rate is expected to increase further. HMRC analysis shows that during 2015-16 the increase in estimated error and fraud was associated with the income, work and hours, childcare and undeclared partner risk categories. HMRC also expects the level of error and fraud to increase when reported for 2016-17, due to the impact of introducing the "Commercial with a view to a profit" self-employed test as well as the impact of the ending of the Concentrix contract.

HMRC will face further challenges in administering Tax Credits as claimants transfer to Universal Credit. Some 95,000 claimants have transferred to Universal Credit (62,000 in 2016-17), with a further 220,000 expected to transition in 2017/18. Full transition and migration of claimants to Universal Credit is not expected to be completed until 2022. Due to the long timeframe for the transition of Tax Credits claimants to Universal Credit, and relatively small numbers of cases transitioned so far, it is too early to conclude on HMRC's performance in meeting the challenges this transition presents.
The 2016-17 estimate of error and fraud overpayments of 1.0% (£110m) of total spending on Child Benefit is a reduction from previous years (1.4% (£170m) in 2015-16). HMRC has carried out detailed analysis of the cases where claimants do not respond to contact and their award is counted as error or fraud. This work indicates that the rate of error and fraud may be lower than estimated. HMRC has identified further interventions that it is planning to introduce both over the next twelve months and in the longer term that will seek to reduce the rate of error and fraud further.

Transformation

HMRC is one year into a major transformation programme which seeks to move to a fully digital tax system by 2020. Transformation as originally scoped, and its intended benefits, will be challenging to deliver within the timescale. In Spending Review 2015 HMRC secured a budget of £1.8 billion for its transformation for the period 2016-17 to 2019-20. In return it committed to achieving total efficiencies of £1.9 billion by 2019-20 and to collect £920 million of additional tax revenue by 2020-21. It estimates that its 15 transformation programmes could cost £2.2 billion, including additional elements that HMRC is able to fund from existing budgets such as the costs of changing IT contracts, programme staff, redundancy costs and contingencies.

HMRC forecasts its 15 transformation programmes may contribute fewer efficiencies than expected, but it still aims to achieve its efficiency target from change activity elsewhere in the business. In 2016-17, HMRC fell behind its planned profile for achieving sustainable efficiencies from transformation, reporting £78 million of savings against £189 million originally expected. HMRC made other operational savings and one-off cost reductions which helped to compensate, reporting efficiency savings of £254 million against a target of £203 million. Only £181 million of these efficiencies were sustainable, hence HMRC will need to make additional savings in future years.

This scale of transformation will be challenging to manage, and the U.K.'s exit from the EU presents an additional challenge. HMRC has improved the way it is managing transformation. It has developed its leadership capacity, improved its accountability arrangements and its financial forecasting. It is managing the programmes as a single portfolio, providing increased visibility of programme risks and interdependencies and enabling better management of cost and delivery pressures. Early requests for funding based on business cases totalled £710 million in 2017-18, exceeding that year's transformation budget of £457 million. HMRC recognised that it needed to slow, stop or de-scope activity to live within its budget. It reduced the difference between planned activity and budget to around £60 million for 2017-18. However, many of the programmes are interdependent and some are implementing necessary changes, such as the new customs system. HMRC must ensure that any changes to scope or timing of programmes do not jeopardise the delivery of benefits.

Customer service performance

Over the past five years the National Audit Office and the Committee of Public Accounts have reported several times on the performance of HMRC's customer services. We highlighted that poor service can have adverse consequences: the cost to customers from waiting on the telephone can be significant; and the quality of service experienced by personal taxpayers may have an impact on tax compliance.

HMRC significantly improved its performance against its customer service targets in 2016-17 by deploying over 800 new staff and using its workforce more flexibly. In 2016-17 their telephone advisers had to handle 34 million calls (29 million in 2015-16) which was eight million more than forecast. HMRC reported its best performance for five years against both its key telephony measures: the percentage of calls to its helplines that it handled (92% in 2016-17 compared to 72% in 2015-16); and the average speed to answer calls from when a caller enters a queue to speak to an adviser which fell from 12 minutes in 2015-16 to under four minutes in 2016-17. HMRC's set of performance measures could be improved to better reflect customer experience. Its current approach to measurement could overstate calls handled, and understate the time to answer as experienced by the customer. There is also opportunity for HMRC to improve some of its other performance measures to better reflect customer experience, including whether it resolves customers' queries first time, and the quality of its advice.

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Cabinet Office/HMRC press notice, *Government Hub to be built in the heart of Leeds*, 6 September 2017

The Cabinet Office has announced 7 & 8 Wellington Place as the location of a brand new Government Hub in Leeds.

HMRC, working with the Cabinet Office, will take approximately 378,000 sq ft at Wellington Place on a 25 year lease. This is the biggest ever commercial property letting in Leeds. The deal will see 6,000 civil servants working in a state-of-the-art new city centre premises in 2020.

Government Hubs will transform central government's offices by accommodating many different departments in shared buildings in London and in the regions. The programme will deliver taxpayer savings, act as a catalyst for regional growth and ensure the delivery of the best quality services to the public.

There will be 18-22 strategic hubs across the UK, located in major towns and cities and accessible by a range of excellent transport links. Hubs will be modern, sustainable buildings, supported by smart technology and shared services.

Wellington Place, close to Leeds Station, will deliver high quality offices for civil and public servants, including for HMRC, which will operate one of its 13 regional centres from Wellington Place.

NHS Digital will also relocate to Wellington Place, which will support the organisation's move to enable smarter and more flexible working, and collaboration.

Minister for Government Resilience and Efficiency, Caroline Nokes, said:

The Civil Service is a great place to work and enabling civil servants to have high quality and modern working environments will ensure that we work productively and deliver the best services to the public across the country.

The Leeds hubs will be a catalyst for growth in the surrounding cities and towns, helping rebalance the UK economy and underpin our strategy for a strong, well-connected Northern Powerhouse that can continue to provide good-quality jobs and economic growth across the region.

HMRC Chief Executive Jon Thompson said:

"We are delighted to be part of the new UK Government Hub in Wellington Place, Leeds. This is another step in HMRC's transformation into a modern digitally advanced tax authority. It's the beginning of a process that will see around 3,800 colleagues come together in state-of-the art facilities, enabling closer working relationships and increasing our effectiveness in collecting taxes. It will also make HMRC an important contributor to the economy and to communities in and around Leeds."

Chief Executive of NHS Digital, Sarah Wilkinson, said:

"We are delighted to co-announce our involvement with the new Leeds Government hub, this is a significant investment in the city and reinforces their long-term commitment to Leeds. As one of Leeds major employers, it is an opportunity for greater consolidation of our Leeds estate when completed and will enable us at NHS Digital to build on our existing strong relationships with the wider NHS and government departments. Over the past few years, Leeds has established itself as the major digital city in England with a thriving technology sector, which NHS Digital is proud to be a part of. The work NHS Digital does here in Leeds affects the lives of everyone in the country. Being part of the Government Hubs programme in Leeds is a great opportunity to work in partnership with both national and local organisations.

4. Press articles

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"HMRC staff braced for thousands of job cuts as 137 tax offices to close", *Guardian*, 12 November 2015

"HMRC makes sweeping cuts to local tax offices", *Financial Times*, 12 November 2015

"'Disastrous decline' in HMRC customer service predicted due to cuts", *Guardian*, 2 December 2016

"Taxman risks repeat of chaos with call centre cuts, say MPs", *Times*, 2 December 2016

"HMRC plans to open regional hubs", *Daily Telegraph*, 26 December 2016

"Plans to close scores of tax offices unrealistic, says spending watchdog", *Guardian*, 9 January 2017

"Thousands of HMRC staff may have to move up to 174 miles", *BBC News*, 10 January 2017

"Taxman reconsiders office restructuring plan", *Financial Times*, 10 January 2017

"Extra £600m needed to pay for taxman's new offices", *Times*, 10 January 2017

"Tax office closures won't save as much money as the Government thought, spending watchdog says", *Independent*, 10 January 2017

"HMRC to move in Edinburgh office deal", *BBC News*, 13 July 2017

"Liverpool's India Buildings: Heritage campaigners oppose HMRC plan", *BBC News*, 17 August 2017

"The top 10 UK tax complexities", *Financial Times*, 27 October 2017

"UK tax fraud unit recovers £5.2bn in a year", *Financial Times*, 30 October 2017

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CDP-2007/0209
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