



**HM Revenue
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LBS Restructuring Projects Geography & Population Projects

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Large Business Service

- Formed April 2005
- Merger of Large Business Group (C&E), Large Business Office (IR) and Energy Group (IR)
- 1700 staff
- 75 offices
- 60 towns
- Merged organisation launched April 2006

Large Business Service

- Largest businesses in the UK
- 2981 customers
- 1123 for Corporation Tax liabilities
- 1000 for Indirect Tax liabilities
- 2725 for Employment Tax liabilities
- Only 467 for all Tax liabilities

Issues

- Dispersed organisation
 - Difficult to give holistic customer service
 - Difficult to develop commercial understanding
 - Difficult to have holistic and coherent approach
 - Difficult to develop sector teams
 - Lack of flexibility

Issues (2)

- Hard to explain rationale of split accountabilities to customer
- No clear reason or understanding of why dealt with in LBS
- Customers don't like partial status



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Population Project

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Population Project - Principles

- Clear boundary between LBS and Large & Complex of Local Compliance (LC)
- Boundary to be clear and based on size not risk
- “In for one – in for all” – no partials
- Minimise staff churn between LBS & LC
- Implement to mitigate impact on customer

Agreed Criteria

- Turnover - £600m
- Net Assets - £2b
- Separate Excise Criteria
- Some flexibility
 - Sector synergy – oil & gas, insurance, banking
 - Customer/ HMRC benefits

LBS Customers

- 1000 customer base
- Includes the small insurers
- Same risk framework for LC as LBS

Implementation

- Majority of moves by March 2008
- Customers will only leave LBS when LC have a customer manager in place
- Customers will be advised by sector lead of changes



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Geographical Restructuring Project

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Location model

- Retain 15 locations with 11 integrated Urban Centres
- 4 smaller sites meeting specific business supporting a continuing LBS presence
- Each site has at least 3 Sectors
- Around 75% of LBS staff work in one of the proposed urban centres

Underlying principles

- Direct tax and indirect tax for any one business to be in one location;
- Concentrate sectors into small number of sites ;
- Need to achieve critical mass; some sectors are small and so are some regimes;
- Each location to have at least three sectors
- Only Oil, Gas and Finance to remain in London
- Co-locate Compliance and Audit staff; and
- One office in each location

Major benefits

- Delivering key Review of Links with Large Business and LBS Operating Model commitments through co-located sector based teams
- Greatly increasing our ability to switch resources between sectors at individual locations in response to changes in risk; 26 locations have 10 or less staff - 115 staff in total
- Increased effectiveness through improved knowledge sharing and active learning within fewer, large sites;

Major Benefits (2)

- Delivering improved continuity of service for our customers from larger concentrations of skilled staff;
- Increasing LBS professionalism as sector-specific knowledge and expertise improves
- Improving risk assessment by the use of integrated teams;
- Creating more effective line management commands

Risks

- Biggest risk is the amount of churn of Client Relationship Managers
- Third of CRMs are currently in the wrong locations
- Considering options to reduce this churn such as allowing the CRM to remain in their current location if practical

Risks and mitigation

- Customer Service suffers
 - Clear, consistent communications to all our customers
 - Staged implementation where appropriate
 - Maintain CRM continuity wherever possible
 - Real commitment from managers and staff to maintain standards

Communications with Customers

- Letter from the Sector Lead informing the Customer of changes of CRM or CRM and tax specialist
- Changes to tax specialists will be notified by the Client Relationship Manager.

Change Protocol

- SL with CRM to draw up overall assessment of the impact on the Customer and identify mitigating action
- Discussions with Customer of how to reduce impact
- Follow up of whether there has been an effective handover of responsibilities