Revenue & customs briefing
pcs Public and Commercial Services Union | pcs.org.uk

Branch Briefing REVENUE & CUSTOMS GROUP

To: **Branch Secretaries**
cc: **Branch Chairs, Group Executive Committee, Equality Chairs, VOAC** (for information)
Can this Briefing be circulated via HMRC IT systems: **N**
Website: **Posted in 'Essential Conference Documents' section**
Action to be taken: **For discussion at Mandate Meetings and Group Conference**

DATE: 10 May 2017 **R&C/BB/047/17**

CONFERENCE BRIEFING No.13
'Building an Uncertain Future' Conference Document

- ***Conference document to be discussed at Mandate Meetings***

Appended to this Briefing is the Conference Document 'Building an Uncertain Future', discussing developments in our response to management's office closure plans.

The document will be discussed at Group Conference 2017, under the terms of an Emergency Motion.

Please ensure that members have the opportunity to read this document and discuss it at your forthcoming Mandate Meeting.

The document is also posted to the PCS Document Library, and is available from the 'Essential conference documents' section of the PCS website.

MARTIN KELSEY
Group Secretary

If you require this publication in any other format such as Braille or large print please contact the Group office at R&CGroup@pcs.org.uk or call 0151 298 3900

Public and Commercial Services Union Revenue and Customs Group

Building an Uncertain Future

Conference Strategy document

REVENUE AND CUSTOMS GROUP EXECUTIVE COMMITTEE

BACKGROUND

In November 2015 HMRC announced the full details of their office closure and job-cut plans, which they have titled 'Building Our Future'. The plans involve the closure of almost all of the department's offices, to be replaced by 13 'Regional Centres', supported by 4 Specialist sites. The plans also involve a reduction of the HMRC workforce to 50,000. The then chief Executive, Lin Homer, announced that the department had assessed that as many as 10% of the then workforce – around 6,000 members of staff – would be outside reasonable daily travel of one of the new sites, which would put them at genuine risk of redundancy.

PCS has campaigned against the closure programme, with local Branch campaigns and national activity.

CAMPAIGNING ACTIVITY – POLITICAL LOBBYING

PCS have put considerable time and energy into our parliamentary campaign. We have made a number of Select Committee submissions and have secured an adjournment debate in the House of Commons.

In November 2016 PCS launched the Building An Uncertain Future report at a well-attended event at the House of Commons, chaired by the Group President and addressed by the Shadow Chancellor and Chair of the PCS Parliamentary Group.

We have also held a formal Lobby of MPs, which was well supported. We are planning a further presentation to MPs and devolved administrations, setting out in greater detail the impact of management's ill-considered plans.

RAISING THE ISSUES WITH HMRC SENIOR MANAGEMENT

The GEC produced a submission to ExCom's meeting of 13 December 2016 regarding the location strategy. This was shared with the CEO Jon Thompson and discussed at a meeting with him and the new Chief People Officer on 19 December.

At that meeting the CEO proposed that we enter discussions on BOF in the New Year and whilst the direction of travel remains unchanged there are indications that the detailed BOF blueprint could be altered or amended. He also agreed to share HMRC's plans on how it plans to maintain national compliance coverage and discuss these with PCS. At the time of writing we have had an initial meeting with the Director General for Customer Compliance, Jennie Granger, with a programme of further work agreed.

NAO REPORT

On January 10, The National Audit Office (NAO) published its report 'Managing the HMRC Estate'. The HMRC CEO works closely with the NAO throughout the year and it is a fair assumption that he would have been anticipating the report's findings when we met with him the previous month.

This NAO report states that "HMRC's original plan has proved unrealistic" and goes on to confirm that the department itself "has concluded that its original plans were over-optimistic about the availability of suitable properties and carried too high a risk of disruption to its business". The report also cites wild optimism by the department, when it concludes: "HMRC needs to be realistic in re-forecasting costs and guard against optimism bias" and "it should plan for the worst case rather than risk basing its plans on optimistic assumptions." Additionally, on the subject of addressing emerging cost increases and delivery risks, the report confirms that "HMRC does not yet have an agreed strategic outline case".

PAC ENQUIRY

Immediately, following the publication of the NAO report, the Public Accounts Committee (PAC) announced it would be holding an inquiry into the HMRC estate. PCS made a submission to the inquiry and the first set of oral evidence was taken on January 25, from the CEO, Sherin Aminosshe, Executive Director, Government Property Unit, and Head of Government Property Profession and Justin Holliday, Chief Finance Officer.

The oral evidence published states:

"[Jon Thompson:] We evaluated 42 locations against those eight criteria. That was narrowed down to 15 locations for the spending review, and in the end it was further refined to 13. So cost is a factor, but it is not the only factor. We need staff to be able to get there, and we need the digital infrastructure to be able to support them and so on."

PCS has never been told before that 42 locations were evaluated. In late 2016 DTUS was given the following documents:

- People Impact Assessments
- Equality Impact Assessments
- Potential Diversity Profiles of our Regional Centres

None of these documents contain any reference to 42 locations being initially evaluated. It seems that HMRC narrowed down the 42 locations to 13 and then undertook an equality analysis which is clearly a fundamentally flawed approach. PCS has subsequently asked for clarification on whether equality and diversity considerations were among the eight criteria referred to by the Chief Executive in his evidence to the PAC.

PCS has also asked for details of the 42 locations initially evaluated.

The transcript of the PAC evidence also contains the following passage which has led some to drawn inferences about a possible change to the number of regional centres:

"[Sherin Aminosshe]: I will start with the strategy first, and then go on to the lessons learned, if I may. So in terms of strategy, yes, it is dovetailing. A significant number of the HMRC hubs—in fact all the HMRC hubs—are part of our wider hub strategy, which is, in total, for somewhere between 18 and 22, depending how the workforce numbers work over the coming 10 years, which is the timeline for it. So it is very much dovetailing, and obviously in a number of the areas where HMRC has a significant presence there will be other Government Departments as well. So for us, in terms of lessons learned, one is length of time—the preparation that is obviously needed, and getting everybody aligned to go into hubs—and also business cases and the amount of preparation required. So that is all quite helpful."

PCS has asked for urgent explanation on what the reference to "between 18 and 22" means.

BREXIT

One of our main arguments for pausing the BoF programme is the implications of the triggering of Article 50 and subsequent withdrawal of the United Kingdom from the European Union. Discussions have taken place with the CEO, Director General with responsibility for Brexit and the Director heading the EU Transition Unit where it has been acknowledged that there is a lack of clarity at present on how HMRC will be affected. Five of the top ten ports (in terms of freight tonnage handled) are many miles from of the 13 planned Regional Centres. Most of the 120 commercial ports are also not within easy reach of a regional centre. Even without Brexit, HMRC's ability to carry out its work may be seriously endangered by the BoF programme. If Britain leaves the Customs Union, HMRC's Customs and International Trade work is likely to double.

LOSING SKILLED STAFF THAT CANNOT EASILY BE REPLACED

As predicted by PCS, HMRC management are slowly coming to realise that issues we have been raising – including lack of coverage and loss of expertise – are likely to have a bigger impact than they originally envisaged. Additionally, management have begun to reconsider the size of some planned regional centres, because of the cost and availability of accommodation, and problems in retaining skilled staff given the salary levels that they offer. There is also the very real issue of loss of expertise. There will be a general loss of expertise as many staff find themselves outside reasonable daily travel of one of the new regional centres. But there will also be a loss of specific local knowledge regarding local businesses, and knowledge of particular industries such as oil, gas, and garments. Existing local offices have amassed a detailed understanding of these industries and how the tax system applies to them. PCS members in some specialist areas (such as IT) report that the closure programme is already causing a loss of unreplaceable expertise there.

THE MAPELEY CONTRACT

The real reason for the BoF programme, identified by the NAO report, is the imminent 20th anniversary of the Mapeley Steps programme. In March 2001, the Revenue said it signed a private finance initiative (PFI) deal with the UK-registered Mapeley Limited, transferring to it the "ownership and management" of the estate. In reality, though, the Inland Revenue sold the properties to a Bermuda-based sister company called Mapeley Steps Limited for £220m, while paying rent to a UK company called Mapeley Steps Contractors Limited.

HMRC is able to abandon the contract at the 20-year point and that is the motivation for vacating the existing estate. As a union, PCS has consistently opposed not only the Mapeley deal but all PFI contracts. Therefore, it follows that we do not support the renewal of the Mapeley Steps deal. We do though have an interest in where the future HMRC is based.

CONTROLLING COSTS

HMRC has claimed that the programme will eventually lead to estate running cost savings of £100 million a year. Whilst this does sound like a large saving, the NAO report states that the closure of a quarter of the estate (from 2005 to present) has resulted in savings of over £100 million a year. Furthermore, the rental and building costs of city centre offices in places such as Edinburgh and London is certain to be prohibitive. The programme costs have tripled from estimates given just over a year ago, and the two previous office closure programmes cost a combined total of almost £5 billion.

Closely linked to the spiralling costs of BoF is the financial burden of getting rid of long-serving staff. HMRC has acted as a cheerleader for the government-imposed 2010 and 2016 reductions to the Civil Service Compensation Scheme. Even with this massive theft from our members, instigating office closures and the associated redundancies continues to prove an expensive business and it is no accident that the 2017 redundancy exercises have been timetabled for two different financial accounting years. We have an elegant solution which will greatly reduce, in fact completely eradicate, the cost of packages to the department.

LOCAL COMPLIANCE WORK

PCS believes that huge difficulties will arise in investigating tax evasion on an even handed basis across the UK once HMRC only has staff in 13 regional centres. The expected consequence is that in large areas of the UK, individuals and businesses will have little or no chance of being caught if they fiddle their taxes. In areas closer to the remaining offices a higher rate of investigation is expected, catching more innocent people in the net. A distortion of the market is likely. Tax evasion may increase by businesses in areas where it becomes known that few investigations take place. Those businesses will have a competitive advantage over businesses in their area which pay their taxes. That will put pressure on honest competitors in the areas that are remote from the HMRC offices. Where location of the business is not vital to its trade (businesses that can deliver goods and services in other areas) it will put pressure on all competitors to also evade their taxes in order to compete.

DIGITAL BY DEFAULT

PCS acknowledges the department’s plans to move to a ‘digital by default’ approach, but is gravely concerned that HMRC are proceeding as if the take up of the digital approach will be near total; and consequently, anything less that this near-total take up will result in a massive deterioration in the level of customer service that the department will be in a position to provide. This view is not held by PCS alone. As recently as 28 November 2016, the Commons’ Public Accounts Committee concluded:

> "HMRC is staking a great deal on the success of its plans to digitise the tax system, but once again it lacks an adequate plan if demand for its call centres does not reduce as quickly as it hopes."; and

> "It is therefore essential that HMRC avoids repeating the mistakes it made two years ago when it reduced the number of staff in its personal tax service prematurely, resulting in a disastrous decline in customer service."

Additionally, it is most commonly the case that those living in the outlying areas – those likely to be furthest from a regional centre – are also least likely to have access to high-speed broadband; meaning that the level of customer service for those in the outlying areas will be suffer in two ways: they will be furthest from an HMRC office and their digital access will be the poorest.

There are also age and disability discrimination issues, where HMRC's policy of relying on digital access to tax is concerned. The ONS 2016 report into internet use, showed that more than 25% of adults aged over 65 haven't used the internet in the past three months; rising to more than 60% of over 75s. The same report confirms that 25% of disabled adults have never used the internet.

SCOTLAND

Scotland is a particularly sensitive area since the only two HMRC Regional Centres will be in Glasgow and Edinburgh, with most of the country being north of there, with the northern mainland about 250 miles away.

The Scottish Parliament now has the power to set the Scottish Rate of Income Tax. As such, the Parliament has launched a call for evidence via the Finance and Constitution Committee, named a "Scottish Approach to Taxation". Given the combination of the devolution of SRIT and VAT taxes and the Building Our Futures programme, there are grave concerns from PCS, the business community and increasingly, Scottish ministers, that the closure of HMRC offices across the country will have a negative impact on Scotland's ability to raise its own revenue in future. This of particular concern in the North East of Scotland- set to lose its Aberdeen Inverness and Dundee sites. As well as the issue of job losses, the loss of skills and experience to the area and to the service have as yet been left unquantified by both Holyrood and Westminster.

PCS research is underway, with a particular focus on Aberdeen, due to its strategic economic location. There are no doubts that the loss of all offices outside Glasgow and Edinburgh will jeopardise the tax service. With public transport issues and restricted budgets for travel, a distortion of coverage of investigations, customer support and collection of unpaid taxes is likely.

WALES

With the only office planned to be in Cardiff, West Wales, Mid Wales and North Wales will be extremely hard to cover. In Wales, the withdrawal of the entire service to Cardiff will result in the loss of nearly every experienced HMRC member of staff in North Wales (which is outside reasonable daily travel of Cardiff and Liverpool) and mid-Wales (which is outside reasonable daily travel of Cardiff).

There is a substantial port at Holyhead, 180 miles from Cardiff and 90 miles from the nearest English office in Liverpool. Fishguard and Milford haven are over 100 miles from Cardiff. With public transport issues and restricted budgets for travel, a distortion of coverage of investigations, customer support and collection of unpaid taxes is likely. The majority of Welsh Language-speakers are also based in North and West Wales, and the closure of the Wrexham office and the Welsh language unit in Porthmadog will make carrying out investigation work, providing customer support, and collecting unpaid taxes in Welsh much more difficult. It will jeopardise the department's ability to fulfil its statutory duty to deliver a Welsh Language service.

NORTHERN IRELAND

With the only remaining office in Belfast, public transport issues and restricted budgets for travel, a distortion of coverage of investigations, customer support and collection of unpaid taxes is likely.

There will be a porous land border with the EU, with multiple issues arising around Customs and International Trade, Excise duties, and VAT. In a recent Select Committee appearance, the Secretary of State for Exiting the European Union has accepted that the government do not currently have a clear idea how the Northern Ireland border with the EU will operate.

INTERNATIONAL COMPARISONS

Looking to other countries, it should be noted that countries with smaller populations such as Denmark (four million) and even Australia (24 million) have more tax offices than are proposed under the BoF plans with 35 and 22 offices respectively. From an international perspective, 13 regional centres for a population of over 60 million is extremely low. We have real concerns on the service we are providing to the public, especially following the closure of enquiry centres and with the bulk of the proposed staffing reductions anticipated in the customer contact area. Moreover, we fail to see how ripping out local compliance jobs will help to reduce the tax gap. Whilst some work can be done from anywhere – which is itself a refutation of the department's plans – a significant amount of departmental compliance activity is location-dependent and simply cannot be done remotely.

KEY PRINCIPLES

The key principles agreed by the GEC are:

- Improving customer service and closing the tax gap – by ensuring national coverage of compliance work and retaining the much needed skills of HMRC staff
- Minimising the costs to the taxpayer – by having an efficient estates programme, and avoiding costly redundancies and increased travel costs paid by HMRC
- Meeting Government's socio-economic responsibilities – many tax offices are deliberately located in areas where jobs are needed
- Meeting the challenges of Brexit with the likelihood of the UK leaving the Single market and the Customs Union, with a huge impact of HMRC's Customs and International Trade work
- Meeting society's needs for environmentally friendly policies, by not increasing the travel to work for thousands of staff, and the travel to and from those workplaces to carry out their duties
- Meeting the statutory obligation to deliver all services, including local compliance work, in Welsh
- Ensuring public and parliamentary scrutiny of HMRC's relocation plans
- And of course for our members, having no compulsory redundancies and no forced moves beyond Reasonable Daily Travel

Even a quick glance at the map of the UK, and the location of the 13 regional centres, shows how impractical the BoF plans are. It will be impossible to deliver local compliance work, DMB Field Force work, and Needs Enhanced Support with

- No tax offices north of Glasgow and Edinburgh,
- Nothing south west of Bristol,
- Nothing east of Nottingham,
- Only Cardiff in Wales, in the south east of that country, and
- Nothing on the south coast apart from the specialist site at Dover

Our proposed alternative is that the department expands its current proposals with a larger number of Regional Centres, the creation of a number additional Specialist Sites, based in the areas where it is projected that there will be major gaps in the network, and where need be Home Based Mobile staff carrying out Compliance, Debt Management Field Force and Needs Enhanced Support work.

This would allow for the department to adhere to its current Regional Centre plans, but also allow HMRC to ensure that they have adequate local resource to deliver the department's objectives.

Additional sites in those network gaps would also increase the likelihood that staff currently in offices that are scheduled to close, would be within reasonable daily travel of either a Regional Centre or Specialist Site – reducing the risk of compulsory redundancies and helping the department to retain essential expertise.

REPRESENTING OUR MEMBERS LOCALLY

The GEC is proposing that we continue and step up our campaign for an alternative future. Branches can play a key part in that by taking these ideas to local MPs, devolved administration representatives, and local authorities. Branches can put flesh on the bones with local examples of the impossibility of delivering HMRC work in their communities under BoF, and the impact of job losses on those communities.

At the same time PCS must continue to deal with the reality of office closures, trying to get the best outcomes for members who want to stay, and members who want to leave. And as Regional Centre plans develop, PCS must get fully involved, consulting local members through our PCS Hub and branch structures, and taking those issues to local management through the whatever forums are available, including the Regional Engagement groups.

CONFERENCE ENDORSEMENT

The Group Executive believes that the BoF programme is capable of breaking HMRC, and making it impossible to deliver its primary objectives. The GEC agreed unanimously in February on the next stages of our campaign and unanimously agreed our negotiating objectives. The GEC is therefore presenting this paper to Group Conference 2017, to seek agreement to the way forward.

The GEC seeks endorsement of the approach outlined in this paper. The GEC has agreed to seek the assistance of an academic in adding detail to our alternative vision. The GEC also plans to link with the DWP GEC where possible, given that the DWP is also planning reductions to their estate. Local branches should continue their excellent campaigns, and revitalise these if need be, in support of the PCS strategy. Where branches can deliver effective industrial action, they will get the full backing of the GEC.

ORGANISING TO DELIVER OUR ALTERNATIVE

To give ourselves the greatest chance of delivering our alternative, we need to ensure that we are as strong as possible industrially. The commitment to build for department-wide action remains, and it may well be necessary to delivery that level of action in the future.

In endorsing this paper, Conference will reiterate its commitment to building PCS within Revenue and Customs – both in membership numbers and in readiness for any action that may be required in the future.