Smarter Working in public services
The HMRC experience so far

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#ReformSmarterWorking
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## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>1 Defining Smarter Working</td>
<td>5</td>
</tr>
<tr>
<td>2 Empowering staff members</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Autonomy and diversity</td>
<td>8</td>
</tr>
<tr>
<td>2.2 Leadership and engagement</td>
<td>8</td>
</tr>
<tr>
<td>2.3 Technology</td>
<td>9</td>
</tr>
<tr>
<td>3 Improving productivity</td>
<td>10</td>
</tr>
<tr>
<td>3.1 Work-life balance</td>
<td>11</td>
</tr>
<tr>
<td>3.2 Utilisation of space</td>
<td>11</td>
</tr>
<tr>
<td>3.3 Technology</td>
<td>13</td>
</tr>
<tr>
<td>4 Promoting collaboration</td>
<td>14</td>
</tr>
<tr>
<td>Conclusion</td>
<td>16</td>
</tr>
<tr>
<td>Bibliography</td>
<td>17</td>
</tr>
</tbody>
</table>
Introduction

The Civil Service is committed to redesigning the way it works. The Barber Review, published in November 2017, called for a new approach to improve public-sector productivity, which it defines as achieving the maximum value for every pound spent.¹ In January 2018, John Manzoni argued that technological and societal changes, in addition to the challenge posed by exiting the European Union, require “profound, lasting, transformational change.”² To Manzoni, the Civil Service must transform how and where it works to reach its objective of becoming “the best Civil Service in the world.”³

Smart Working, which promotes flexibility, autonomy and collaboration, can help Government achieve its aim of creating a modern Civil Service. The Government Estate Strategy, published in July 2018, acknowledges that the Civil Service is working against a backdrop of unprecedented change, with digital technologies revolutionising how people work and increasing people’s expectations of public services.⁴ This strategy sets out policies to deliver an estate that can adapt and respond to this change. It sets a target that commits all Government organisations to fully adopt Smart Working by 2022.⁵

This paper assesses the progress of Her Majesty’s Revenue and Customs (HMRC) in its implementation of Smart Working practices. With nearly 70,000 employees, HMRC is the third largest Civil Service department by headcount.⁶ The transformation of HMRC demonstrates the potential for reform within large public-sector organisations. Between April 2017 and February 2018, it received over 43 million customer phone calls and over 16 million items of post.⁷ Smart Working can help to streamline business processes to improve customer service and the experience of staff members. By changing its working culture, transforming its use of space and implementing new technologies, HMRC is embracing Smart Working.

³ Ibid.
⁵ Ibid., 12.
1
Defining Smarter Working
Smart Working, as set out in the British Standard Institution’s (BSI) Smart Working – Code of Practice, is the generic term used to describe the changes needed to modernise working practices in a dynamic and business-focused way. Commissioned by the Cabinet Office, BSI’s Code of Practice supports a definition of Smart Working (see Figure 1) which, since the 2018 Estate Strategy, will be the benchmark by which all government departments are measured against.

**Figure 1: Definition of Smart Working**

An “approach to organising work that aims to drive greater efficiency and effectiveness in achieving job outcomes through a combination of flexibility, autonomy and collaboration, in parallel with optimising tools and working environments for employees.”

Across government, attempts to promote Smart Working have been branded in several ways. In 2004, the Government launched The Way We Work (TW3) initiative, aiming to encourage all government departments to adopt Smart Working principles. Subsequently, this has become the ‘Smarter Working’ strategy, as set out in a series of policy documents. The principles aim to empower workers to choose how, when and where to work to achieve the best outcomes, and to provide spaces and technology to facilitate this.

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2
Empowering staff members

2.1 Autonomy and diversity  8
2.2 Leadership and engagement  8
2.3 Technology  9
By giving civil servants flexibility and autonomy, the Government’s Smarter Working strategy looks to empower staff to choose how, when and where to work to be as effective as possible. It gives greater freedom to staff members to decide how best to deliver the tasks set by management, and to provide the relevant space and technology to facilitate this. Several interviewees for this paper argued that the public sector cannot compete with the private sector in terms of remuneration, however, through Smarter Working, it can create an attractive work environment to secure the best talent.

HMRC aims to give more autonomy and flexibility to staff members to change the traditional ways of working and supports modern approaches to employment. HMRC has attempted to promote Flexible Working (see Figure 2), provide tailored technology and improve staff engagement as part of its drive to implement Smarter Working.

Figure 2: Definition of Flexible Working
Empowering staff members to find a working pattern to suit their work-life balance and the nature of the task they are undertaking. This can be achieved by promoting flexibility around the place and time that people work.

2.1 Autonomy and diversity
Flexible Working can give people greater autonomy and improve diversity and inclusion. One interviewee argued that Flexible Working has helped HMRC achieve its aim of adapting “around the individual, rather than that person adapting their lives around their job”. This can help to support those with parental, caring or other responsibilities. For Ismail Ghafoor, a Cyber Security Apprentice at HMRC, Flexible Working enabled him to fit work around Ramadan.

Responding to HMRC’s 2017 Gender Pay Gap Report, Esther Wallington, Chief People Officer of HMRC, pledged to raise awareness as to the benefits of job-sharing and part-time working. In addition, Wallington argued that the Department will continue to educate managers regarding the needs of individual staff members.

In HMRC’s People Survey, 73 per cent of staff responses were positive that HMRC respects individual differences such as working styles and, moreover, 74 per cent agreed that HMRC is committed to creating a diverse and inclusive workplace.

2.2 Leadership and engagement
To ensure that staff members adopt Smarter Working methods such as Flexible Working, it requires trust and leadership, underpinned by a cultural shift that fosters alternative ways of working. An interviewee for this paper argued that although there are still sceptics of Smarter Working, this is because its principles have not been entirely adopted across government, and therefore it has not reached its full potential.

The Government’s Guide to Smart Working argues that “Smart Working is essentially about people and culture..."
A trust-based relationship between managers and employees is needed, then, where “Managers focus on the output and employees choose how it is delivered.” John Manzoni argues that Civil Service reform must be led by leaders with “empathy, who can manage their teams through transformation and encourage continuous improvement.”

One interviewee for this paper claimed that HMRC is attempting to promote a culture that gives civil servants more ownership over their working patterns — one of the key aims set out in the Government’s Guide to Smart Working.

Implementing Smarter Working principles requires staff engagement to change processes and working patterns. Although HMRC’s People Survey shows that staff engagement and endorsement of the leadership is lower than the Civil Service average, they also demonstrate improvements year-on-year. Recent efforts to engage staff in decisions related to HMRC’s working practices has assisted with this improvement. In 2016, seminars and surveys were organised to “crowdsource the vision” of HMRC. Around 50,000 employees engaged with these seminars, helping to construct the vision and values of HMRC. By engaging the workforce, it was easier to identify the issues most affecting the organisation’s employees, such as the Performance Management System.

In HMRC’s 2017 People Survey, staff engagement improved by 3 points from the previous survey, and endorsement of the leadership had improved by 5 points.

### 2.3 Technology

Adopting new technologies is one practical step HMRC have taken to promote flexibility and autonomy. For example, the Department has given 25,000 employees an electronic tablet. This enables them to work wherever they are and at any time. Such innovations are giving staff more authority and autonomy on how and where they work. This is important for generating buy-in for wider Smarter Working transformation by showing that technology can respond to the everyday demands that employees are facing in their roles.

HMRC is acutely aware that to make best use of technology to further Smarter Working, there needs to be a culture that embraces this change. Jon Thompson, Permanent Secretary of HMRC, has argued that he wants staff members to have “as much input into the design of the systems they use as possible” and “IT that makes our people’s jobs easier”. This user-centred design is crucial because it embeds a culture of empathy with the employees’ actual needs, identifying their routine work challenges to create relevant solutions. Therefore, rather than technological change being driven from the top, it is tailored around the needs of individual staff members.

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28 Ibid., 3.
29 Manzoni, ‘Civil Service Transformation Speech’.
30 Reform Interview.
32 HM Revenue and Customs, HMRC People Survey 2017, 1.
33 Reform Interview.
35 HM Revenue and Customs, HMRC People Survey 2017, 1.
3
Improving productivity

3.1 Work-life balance 11
3.2 Utilisation of space 11
3.3 Technology 13
The Smarter Working agenda can help to improve the effective delivery of services. HMRC is adopting Smarter Working principles to become more productive and cost-effective. It is reducing its estate, promoting Flexible Working and embracing tailored technologies to ensure that the Department is as efficient as possible.

3.1 Work-life balance

Flexible Working can help to support people’s well-being by offering a healthier work-life balance, enabling them to be more productive and effective. In a survey of 2,000 to 3,000 UK employees, the Chartered Institute of Personnel and Development (CIPD) found that a quarter of respondents believed Flexible Working improves their productivity and 54 per cent believed that it enables a better work-life balance. Rav Samra, a Solutions Architect at HMRC, argues that the Department provides him with a “much more flexible work-life balance”, with technology that enables him to become more mobile when working.

3.2 Utilisation of space

HMRC’s utilisation of its estate is also at the heart of its Smarter Working agenda. The Government argues that it wants the wider public sector to be “following in the footsteps of HMRC” in the reform of its estate. With the fourth largest government estate and the third most expensive to run, HMRC is committed to reducing its size and cost. It is doing this through the Hubs Programme (see Figure 3), which plans to ambitiously shift operations to 13 regional hubs by 2027, reducing its annual running costs by £90 million. HMRC has made significant inroads in meeting this aim, already downscaling from 600 offices in 2005 to 144 in 2016-17. The sharp decline over time comes as HMRC changes its business model, moving from local tax offices to regional hubs. An interviewee explained that this gradual process of reconfiguring the estate meant HMRC delayed the rollout of Smarter Working, as new technologies came online.

Figure 3: HMRC’s Croydon hub

HMRC’s Croydon hub opened in September 2017, offering different types of workspaces such as shared spaces for collaboration, quite zones for intense work and modern technology such as video conferencing so that staff can work flexibly. Commenting on the new office, HMRC’s South East Change Lead, Mike Hamilton, said “our people have really adapted well to the new facilities... It’s a building quite unlike anything that our people have experienced before, and many have commented on the high standard of the design and the professional feel of the environment and surroundings”. Over 90 per cent of staff working in the hub rate it as “Ok, good or excellent”.

However, HMRC recognises the need to go further. HMRC is more than 50 per cent over the Cabinet Office target of 6 square metres per person. This target is key to bringing the public sector in-line with the best examples of private sector office-space design.

46 HM Revenue and Customs, Building Our Future – Transforming the Way HMRC Serves the UK.
48 Reform Interview.
50 Ibid.
51 Ibid., 25.
An interviewee for this paper explained that office modernisation, such as HMRC’s Croydon hub in Figure 3, has been a priority for the most innovative private-sector firms.\textsuperscript{53} They explained the changes HMRC are making in the Hubs Programme were “happening 3 or 4 years ago” in comparable private-sector firms.\textsuperscript{54} In addition, the impetus for further change comes from the fact HMRC has the third largest spend on its estate and fourth largest across government, as Figure 4 shows.

![Figure 4: Departments operating with an estate with annual operating costs of more than £100 million](image)

DWP: Department for Work and Pensions  
MoJ: Ministry of Justice  
HMRC: HM Revenue and Customs  
HO: Home Office  
BEIS: Department for Business, Energy and Industrial Strategy  
DHSC: Department of Health and Social Care  
MoD: Ministry of Defence  
DfT: Department for Transport  
Defra: Department for Environment, Food and Rural Affairs


\textsuperscript{53} Reform Interview.  
\textsuperscript{54} Ibid.
3.3 Technology

The implementation of new technology, which can connect people in various locations and support remote working, has allowed for a reduction in the cost and size of the estate. Technology can empower people to become more flexible, mobile, collaborative and efficient in the way they work.55 The Rt Hon Liz Truss MP, Chief Secretary to the Treasury, argues that government must “unleash a new era in public-service provision by harnessing technology”.56 When implemented well and responsive to need, technology can help government departments to accelerate the delivery of services, reduce costs and deliver better outcomes.57 For example, staff members can conduct meetings using video conferencing rather than traveling from different locations.

Achieving these outcomes, however, requires overcoming the significant challenge of legacy technologies, such as outdated IT systems, across the public sector. 43 per cent of public-sector survey respondents argued that reliance on legacy technology was holding back their digital ambitions.58 This is because legacy systems limit what employees can do and can have costly maintenance bills.59 HMRC’s use of modern technology is impressive in the context of wider public sector progress. In comparison, the NHS, for example, still uses around 9,000 fax machines across 86 trusts.60

Technology should improve productivity.61 It is helping staff to focus on more stimulating tasks, rather than repetitive administrative ones. Carly Graveling, Head of HMRC’s Automation Delivery Centre, argues that technology enables staff to engage in “more interesting work – the kind of work that requires decision making and human intelligence.”62 This can happen because, as John Manzoni has claimed, “HMRC is trailblazing the adoption of artificial intelligence and robotics for mass-repetitive tasks”.63 These developments are helping HMRC to become “the most digitally advanced tax authority in the world”64 and hit its target of 10 million automated transactions ahead of schedule.65 As a result, HMRC’s Automation Delivery Centre was awarded the IT Project Team of the Year Award at the UK IT Awards 2017.66

57 Ibid., 47.
58 Austin Clark, ‘Legacy IT – the Biggest Barrier to Transformation?’, GovTech Leaders, 23 April 2018.
59 Ibid.
61 Barber, Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value, 34.
64 HM Revenue and Customs, Overview of Making Tax Digital, 2017.
65 Graveling, ‘10 Million Transactions Processed by Our Robotic Automations’.
66 Ibid.
4 Promoting collaboration
Smarter Working intends to improve collaboration across teams and government departments. As a result, it can help the Government fulfil its aim of creating joined-up services by 2020 as set out in the *Transformation Strategy*.\(^67\)

Workspace design is one tool the Government has identified to realise Smarter Working, where flexibility and collaboration become the new-norm of how work is organised.\(^68\) As John Manzoni has argued, the Hubs Programme “isn’t just about savings, it’s about introducing more efficient, collaborative ways of working”.\(^69\) The Hubs Programme, therefore, aims to enrich the work of civil servants by overcoming silos between different teams. This collaboration is part of a wider government drive, set out in the Barber Review, for “better cross-departmental working”.\(^70\) Hubs are already bringing together different government departments. For example, Apex Court, a government hub in Nottingham, already accommodates 15 departments and agencies.\(^71\) The difference this modern approach makes, according to Manzoni, is that it “enables us to take advantage of advances in technology to help us work more collaboratively and give civil servants more power over how and when they work.”\(^72\)

Much like the estate, HMRC is using technology to promote Smarter Working and collaboration. In its *Information Technology Strategy*, it stated that by providing staff with modern, tailored technology, it aims to encourage collaboration.\(^73\) Platforms such as video conferencing means space and distance are less of a barrier to communicating and collaborating with colleagues across the country. Referring to HMRC’s promotion of new technology, Steven Walters, HMRC’s Chief Technology Officer, said “as a geographically spread organisation, we sought to enable greater collaboration across HMRC, use technology to transform operations, and change culture while optimizing efficiency.”\(^74\) In addition to changing people’s expectations of the speed and convenience of public services,\(^75\) new technologies are defining what a modern workplace experience should be.\(^76\)

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73 HM Revenue and Customs, *HMRC Information Technology Strategy*, 2016, 10.
74 Microsoft, ‘UK Tax Authority Underpins Organizational Transformation with Modern, Mobile Technologies’.
Conclusion

Traditionally, the Civil Service has been organised in a hierarchical, top-down structure. Smarter Working represents an entirely different way of managing and organising large government departments. It aims to empower staff members to make decisions over how, when and where they work. By doing so, it hopes to improve public sector efficiency and productivity. In his review of how the public sector can achieve maximum value, Sir Michael Barber argued that public-sector projects must demonstrate resilience and have long-term capacity beyond the political cycle. By promoting a culture of collaboration, staff empowerment and flexibility, Smarter Working can help to achieve this aim.

Although HMRC has been at the forefront of the Government’s Smarter Working agenda, it is a government-wide initiative. By 2020, a new Government Hub in Edinburgh is expected to open, bringing together nearly 3,000 civil servants from several government departments to promote collaboration. In Manchester, the Home Office has built a new office space and adopted new technology as part of its Smarter Working Programme. In 2017, the Home Office’s Programme won the TW3 Leadership Award and has seen improvements to staff satisfaction and motivation in staff surveys. The Ministry of Justice is also engaged in a modernising project, which includes the closure of seven underused courts, with the aim of reinvesting funds back into the justice system.

By setting an example of Smarter Working practices, Civil Service leaders can help these practices to become widespread. In an interview for this paper, Jon Thompson argued, “Our most recent Annual Report shows that our working practices are delivering record performance levels. We’ll continue to look across government, industry and other sectors to share our experiences and learn from others so that we can keep improving.” Going forward, Smarter Working could help to break down the traditional silos of government, with more shared spaces and shared technology. By doing so, it can improve public-service delivery, helping to ensure that the Civil Service achieves maximum value for every pound spent.
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