THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE AND
COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

TRANSFORMING INCOME TAX AND CONTRIBUTIONS SERVICES – THE FINAL PHASE OF THE REVENUE SERVICE PROGRAMME

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Transforming Income Tax and Contributions Services – the Final Phase of the Revenue Service programme", dated 4th February, 2020, they are of the opinion:-

1. To delegate authority to the Policy & Resources Committee to approve a Capital vote of a maximum of **£12.1m** to fund the next phase of the Revenue Service programme. Funding will be divided between the Capital Reserve and the Guernsey Insurance Fund in a presumed 2:1 split, with the final split agreed by the Policy & Resources Committee and the Committee *for* Employment & Social Security Committee at the end of the Phase. Funding will be released in stages and on approval of the necessary documentation.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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TRANSFORMING INCOME TAX AND CONTRIBUTIONS SERVICES – THE FINAL PHASE OF THE REVENUE SERVICE PROGRAMME

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

4th February, 2020

Dear Sir

1. Executive Summary

1.1. In April 2018, after considering a policy letter titled 'The Transformation of Income Tax and Contributions Services'[1], the States agreed to introduce a new operating model for the collection of income tax and social security contributions. It was recognised that the existing services were not meeting customer expectations or the requirements of the States', and, without wholescale change, would become an increasing resource burden and source of public dissatisfaction.

1.2. The chosen model for future operations describes a **single, fully integrated service for the operation of income tax and contributions functions,** to be known as the Revenue Service. This target operating model represents the most effective means of organising income tax and contributions collection so as to deliver the States' strategy and serve the needs of customers. Its implementation is intended to achieve three key outcomes aligned to the Policy & Resource Plan and the framework for Public Service Reform:

[1] The Transformation of Income Tax and Contributions Services, Billet d'État XI, 2018

1. **Improved customer satisfaction** – by streamlining interactions whilst providing a more modern and flexible service built around customers' needs. A customer survey carried out in November 2018 demonstrated widespread dissatisfaction with the Services' response times, customer service and communications. The Revenue Service programme will target key operational changes to make it easy for customers, and the States, to complete things first time;
2. **Service improvements and a single organisational structure for the collection of revenue** – by focusing on process efficiency and effectiveness, supported by process integration, investment in skills and removing duplication; and
3. **Significantly reduced operating costs** – by designing and delivering a value for money service that collects as much as possible of the revenue owed to the States in an efficient and cost-effective manner.

1.3. The Revenue Service programme is the delivery vehicle through which the new operating model will be introduced. Since the endorsement of the model in 2018, the programme has focused on the detailed design of the future service and on delivering the necessary enablers for transformation. This has required the introduction of a single, integrated organisational structure, the development and testing of new digital services for personal and corporate affairs, and the identification detailed requirements for the Revenue Services' future IT and support systems.

1.4. This phase of work was concluded in March 2020. It was delivered within the £5.0m budget approved by the States. Over this period, initial cashable benefits were delivered in line with the phase target, manual processing hours were reduced, and customer effort was lessened across a range of services. Crucially, the outputs of this detailed design phase will provide the foundation to enable full-scale transformation to be delivered and significant associated benefits to be realised.

1.5. The next phase will focus on the delivery of this transformation and the full implementation of the operating model. It will be the final phase of the Revenue Service programme and will include the majority of direct benefit generating activity. Through the replacement of IT, further process and team integration and the introduction of extensive digital services, the Revenue Service will become more responsive, more flexible and significantly easier for customers to use. The Service will also be able to deliver greater value to the Islands by investing in key functions, such as intelligence-led compliance, and by allowing opportunities for policy change to be more easily identified, tested and applied.

1.6. A total of £12.1m will be required to deliver the implementation phase of the Revenue Service programme. This one-off cost equates to 2.4% of the revenues

collected but these revenues are by their nature annually recurring. In summary, this funding will be used to carry out the following;

- Safely migrate all relevant data from legacy systems and from paper records to a new database. This database will form part of the States' improved IT architecture;
- Implement software to execute the rules for income tax and contributions, these rules were identified and validated in Phase 2 based on existing legislation and policy. This capability will support the digitisation and automation of processes and facilitate risk assessment;
- Progress further alignment of administrative income tax and contributions rules where appropriate, including legislative updates;
- Based on the prototypes developed in Phase 2, build digital customer services to ensure that customers can update and monitor their data. This will include customer authentication, customer reporting, account visibility and customer payment and repayment. Such services would be built as part of the wider States' customer interface to promote streamlined government services;
- Build staff facing software and support materials to allow staff to monitor and update customer information for customer service, audit and compliance purposes and to manage and monitor Revenue Service performance and workflow; and
- Launch the new services, including associated customer support and staff training and assistance, monitoring the full service process to ensure that it is successful throughout, from the identification of the customer's need to the matter's resolution.

1.7. Funding is intended to be split between the Capital Reserve and the Guernsey Insurance Fund. It is proposed that delegated authority be granted to the Policy & Resources Committee and the Committee *for* Employment & Social Security for the staged release of the funding and the final funding split (expected to be 2:1 between the Capital Reserve and the Guernsey Insurance Fund). The Committees will be supported by a rigorous assurance plan to ensure that the programme remains on track and delivers value for money.

1.8. **Whilst this is a significant funding request, by removing obsolete technology costs and reducing the staff numbers and resources required in the Revenue Service, the changes introduced in the next phase will drive direct cashable benefits and improve customer satisfaction. As a result, the programme is expected to recover its full costs by 2028. Combined with the extensive non-financial benefits, there is a strong case for the States continued investment in the Revenue Service programme.**

2. Introduction

2.1. Income tax and social security contributions play a key role in supporting public services. Combined, the two collection types raise approximately 80% of the total revenue of the States, totalling £511.3m in 2018 (£332.5m in income tax and £178.8 in contributions). At present, the cost of collecting this revenue is 1.5% of its total.

2.2. Considering the significance of the income to the States, the operating model for its collection is a key concern. Income tax and contributions functions need to be carried out in such a way as to collect the right amount of revenue owed to the States at a sustainable level of cost and in line with customer expectations.

2.3. In April 2018, after considering a policy letter titled 'The Transformation of Income Tax and Contributions Services'[2], the States agreed to introduce a new operating model for the collection of income tax and contributions. The new model was to consist of a single, fully integrated service to be known as the Revenue Service. The service would be an operational function of the Policy & Resources Committee and would replace the separate Income Tax and Contributions service areas. The Committee *for* Employment & Social Security would remain responsible for the policy associated with social security contributions, in line with its mandate to advise the States on social insurance and to protect the integral relationship between contributions and benefits policy.

2.4. The Revenue Service programme is the delivery vehicle for implementing the new operating model. The programme is designed to coordinate the wholescale transformation required to introduce an effective single service. This includes projects to deliver a combined organisational structure, changes to customer communication and the service culture, and the implementation of technological enablers to support more flexible and customer orientated processes.

2.5. The significance of Revenue Service operations, and the potential impact and risk associated with change, make it essential for the States to have the opportunity to understand and influence the direction of transformation. In order to ensure such opportunity was available, the Revenue Service programme was divided into Phases. This policy letter provides an update on the progress made within Phase 2 of the programme, a phase which focused on detailed design, and

[2] The Transformation of Income Tax and Contributions Services, Billet d'État XI, 2018

requests the funding and resources required for Phase 3, the key implementation phase.

3. The Problem and the Opportunity – why was the programme needed?

3.1. An effective and customer-focused system for revenue collection is critical for supporting a strong economy and achieving the States' fiscal and social ambitions. Figure 3.1 illustrates the purpose of the Revenue Service and the value that it delivers to Guernsey and Alderney.

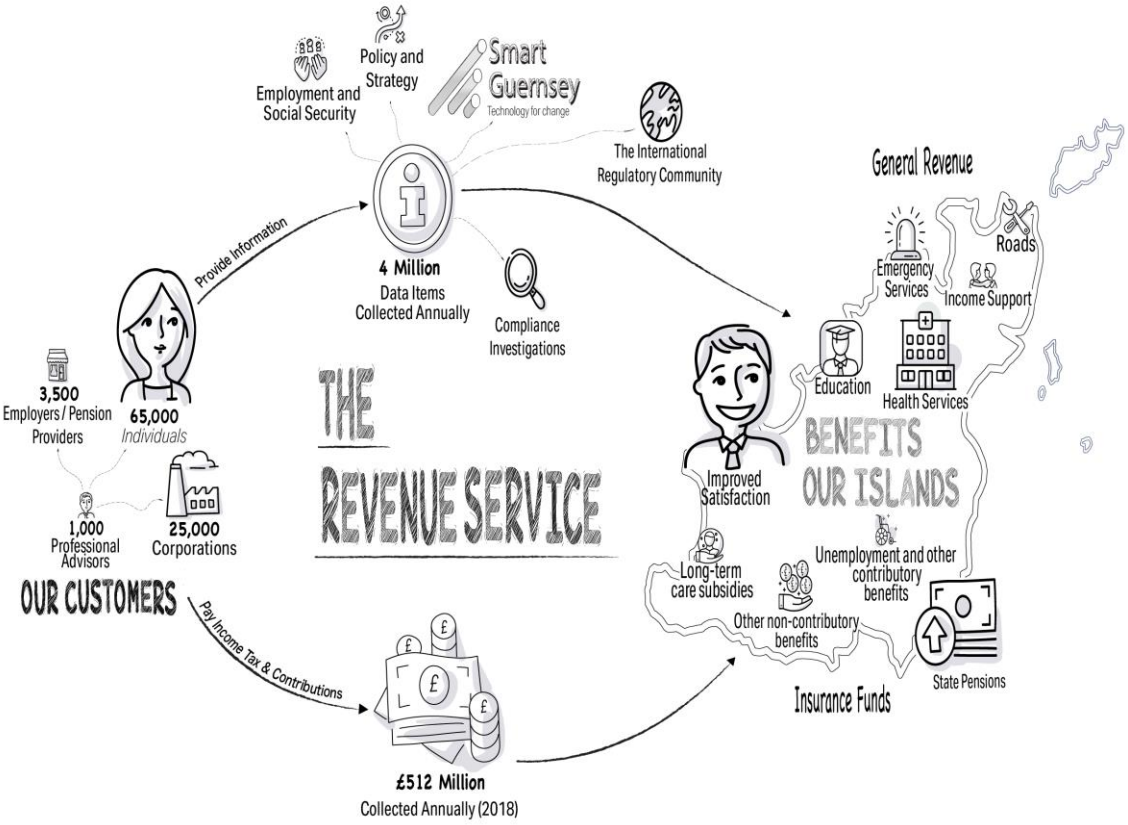


Figure 3.1: The Purpose of the Revenue Service
The Revenue Service supports vital public services through the collection of revenue. As a key source of information and insight on the Islands' economy and population, it also informs wider decision making and the development of forward-thinking policy and strategy. The Service interacts with the majority of the Islands' population and businesses and with key international standards organisations.

3.2. The Revenue Service programme is in the process of transforming the operating model for income tax and contributions functions so as to protect States' revenue collection and ensure the needs of Guernsey and Alderney continue to be met. The programme forms part of the States' framework for Public Service

Reform[3], an operational transformation plan intended to ensure that Guernsey's public services are capable of supporting the States' vision and delivering the priorities described within the Policy & Resource Plan[4].

3.3. The framework recognises that the Islands faces a number of significant challenges which demand large-scale change in public service delivery. An ageing population, changing customer expectations and rapidly developing technology will all put pressure on existing processes and systems. Meeting these challenges will require the organisation to make its services easier to access and use, ensure its operations can adapt easily as demands change, and to deliver and demonstrate value for money.

3.4. These challenges have particular significance within the context of income tax and contributions collection. Both the old Income Tax and Contributions service areas included a number of barriers which constrained service delivery. Without transformative change, these barriers had the potential to significantly limit the role revenue collection services could play in delivering States' strategy and in meeting future needs.

3.5. Whilst the arrangements for contributions and income tax collection have evolved over time, historically they have been restricted by departmental boundaries and have not considered changing customer needs. Waste, inefficiencies and customer dissatisfaction have been generated by duplication, legacy processes and limitations in data availability and sharing.

3.6. Furthermore, historic processes and infrastructure do not provide the flexibility or data to inform policy or to implement change efficiently. Instead, even minor changes can require significant cost and time to implement. Capacity for change and improvement has been further limited by an emphasis on technical skills, where staff development has generally focused on professional and technical expertise rather than introducing a broader skill mix.

3.7. Operations still rely on manual processing or interventions, with limited digital services for, or interfaces with, customers. Part of this constraint results from the legacy IT systems supporting the operations in each area, including both function's principal administrative systems and the electronic document management system supporting income tax. The applications are highly bespoke and utilise an outdated operating system and programming language, they have also relied on limited specialist support for many years. These features make the

[3] The framework for Public Service Reform can be found at this link - gov.gg/change
[4] The areas of focus in the Policy & Resource Plan can be viewed at this link - gov.gg/futureguernsey

systems more difficult and expensive to maintain than modern applications.

3.8. The majority of Guernsey and Alderney's population and businesses interact with income tax and contributions functions. In addition, income tax services engage regularly with other jurisdictions in order to meet Guernsey's international tax commitments. Restrictions within these areas therefore have a significant impact on the States' economic objectives and on the organisation's ability to meet international standards and improve customer satisfaction and perception of the States.

3.9. In recognition of the operational risks within the income tax and contributions functions, and the potential value generated by service improvements, the States resolved to progress a programme of largescale transformation, including reshaping the organisational structure and culture and its interaction with customers, as well as implementing new technological solutions and services.

3.10. The Revenue Service programme is actively working to change the operating model of income tax and contributions functions to remove the historic barriers and ensure the Revenue Service can play a positive part in delivering the States' objectives.

4. The Goal – what is the programme intended to deliver?

4.1. In 2018, the States endorsed the vision of the Revenue Service programme; **"to create a customer focused and cost efficient service for the collection of income tax and social security contributions, supported by an efficient organisational structure and IT systems"**.

4.2. Based on the programme's strategic framework and the operational needs of the old Income Tax and Contributions service areas, three key outcomes were established:

1. **Improved customer satisfaction –** a more modern and flexible service, built around customers' needs. The service will make it easy for customers to get things right and difficult to get things wrong;
2. **Service improvements and a single organisational structure for the collection of revenue –** process efficiency and effectiveness will be improved. This will be supported by process integration across the service, investment in skills and the removal of duplication; and
3. **Significantly reduced operating costs –** the service will deliver value for money by collecting the revenues due to the States in an efficient and cost effective manner.

4.3. In order to effectively deliver these outcomes, consensus was required on the long-term direction of transformation. The first step in the programme was to develop a Target Operating Model ("TOM") to guide future changes and ensure that the new service would be capable of meeting the anticipated needs of the States.

4.4. A TOM is a high-level representation of how a service might be best organised to deliver an organisation's strategy. The chosen TOM for the future of income tax and contributions functions is focused on the creation of a **single, fully integrated contributions and income tax service,** this service is known as the Revenue Service. The agreed model for the Revenue Service is illustrated in figure 4.1.

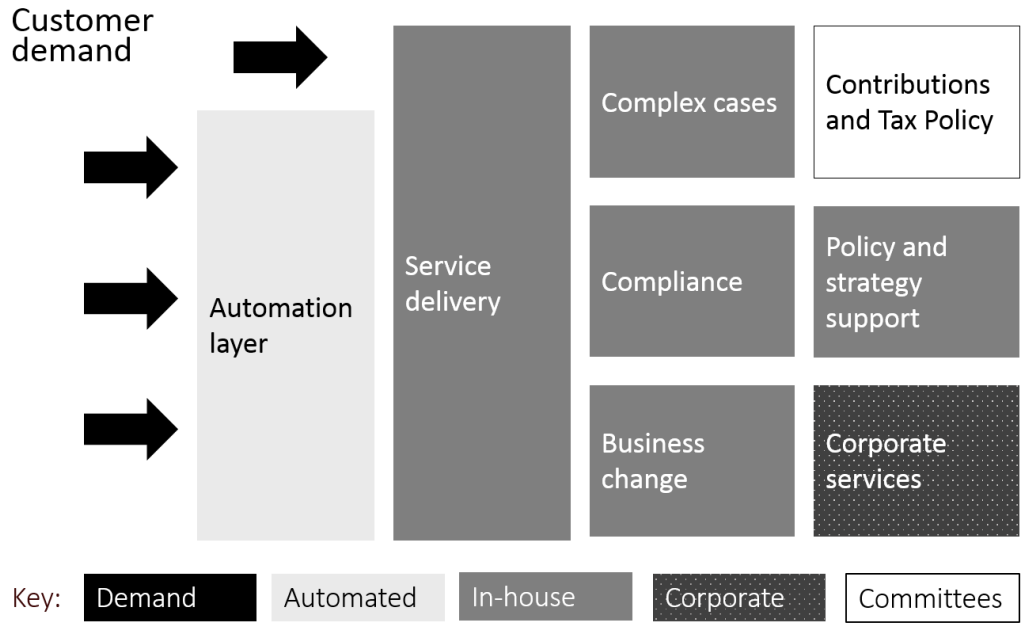


Figure 4.1: The structure of the Revenue Service target operating model.
The model comprises a number of layers. Customer demand is made up of all customer needs and requirements, including customer requests, queries, updates, review and assessment. It is filtered through the layers ensuring that an effective level of support and resource is applied depending on customer needs. Customer focused operations are supported by organisational units dedicated to the continuous improvement and future proofing of the service. Further detail on the TOM is available in the 'Transformation of Income Tax and Contributions Services' policy letter, Billet d'État XI, 2018.

4.5. In order to ensure that the formation of the Revenue Service is evidence based and carefully controlled, it was elected to introduce the TOM over a number of further phases. The design of the TOM was designated Phase 1. Two further phases were then planned; Phase 2, the detailed design of the service (where

further depth and detail was added to the TOM), and Phase 3, the major implementation phase.

4.6. The objectives for Phase 2 were described in section 6.1 of the 'Transformation of Income Tax and Contributions Services' policy letter;

Phase 2: Creation of a Single Service, Risk Mitigation and the Identification of Detailed Technology requirements

1. *Create a single service with a single organisational structure,*
2. *Introduce legislative change to enable the single service to operate effectively and with the necessary legal powers,*
3. *Improve customer satisfaction, and generate customer insights, through a single sign-on service, ID verification service, online repayments and other digital services,*
4. *Mitigate the risks associated with the current IT systems in Income Tax and Contributions,*
5. *Describe the current rules, methodology and data quality and use to define the future requirements, and*
6. *Using outputs and lessons from these work-streams, develop procurement requirements for the final phase and start the procurement process.*

4.7. **Whilst Phase 2 was not predicted to deliver considerable direct benefits, its products are essential for wider transformation and will help ensure that the end service is truly aligned to the needs of customers and the Islands. At this stage, Phase 2 is coming to a close and the programme is ready to enter Phase 3, the main delivery phase. Section 5 describes what has been achieved within Phase 2 and Section 6 describes the intentions for implementation.**

5. Preparation and Detailed Design – What was achieved in Phase 2?

5.1. Phase 2 has successfully established a foundation for the full-scale transformation of the Revenue Service. The phase has focused on the detailed design of future operations and on preparing the service, its customers and its staff to enter a period of implementation. This has required the introduction of a new organisational structure, the development of further digital services, and the identification of specific requirements for the replacement IT systems.

5.2. The phase was concluded in March 2020. It was delivered within the £5.0m budget approved by the States. Over this period, an annual cashable benefit of £246k has been delivered (meeting the target benefits for the phase), manual processing hours have been reduced and customer effort has been lessened across a range of services. Most crucially, the enabling outputs of the phase will

ensure that Phase 3, the main delivery phase, can realise significant additional benefits.

5.3. Whilst Phase 2 has achieved its overall goals, it has needed to address a number of challenges. To resolve these issues, the programme's plans have had to be flexible; this has helped to mitigate risks, deliver value for money and ensure priority needs are met. Over the phase, the programme was closely monitored and controlled to ensure that it remained aligned to the agreed objectives. The oversight provided by the two Committees and the Programme Board was supported by an ongoing schedule of independent assurance checks and reviews.

5.4. The key highlights and challenges of Phase 2 are described below. These have been divided by the phase objective to which they most contribute. A more detailed list of Phase 2 products is provided in appendix I. Cumulatively, the delivery of these objectives marks a significant step towards the desired programme outcomes and ensures that the Revenue Service is adequately prepared for Phase 3, the main implementation phase.

5.5. Highlights and Challenges

5.6. ***Objective 1: Create a single service with a single organisational structure***

5.6.1. Phase 2 delivered the combined Revenue Service, bringing together the old Income Tax and Contributions service areas. On the 22nd October 2018, the new service was launched to the public. From this date, customers were able to ring a single number to deal with contributions or tax issues, send post to a single address, and submit enquiries or information through one email address. These changes were accompanied by organisational restructure and ongoing work to integrate and align service processes.

5.6.2. The prompt introduction of the single service, rather than waiting until joint IT systems could be introduced, has enabled a better understanding of the needs of both income tax and contributions functions and of their relationship to each other. The consolidated leadership structure has also allowed consistent direction to be applied across the Revenue Service, helping to maintain the pace of change and ensure that opportunities for future integration or improvement are not missed.

5.6.3. Furthermore, bringing the service areas together has provided an opportunity for some early realisation of benefits. It has helped to improve the customer experience by reducing contact requirements and has enabled the rationalisation of the management team. This has helped to validate the

programme premise that duplication between the service areas could be addressed through integration, generating greater value for money.

5.6.4. Whilst Phase 2 has successfully created a single organisation, lasting change requires reinforcement and time for the desired culture to embed. This will take place over Phase 3, when the introduction of replacement IT systems will facilitate further process integration and re-alignment. Further integration will ensure that the Revenue Service is successfully organised around customer need rather than collection type.

5.7. ***Objective 2: Improve customer satisfaction, and generate customer insights through a single sign-on service, ID verification service, online repayments and other digital services***

5.7.1. Ensuring that the Revenue Service meets customer expectations is a key priority for the transformation programme. Ahead of any significant interventions in the customer experience however, customer satisfaction first needed to be baselined to understand key problem areas and enable future performance measurement.

5.7.2. An extensive customer survey was conducted in November 2018, shortly after the Revenue Service was formed. The results of the survey[5] identified high levels of dissatisfaction associated with response and waiting times, customer service, external communication and use of the website. This confirmed that the existing operating model was not meeting customer expectations and highlighted the requirement for greater digital service provision.

5.7.3. Along with extensive user research and input from the newly formed Customer Forum, the survey helped to inform the development of a range of customer experience improvements in Phase 2. These included;

- A review of all letters to improve the clarity and consistency of communication,
- A new end-to-end digital service to enable customers to change their employer online, saving manual processing hours and increasing customer convenience,
- The introduction of digital Revenue Service coding notices, combining the income tax coding notice and the social insurance card to save processing time, printing costs and customer wait time,

[5] The Customer Satisfaction Survey Report is available at gov.gg/rssurvey

- Prototypes for a customer portal where all customers will be able to view and manage their status online. The prototypes focused on two customer groups – companies and tax agents, and
- A single sign-on for corporate customers to access all online services.

5.7.4. At the start of Phase 2, it was intended to focus customer experience improvements on the processes associated with personal tax and contributions collection. In 2018 however, following concerns raised by the EU Code of Conduct Group, the States introduced economic substance requirements[6] for those companies tax resident in Guernsey carrying out relevant business activities. Effective implementation of these requirements was vital to ensure that Guernsey did not fall short of international tax standards, and, as such, improvements to corporate reporting and assessment tools were prioritised.

5.7.5. To meet this need, the phase introduced significant improvements to the corporate tax return and the associated assessment and risk review process. It also developed a single sign-on and digital account portal for corporate customers and tax agents to simplify access to key company or client information. By prioritising these improvements within the phase, rather than maintaining the initial focus, the programme was able to deliver significant cost avoidance savings (by removing the requirement to employ additional staff to process the additional substance information provided through the annual tax return) and ensure Guernsey was assessed as having a fully equipped monitoring mechanism. It has however, required that the online portal, authentication and single sign-on was focussed on corporate customers rather and delayed the introduction of digital repayments until Phase 3.

5.7.6. The deferral of some projects to Phase 3 will also help the Revenue Service programme remain aligned to the States' Smart Guernsey programme. As part of Smart Guernsey, Agilisys Guernsey Limited has been appointed as the States' Strategic Partner with a mandate to deliver business-as-usual IT services, to support the delivery of technological enablers for transformation, and to contribute to economic development in the Island. It will be more cost-effective and customer friendly to progress the development of wider Revenue Service

[6] Economic substance legislation, including the Income Tax (Substance Requirements) (Guernsey) (Amendment) Ordinance, 2018 and the Income Tax (Substance Requirements) (Implementation) Regulations, 2018, requires companies tax resident in Guernsey, and undertaking specific activities, to demonstrate that they have sufficient substance in the Island, i.e. are directed and managed on the Island, conduct core income generating activities and have adequate people, premises and expenditure. Further information on substance requirements is available at gov.gg/economicsubstance .

online services, including customer identification and management, within the context of the partnership. For example, one key improvement to be introduced with the support of Agilisys is the development of a single 'front door' for all States' services, including the Revenue Service's digital provision.

5.7.7. Overall, customer experience projects in Phase 2 have generated considerable customer insight and baseline information. Whilst the focus of the projects changed, they have established the IT architecture required to develop and test digital services quickly and safely, this will help the Revenue Service to rapidly expand its digital offering in Phase 3. The results of the latest Revenue Service Customer Survey (carried out in December 2019) revealed a small increase in satisfaction, it is expected that customers' perception of the service will improve considerably following the implementation of new services and support in Phase 3.

5.8. ***Objective 3: Introduce legislative change to enable the single service to operate effectively and with the necessary legal powers***

5.8.1. In order to ensure that the Revenue Service was able to operate effectively, a number of Resolutions to change the legislative framework were made at the start of Phase 2. Of these Resolutions, the phase's key legislative attainment has been the transfer of operational contributions functions from the Committee *for* Employment & Social Security to the Policy & Resources Committee[7]. This was supported by an ordinance to establish the Director of the Revenue Service (a statutory position within the Income Tax (Guernsey) Law, 1975).

5.8.2. The transfer of functions enabled a single leader to be appointed, the organisational structure to be integrated, and data to be collected more efficiently. There are however, a number of useful changes that have not yet been implemented. Further legislation is in development to introduce a single Revenue Service Tribunal and standardise the confidentiality and disclosure rules associated with income tax and contributions data.

5.8.3. Phase 2 has also sought to identify further opportunities where amending the income tax or social insurance legislation would help to make the operation of the Revenue Service more consistent and ensure that the greatest benefits can be delivered by the programme. This review and challenge of operational rules will continue throughout Phase 3 when additional propositions may be brought before the States to progress changes as needed.

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[7] Achieved through the Social Insurance (Collection of Contributions) (Transfer of Functions) Regulations, 2018

5.9. ***Objective 4: Mitigate the risks associated with the current IT systems in Income Tax and Contributions***

5.9.1. The legacy IT systems that support the collection of income tax and contributions payments are outdated and pose an ever increasing risk to the operations of the Revenue Service. To help mitigate this risk, additional specialist support has been procured to ensure that the necessary resource and knowledge is available to fix and prevent any system problems.

5.9.2. To further mitigate any risk, as part of Phase 2, it was intended to repeatedly extract income tax and contributions data from the legacy systems. Discovery work however, identified two key challenges. The existing extraction tools for the Revenue Service systems would not be capable of delivering repeated extractions and, secondly, the States' IT infrastructure would not be sufficient to securely store the large volumes of data that would result from repeated extractions. Following this conclusion, multiple procurement exercises were carried out to identify an alternative solution. These exercises did not identify a sufficiently cost effective and safe method for continuous, mass data extraction.

5.9.3. In order to overcome this issue, the programme safely extracted data for specific initiatives, for example, in order to develop an online service for customers to change their circumstances. The programme has also successfully conducted a proof of concept exercise for an extraction method which will allow data to be migrated from the legacy systems to the new systems as they are developed in Phase 3. As such, the repeated extraction of data is not necessary for the programme to progress to the next stage.

5.10. ***Objective 5: Describe the current rules, methodology and data quality and use to define the future requirements***

5.10.1. Extensive legislative and operational rules determine the processes and decisions carried out within the Revenue Service. It is vital that these rules are effectively carried over into the future TOM and are constructively challenged where they may unduly restrict efficiency, customer experience or service alignment.

5.10.2. Within Phase 2, the programme isolated approximately 3,500 income tax and contributions rules and translated them from legislative or technical language into plain English. The resulting rules list will help facilitate improved customer communication, enhancing the clarity and consistency of letters, website content and FAQs, and will enrich training materials, reducing the time to train new staff and increasing the resilience of the Service. In defining the rules, the programme has also sought to identify key interactions with the benefits system

so as to prevent any negative impact on benefits operation due to Revenue Service changes.

5.10.3. Most significantly, the rules identified within Phase 2 have been used to inform the specification for the future IT systems. This has included the ongoing development of 'decision models' based on the rules. These models will drive the future automation of processes, including automated assessments, risk scoring and the prioritisation of compliance cases. With these capabilities, the service will be able to significantly reduce response times and introduce more intelligent resource allocation.

5.10.4. At the close of Phase 2, the programme has all of the information presently required on rules, methodology and data to enable effective process and system development.

5.11. ***Objective 6: Using outputs and lessons from these work-streams, develop procurement requirements for the final phase and start the procurement process***

5.11.1. As intended, the total work completed in Phase 2 has allowed the programme to identify the needs of the next phase and plan the future technological solutions, customer services and organisational culture in detail. This includes a detailed specification of the requirements for the replacement IT services.

5.11.2. The future IT services will utilise the States' IT platform being developed by Agilisys Guernsey, and, where possible, will use the platform's toolsets to develop the bespoke services required for the Revenue Service. Where any elements of the Service require IT services outside of the States' corporate functionality, it is anticipated the programme will work with Agilisys Guernsey to secure and develop these services. By using an expert external supplier's considerable experience and industry knowledge, the planned IT development will be modern, cost effective and will reflect best practice.

5.12. In achieving its overall objectives, Phase 2 has established a foundation to deliver the programme's desired outcomes. The phase has demonstrated that the programme's approach to transformational change is effective and has validated the anticipated benefit drivers including the removal of duplication and the development of digital services.

5.13. Without further work however, the potential benefits enabled by Phase 2 will not come to fruition. Phase 3, the implementation phase, will build on the outputs and lessons from the phase to make larger scale operational changes and drive greater benefits realisation. Further detail on the requirements and plans for Phase 3 are provided within section 6 of this policy letter.

5.14. Phase 2 Spend:

5.15. A total of £5.0m was spent on the outputs achieved in Phase 2. Areas of output and associated spend are illustrated in figure 5.1.

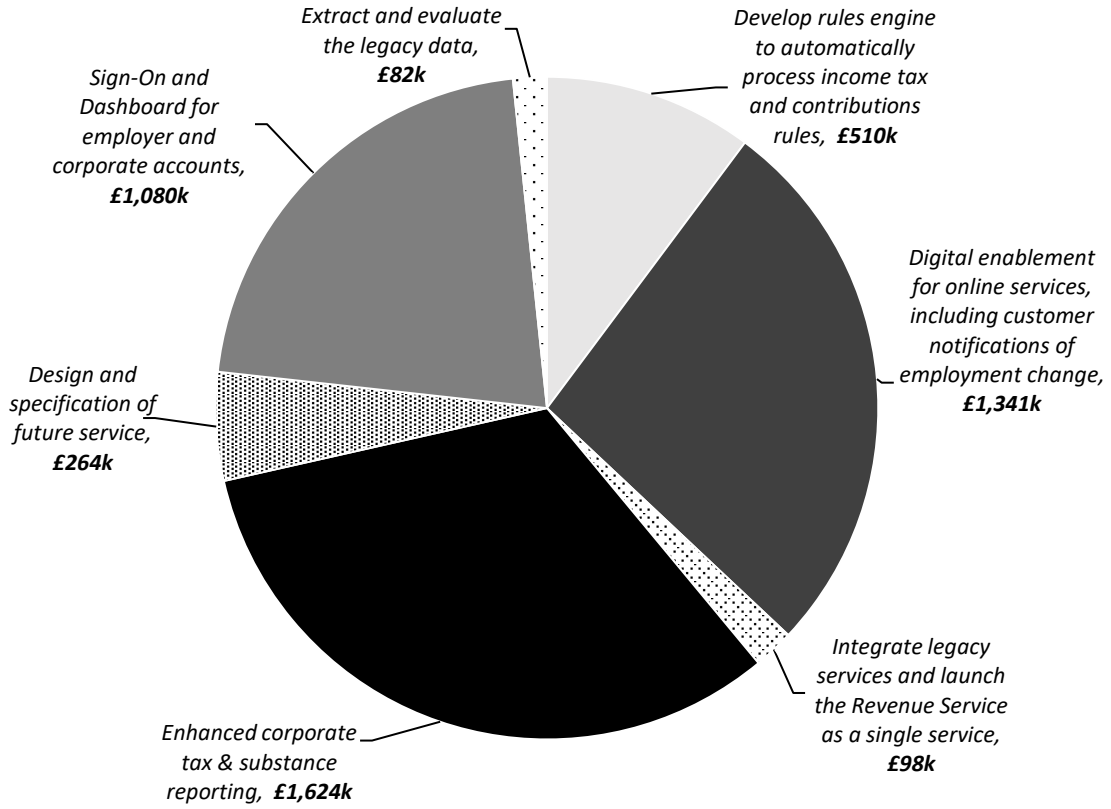


Figure 5.1: Distribution of Phase 2 Spend by the Revenue Service Programme

5.16. The development of enhanced digital services for customer change of circumstance, corporate reporting and corporate online services accounted for the majority of the Phase 2 costs. These delivery areas required specialist support and knowledge and created products which can be built on in Phase 3, the main implementation phase.

6. Implementation - what is required to successfully complete the programme and realise the desired outcomes?

6.1. Phase 3 is the key implementation phase for the Revenue Service programme. This will be the phase where the majority of direct benefit generating activity takes place, including the replacement of the Service's IT systems, further process and team integration and the introduction of extensive digital services.

6.2. In summary, completing the implementation of the target operating model will require Phase 3 to;

- Safely migrate all relevant[8] data from the legacy systems and from paper records to a new database. This database will form part of the States' improved IT architecture currently being introduced by Agilisys Guernsey.
- Implement software to execute the rules for income tax and contributions, as were elucidated and validated in Phase 2. This will support the digitisation and automation of processes and facilitate risk assessment.
- Progress further alignment of administrative income tax and contributions rules where appropriate, including legislative updates.
- Based on the prototypes developed in Phase 2, build digital customer services to ensure that customers can update and monitor their data. This will include customer authentication, customer reporting, account visibility and customer payment and repayment. Such services will be built as part of the wider States' customer interface to promote streamlined government services. They will cover all customers, including the general public, corporate accounts and employers.
- Build staff facing software and support materials to allow staff to monitor and update customer information for customer service, audit and compliance purposes and to manage and monitor Service performance and workflow.
- Launch the new services, including associated customer support and staff training and assistance, monitoring the full service process to ensure that it is successful throughout, from the identification of the customer's need to the matter's resolution.

[8] Relevant data refers to all of the data required to accurately carry out a contributions or tax assessment for a customer, including all the data needed by the benefits function. It is recognised that different periods of data will need to be retained for contributions and tax records.

6.3. Figure 6.1 illustrates some of the key Phase 3 products and the relationship between the States of Guernsey architecture and Revenue Service IT services;

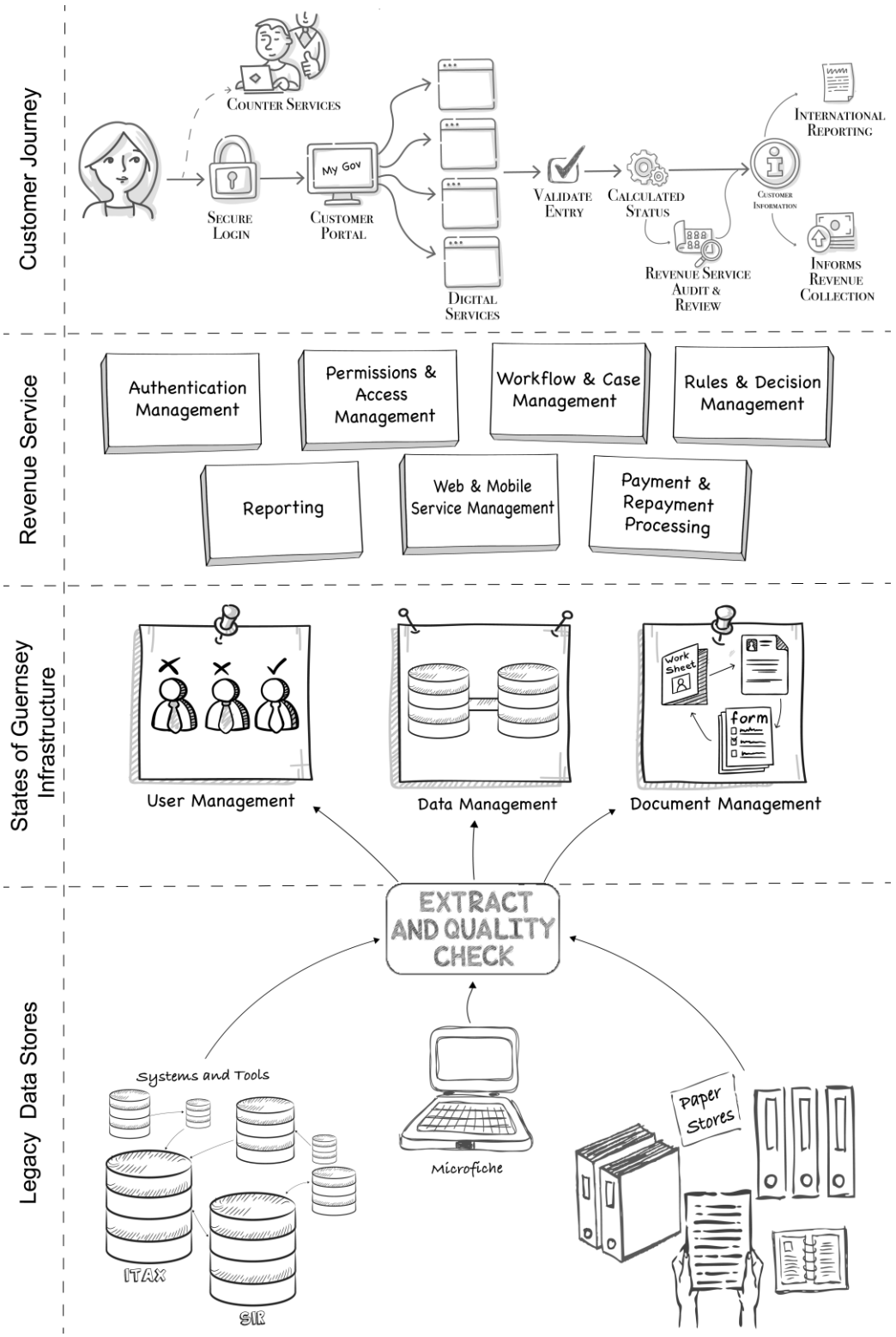


Figure 6.1: Revenue Service Products and the Customer Journey Created by Phase 3

6.4. The programme does not intend to purchase a single 'off-the-shelf' system to deliver the entirety of contributions and income tax service provision. Such systems have been reviewed and do not suit the needs of the full Revenue Service and would likely further the technical duplication experienced in the States. Instead, the Revenue Service programme will utilise the States' technology platform delivered by Agilisys Guernsey (as shown in the States of Guernsey Infrastructure row in Figure 6.1) to host the range of specific services required by Revenue Service customers (key examples of these are shown in the Revenue Service row in Figure 6.1), ensuring that these are tied into other States' service delivery.

6.5. This planned approach increases the overall value for money for the States and enables the advancement of wider IT transformation in line with Smart Guernsey. Importantly, it also enables services and features to be released as they are ready rather than when the whole system is complete, this allows benefits to be released earlier, lessons learnt over time, and lowers the risk associated with the introduction of the new service elements.

6.6. The research, testing and planning that took place in Phase 2 will ensure the Phase 3 products are designed around customer needs and are capable of delivering the desired programme outcomes; improved customer satisfaction, service improvements and a single organisational structure for the collection of revenue, and significantly reduced operating costs.

6.7. Further detail on the means through which Phase 3 will deliver the programme's outcomes is provided in section 6.8 – 6.31. A comprehensive Programme Business Case has been developed and can be made available to States' Members on request.

6.8. <u>Improved Customer satisfaction</u>

6.9. Phase 2 identified the key causes of customer dissatisfaction; response times, external communication, customer service and use of the website. Phase 3 will significantly improve the customer experience by introducing tailored solutions to these issues and ensuring that improved services are accessible to all of the Revenue Service's customers.

6.10. By the end of Phase 3, all customers will be able to access a secure online portal where they will be able to view and manage the information held on them by the Revenue Service. Building on the Phase 2 prototypes, these pages will allow the customer to make changes to their circumstances (such as employment, address and mortgage details), see the status of tax and contributions submissions, view their balances, make payments and request rebates. Furthermore, customers will be able to receive their assessments, and any

progress updates, though the portal's secure messaging solution, rather than relying on postal or telephone communication.

6.11. Improvements in customer interaction facilitated by the customer portal will be supported by operational changes within the Revenue Service. This will include the automation of manual processes, removal of paper records, improved work management, interactive website guidance and online liability calculators, and digital service training for staff. These changes will significantly reduce the time and effort required for customers to complete Revenue Service transactions.

6.12. Whilst the new customer experience will focus on the use of digital services, counter and phone services will remain an integral part of service delivery so as to help support channel shift and to cater for those customers without digital access or for whom digital services are not appropriate. With some of the pressure on these services reduced, staff will have more time to support and guide customers and services will be better tailored to those interactions most commonly conducted face-to-face.

6.13. Regular customer surveys and digital service monitoring will be used to measure adoption and ensure that new services are easy to use and meet customer requirements. This input will feed into the development cycle for new services and be reported to demonstrate any impact on customer satisfaction. The information will also be shared with other key change programmes in the States, supporting consistent and cost-effective improvements across government services.

6.14. <u>Service Improvements and a Single Organisational Structure for the Collection of Revenue</u>

6.15. Whilst Phase 2 introduced a combined Revenue Service and enabled considerable restructure, the degree of operational alignment and integration was constrained by the outdated and inflexible administrative systems. By the end of Phase 3, replacement systems will have enabled far greater assimilation of income tax and contributions processes and facilitated an organisational design based wholly around customer needs rather than collection type.

6.16. Phase 2 has developed a detailed specification for customer journeys and for the future Revenue Service administrative systems. The programme is looking to use these outputs to implement IT systems which provide a flexible service and can adapt to changing needs. For example, Phase 2 delivered a decision management system which can execute the rules involved in the assessment of income tax and contributions, such a system is known as a 'rules engine'. Amongst other features, this system includes the functionality necessary to drive automated income tax and contributions processing, to conduct corporate substance

assessment and to facilitate risk-based compliance activity ensuring that the Revenue Service can focus resources where they deliver the most value.

6.17. The rules engine will ensure that the Revenue Service can update or amend its rules more easily and without the requirement for extensive lead in time, cost and specialist support. This includes amendments to key policy rules, providing the States with the resource to test and progress policy development faster and with greater accuracy.

6.18. A key policy issue facilitated by the development of the systems is the introduction of independent taxation. The States made a decision to implement independent taxation, noting that the current system of joint taxation for married couples was outdated and inequitable[9]. A more flexible administrative system will enable this change to take place and will help to reduce the operational impact of the associated 13,000 person increase in the number of individual tax payers.

6.19. Facilitating a change to independent taxation will also help align the income tax function with social security contributions where the legislation is already gender neutral. The change is therefore a key enabler for the wider Revenue Service programme and will allow greater benefits to be realised through service integration and reduced customer effort.

6.20. As part of the system replacement, Phase 3 will also introduce a staff and managers portal through which team members will be able to access customer information and manage their work. This will help staff to easily maintain customer records, securely and quickly provide information to customers, and configure workflows to improve response times. Managers will also have better access to performance information and will be able to more rapidly identify cases which require additional, or more specialist, support.

6.21. As income tax and contributions functions come to share administrative systems and customer records, the Revenue Service organisation will be able to be further integrated until it reflects the agreed TOM. This will help to reduce duplicated work, streamline customer interactions and ensure that the Service can operate with reduced resources as it moves forward. A more integrated structure will also allow the desired culture to embed effectively across the Service and support the leadership to drive a continuous improvement mind-set. This will be further enhanced by the programme ambition to co-locate as many of its staff as possible.

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[9] Policy & Resource Plan (Phase 2), Billet d'État XII, 2017 provides a summary of independent taxation.

6.22. Staff will be supported throughout the changes to operational processes, working location and customer interactions. The phase will produce training plans to prepare staff for the use of the new systems and ensure they are able to effectively support customers to use digital services. It will also introduce improved performance management systems to aid staff development and recognition.

6.23. The programme will monitor this outcome through a series of KPIs, such as response times and assessment backlog. This will help the Revenue Service and the States to understand whether the desired service improvements have been achieved and ensure that lessons can be learnt for other Public Service Reform projects in the States, particularly where the same technology is being adopted or reused.

6.24. Significantly Reduced Operating Costs:

6.25. By removing obsolete costs and reducing the resources required in the Revenue Service, the changes introduced in Phase 3 will directly drive cashable benefits. At the end of 2024, the programme is expected to have reduced the Revenue Service annual budget by £2.5-£3.0m. This is in line with the £1.0-£3.0m per annum predicted at the start of Phase 2. Figure 6.2 breaks this saving down by its drivers;

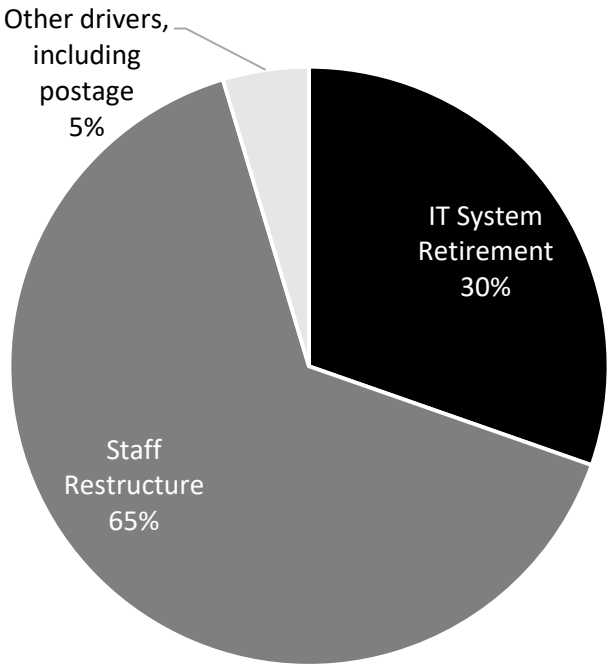


Figure 6.2: Key drivers for financial benefit within the Revenue Service programme.
The percentage refers to the proportion of the anticipated programme savings that each driver will facilitate.

6.26. At present, considerable specialist support is required to provide, maintain and update the legacy IT systems used in the Revenue Service, ITAX, SIR and EDM. Decommissioning these systems in Phase 3, as the main implementation phase, is predicated to save £850k from the Revenue Service budget. The more modern technology used in the replacement systems will be considerably cheaper to support and update and will also enable a more competitive procurement environment within the Service.

6.27. New technology and organisational redesign will help to remove duplication, automate processes, and allow customers to move online. This is predicted to, over time, reduce the amount of resource required to run the Revenue Service. The associated reduction in posts delivered in Phase 3 is expected to achieve savings of £1.5m-£2.0m. It is anticipated that this will be delivered through a combination of redeployment and natural wastage (voluntary retirement and resignation). Such an approach is favoured by the demographic of the Revenue Service workforce where a high proportion of staff are close to retirement age.

6.28. Due to legacy IT limitations and the need for data security, the Revenue Service currently relies heavily on postal interaction with its customers. By offering secure online services, including the customer portal, the Service will be able to remove the majority of its printing and postal costs. Phase 3 aims to eliminate letters for the majority of coding notices and assessments, minimise the use of paper forms, remove cheque based repayments and enable customers to access information easily from home. The removal of printing, paper, postage costs etc. is expected to deliver financial benefits of £130k.

6.29. By the end of 2024, the programme is expected to have reduced the Revenue Service budget by £2.5-£3.0m annually. With the savings due to be delivered, the programme will have recovered its full cost by 2028.

6.30. Over the course of Phase 3 and post programme close, the delivery of cashable benefits will be carefully monitored and controlled to prevent double counting and ensure that realisation is effective. The precise level of benefits generated by each area will depend on Programme Board decisions associated with post reduction and the level of digitisation, these will be aligned to wider States' strategy. The benefits described in this section are indicative, where further or greater benefits can be realised, the programme will strive to deliver these.

6.31. All Phase 3 products will be iterated and improved over the time. The phase will help to embed a continuous improvement culture that will ensure products do not become dated in the future and which will help break the cycle of investment and decline. Furthermore, outputs will be designed to be reusable across the

States in order to make the most effective use of States' resources and ensure that customer's experiences are consistent.

7. Funding – what further funding will be required to achieve the programme outcomes?

7.1. A total of **£12.1m** will be required to deliver Phase 3 of the Revenue Service programme. The cost of Phase 3 has been calculated based on evidence-based cost estimates for each work-package; contingencies have been included based on the level of certainty associated with each of these cost estimates. The estimates were informed by previous experience, the anticipated work-package requirements and market testing, and have been validated by members of the States' finance function, Agilisys representatives and through the programme's assurance reviews.

7.2. Funding will be split between the Capital Reserve and the Guernsey Insurance Fund. Whilst it was initially decided to divide funding equally, Phase 2 identified that this split did not necessarily reflect the relative costs of income tax and contributions services or the comparative benefits achieved. It is anticipated that a 2:1 split between the Capital Reserve and the Guernsey Insurance Fund will be applied to Phase 3 funding, with a reduced contribution from the Guernsey Insurance Fund to account for the 1:1 split applied in Phase 2 (where the corporate tax return was prioritised). To ensure the division is appropriate, the Policy & Resources Committee and the Committee *for* Employment & Social Security would propose that the final split is agreed by the Committees at the end of the phase.

7.3. It is proposed that delegated authority be granted to the Policy & Resources Committee and the Committee *for* Employment & Social Security for the staged release of the funding and the final funding split. Funding would be released on the basis of the delivery of previous activities, the production of any necessary business cases or project documents and with the endorsement of the Programme Board (which includes representation from both Committees). By releasing funding in stages, the Policy & Resources Committee and the Committee *for* Employment & Social Security will have regular opportunity to consult with key stakeholders and to halt spending if required.

7.4. The rigorous assurance plan that has so far been applied to the Revenue Service programme will be continued throughout Phase 3. This will help to ensure that the programme's expectations and intentions are realistic, and that the programme remains aligned to organisational strategy. The assurance process will continue to provide independent and impartial confirmation that the programme, and its key projects and activities, are on track and provide value

for money. This is particularly important during a phase of rapid delivery and implementation.

8. Risk Profile – what are the risks associated with Phase 3 changes?

8.1. The Revenue Service programme has a direct impact on the States' future revenue collection and, as such, requires significant and careful risk management. Throughout Phase 2, the programme has carefully monitored ongoing and developing risks to ensure that appropriate mitigation plans are in place and programme decisions are well informed. Whilst many of the activities carried out in Phase 2 have helped to reduce the future risks to the programme and the Service, it is recognised that effective risk management will need to continue throughout the implementation phase.

8.2. The key risks identified for Phase 3, and associated mitigation actions, are described below;

- **Loss of data or functionality when legacy systems are discontinued.** The existing systems contain both contributions and income tax rules and store a large amount of historic data. To ensure that no relevant information is lost, the rules have been replicated and validated as part of the detailed design phase and a proven method for data extraction and transfer has been established. In Phase 3, relevant data will be safely extracted to a new database and the rules will be written into the new software. The new and old systems will be run concurrently until the Service is confident that the legacy systems are no longer required.

- **Customers and staff may not embrace digital services**; this will be tackled through communication campaigns with customers, supported use of digital channels, and proactive change management, training and support for staff. Throughout Phase 2, insights into customer needs and behaviours have been gathered and used to help design the Service around customer requirements. This information will be used in Phase 3 to ensure that services are as easy as possible for customers to operate and offer a streamlined and cohesive experience.

- **The States may not have the capacity to support the programme or the programme may disrupt business-as-usual service provision.** Other high-profile programmes and change requirements within the States will put pressure on corporate resources, such as procurement, HR and change support. The programme will also require subject matter expertise from within the Service which would otherwise be focused on delivering key Revenue Service functions. To mitigate these risks, the timeline and sequencing for the programme plan has been designed to minimise service

disruption and account for key dependencies, the programme budget also considers the employment of external resource to support the programme as well as to provide specialist expertise.

- **An adverse impact on the Social Security Benefits service** where changes in the contributions rule set and systems may reduce the efficacy of the interrelated benefits function. The requirements of the benefits service have been explored as part of the rules explication and will be monitored throughout the implementation phase to ensure that the Revenue Service continues to efficiently deliver the necessary information and service.

- **Technology development timeframes and costs.** The predicted costs and timeline have been informed by the information gathered in Phase 2, the States' relationship with Agilisys Guernsey, detailed work-package planning, and previous experience on related projects. Contingencies have been incorporated into the proposed budget based on the level of certainty associated with each work-package's cost estimate. Furthermore, the timeline has been designed to progress change at a manageable pace across the Service. These safeguards will help to ensure that the Phase 3 outputs are delivered without overspend and service disruption.

8.3. In order to address these risks, the programme has reviewed lessons from past States' projects, such as the implementation of SAP and the replacement of the Benefits IT system, and from the transformation of revenue collection services in other jurisdictions. Phase 2 been used to gather the necessary information and foundations to ensure that key risks can be appropriately mitigated and managed in Phase 3.

9. Indicative Timeline – when are Phase 3 changes expected to take place?

9.1. The indicative timeline for Phase 3 suggests that all work will be completed by the end of 2022, with the legacy systems being fully decommissioned in the first half of the year. The realisation of benefits however, will continue well beyond this point.

9.2. Key milestones within the phase are illustrated in figure 8.1. Whilst the milestones are illustrated as points in time, the associated products will be developed and improved over a period, this means that some services may be available earlier, whether this is in a more limited capacity or to a more select group of stakeholders. This approach ensures that outputs can be improved over time depending on user and customer feedback.

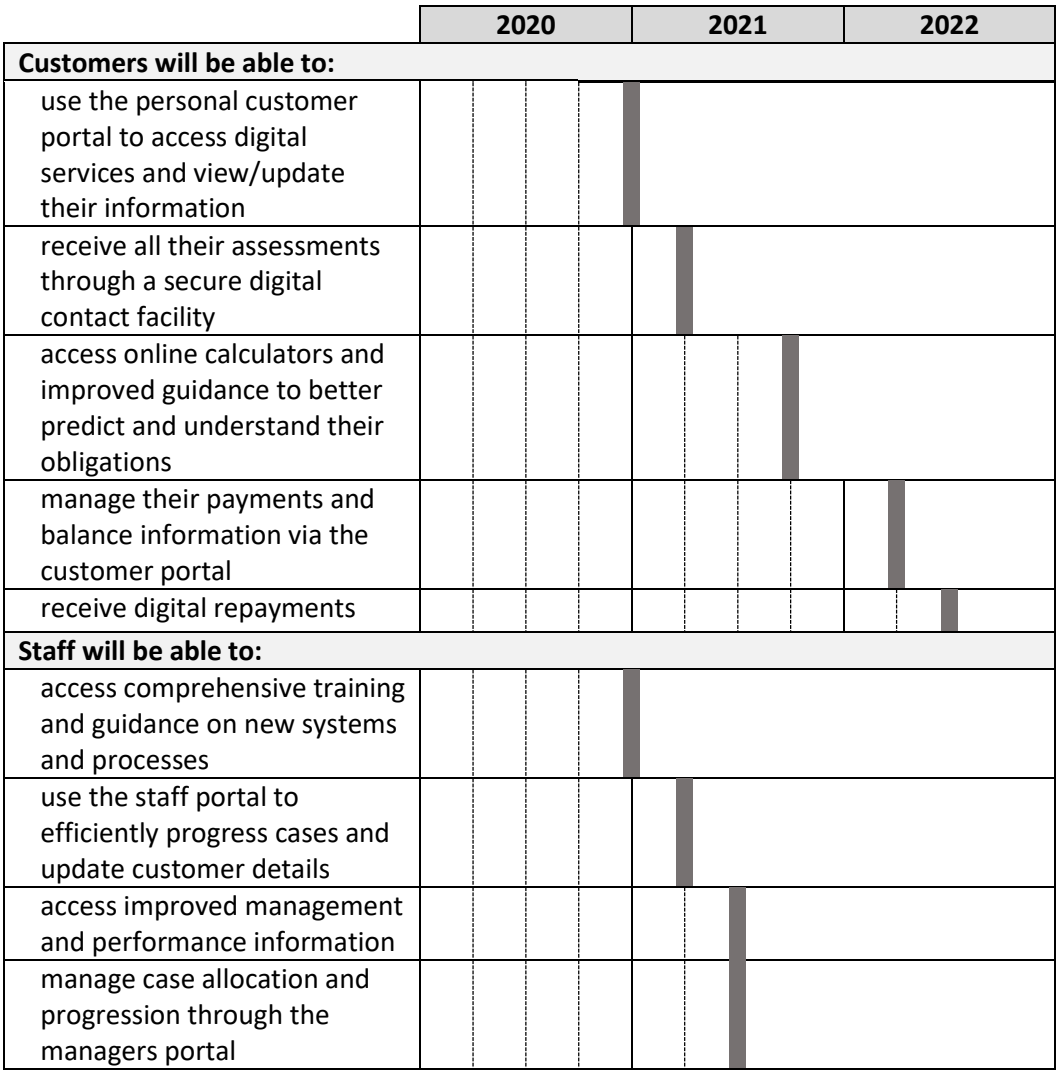


Figure 8.1: Key stakeholder milestones in Phase 3.
Phase 3 will implement significant changes to the customer and staff experience.

9.3. The timeline is not ordered by collection type and does not prioritise income tax or contributions functions. The services and milestones listed in figure 8.1 will deliver against the requirements of both collection types, supporting customers and staff to submit information once rather than multiple times. The detailed programme timeline has been designed to reflect the dependencies between different work-packages, including reliance on internal resource, and to minimise disruption to day-to-day service delivery.

10. Conclusion

10.1. Phase 2 of the Revenue Service programme has successfully prepared the income tax and contributions functions for wholescale transformation. It has

developed insights into customer needs and service demands, whilst developing a detailed understanding of future IT requirements and the most effective options for their introduction.

10.2. As was confirmed at the last assurance review, the programme is now ready to start Phase 3, the main delivery phase. This phase will implement the plans made in Phase 2, it will deliver replacement, modern IT systems, fully integrate the Revenue Service organisation and embed a new and improved customer experience. At the end of the phase, the Revenue Service will be able to demonstrate that customer satisfaction has been improved, service improvements and a single organisational structure have been achieved and significant savings have been made.

11. Compliance with Rule 4

11.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

11.2. In accordance with Rule 4(1), the Propositions in this Policy Letter have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.

11.3. In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve funding of **£12.1m**. Further detail on the financial implications of the Propositions is provided in section 7.

11.4. To comply with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy letter have the unanimous support of the Policy & Resources Committee and the Committee *for* Employment & Social Security.

11.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Policy & Resources Committee and Committee *for* Employment & Social Security in respect of "raising and collecting taxes and revenues" and "social insurance" respectively. The Committees worked together to develop the Propositions.

Yours faithfully

Policy & Resources Committee **Committee *for* Employment & Social Security**

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

M K Le Clerc
President

S L Langlois
Vice-President

J A B Gollop
E A McSwiggan
P J Roffey

M J Brown
Non-States Member

A R Le Lièvre
Non-States Member

APPENDIX I
REVENUE SERVICE PROGRAMME PRODUCTS – PHASE 2

The planned products for Phase 2 are listed below, references to the products within the 2018 Policy Letter are included in brackets. The percentage delivery is provided for each output. Where outputs have not been completed, the notes on delivery explain the reasons.

Phase Objective *(section 6.1)*	Product	%	Notes on Delivery
Create a single service with a single organisational structure	A combined service, the 'Revenue Service', which employs all staff working on the collection of income tax and social security contributions ***(6.5.3)***	100%	*All staff were transferred to the Revenue Service ahead of its public launch.*
	Public launch of the Revenue Service providing a single point of contact for customers ***(6.5.1)***	100%	*Public launch took place on 22/10/2018.*
	A functional map to describe the future structure of the Revenue Service, and an interim organisational structure ***(6.5.3)***	100%	*Interim structure was implemented in January 2019.*
	Leadership roles appointed to, including statutory role, the Director of the Revenue Service ***(6.11.1)***	100%	*Restructure of the leadership team has taken place, reducing staff numbers in the management team.*
	Coaching and mentoring provision to prepare managers for change	100%	*All managers were offered support.*
	First functional re-organisation of staff ***(6.5.3)***	100%	*Interim model – including significant changes to the management structure.*
	Co-location of related teams to increase efficiency and resilience and to reduce duplication ***(6.5.3)***	Ongoing	*Where possible, related teams have been co-located in SCFH or ETWH, further co-location is anticipated in Phase 3.*
	Aligned to organisational aspirations, desired values and behaviours identified and established within the Service	100%	*Values and behaviours were developed with staff.*
Introduce legislative change to enable the single service to operate	Operational contributions functions transferred from the Committee *for* ESS to the P&R Committee ***(6.11.1)*** (Policy responsibilities remain with Committee *for* Employment & Social Security)	80%	*The majority of functions were transferred by Regulation. A Projet will be required to fulfil the remaining requirements.*

Phase Objective *(section 6.1)*	Product	%	Notes on Delivery
effectively and with the necessary legal powers	Statutory roles retitled to reflect the combined service ***(6.11.1)***	100%	*An ordinance was enacted to retitle the Director of Income Tax.*
	Current routes of appeal replaced with a single aligned route ***(6.11.1)***	50%	*A Projet will be required to introduce further changes. Other legislation was prioritised in the 2018-2019 period.* *Existing data gateways have been maintained.*
	Data safeguarding and confidentiality requirements aligned for the Revenue Service ***(6.11.1)***		
	Disclosure of information for the purposes of the general estimate of the revenue of the States and the provision of economic advice and analysis ***(6.11.1)***		
	Further opportunities for operational rules alignment identified (for example, the alignment of penalty processes)	Ongoing	*Staff workshops have identified a number of areas for improvement. These will be progressed through the relevant channels, including future Propositions.*
Improve customer satisfaction, and generate customer insights through a single sign-on service, ID verification service, online repayments and other digital services	Customer forum established to provide input and feedback on the development of the service	100%	*The Customer Forum was established in 2018. It includes representatives from a large number of customer groups.*
	Baseline survey of customer satisfaction to identify problem areas and better understand the impact of any future changes	100%	*The survey was carried out from Nov-Dec 2018. A summary of findings is available on gov.gg.*
	Periodic survey's to monitor improvements in satisfaction	Ongoing	*The last survey closed Dec 19, showing a small increase satisfaction.*
	Digital service monitoring introduced to enable digital service use and performance to be measured	100%	*All new services will include monitoring capabilities to assess their performance.*
	Full review of outgoing letters to improve the clarity of customer communication	100%	*This was prompted by the baseline survey.*
	New digital services introduced *(6.5.1):*		
	Extensive user research	100%	*These products will be used repeatedly by the programme to develop new services.*
	Platforms for rapid testing and development of new services	100%	
	Digital channel shift approach defined	100%	

Phase Objective *(section 6.1)*	Product	%	Notes on Delivery
	End-to-end digital change employer journey to allow customers to change their employer status online	100%	*The service is available on gov.gg.*
	Combined digital coding notice and insurance card	100%	*Employed customers are no longer required to provide their employer with a social insurance card. All social insurance information is included in the coding notice.*
	Corporate substance return and reporting	100%	*OECD substance requirements prompted the prioritisation of improvements to the corporate tax return process.*
	Corporate substance assessment process	100%	
	Facility for customers to check their status online - Corporate and Tax Agent Account Portal online ***(6.8.1)***	75% (Corporate only)	*A Corporate and Tax Agent Account is nearly complete. This is a prototype for the wider customer portal which will be refined and released in Phase 3.*
	Single Sign-On - Corporate and Tax Agent ***(6.5.1)***	100% (Corporate only)	*Corporate customers can access all services using the same sign-in details. The same facility will be introduced for wider customers in Phase 3, in alignment with government level single sign-on.*
	Online ID verification facility ***(6.6.1)***	-	*Due to the prioritisation of corporate services and the developments with the States' Smart Guernsey programme, an ID verification facility and a digital repayment facility have not been introduced.*
	Digital repayment facility ***(6.7.1)***	-	
Mitigate the risks associated with the	Expanded support contracts for legacy systems to ensure that the systems can be maintained and protected	100%	*Single person dependencies have been substantially reduced.*

Phase Objective *(section 6.1)*	Product	%	Notes on Delivery
current IT systems in Income Tax and Contributions	Data extracted into an alternative database to safeguard information and allow further analysis ***(6.5.2)***	Proof of concept complete	*Existing extraction systems and infrastructure were not adequate for recurring mass extraction. A cost effective alternative solution for Phase 3 data migration has been identified.*
	Data Committee established to provide direction, guidance and oversight with regard to data principles and methods.	100%	*The Committee supports the wider and Service will continue to operate in Phase 3.*
	Data register recording all of the data points collected for income tax and contributions collection	100%	*The register describes the type of data collected, when and how.*
	Data strategy to describe how records will be consolidated and duplication removed.	100%	*The strategy will be applied in Phase 3.*
Describe the current rules, methodology and data quality and use to define the future requirements	Service rules documented in natural language (income tax and social security) to help inform future requirements reduce time to competence for staff ***(6.5.2)***	100%	*3,500 rules were identified from the legislation. These have been used to inform service design and training materials.*
	Service rules validated ***(6.6.2)***	100%	*To ensure accuracy, Subject Matter Experts reviewed and endorsed the ruleset.*
	Decision models created to facilitate risk based assessment and automated processing, this will also help the service make intelligent resourcing decisions ***(6.7.2)***	80%	*Decision models for income tax collection are complete, the models for contributions are 50% complete. They will be completed in early Phase 3.*
Using outputs and lessons from these work-streams, develop procurement requirements for the final phase and start the procurement process	IT architecture described (present and future state)	100%	*Insights from other Phase 2 products supported the delivery of future design documents.*
	Data architecture described (present and future state)	100%	
	Overarching design document (for the future of the service)	100%	
	Specification for the replacement IT systems to enable Phase 3 transformation **(6.8.2)**	100%	*Due to the contracting of Agilisys Guernsey as the States' Strategic Partner, a large scale procurement exercise is unlikely to be required.*

APPENDIX II
FREQUENTLY ASKED QUESTIONS

Some of questions often associated with the Revenue Service programme are answered below.

	Question	Answer	
Programme Purpose			
01	Why do we need the Revenue Service programme?	To achieve the States' aims, income tax and contributions functions need to be carried out in such a way as to collect the correct amount of revenue owed to the States at a sustainable level of cost and in a customer-focused manner. The historic operating model however, imposes a series of constraints on service delivery which will result in the Revenue Service becoming an increasing resource burden and source of dissatisfaction if not addressed. The vision of the Revenue Service programme is to 'create a customer focused and cost efficient service for the revenue collection of income tax and social security contributions, supported by an efficient organisational structure and IT systems'. In reaching this goal, the programme will deliver cashable benefits, an improved customer experience, and a more flexible and adaptable organisation.	Section 3
02	Why is the Revenue Service programme good for Guernsey?	Income tax and contributions collection accounts for approximately 80% of the States' revenue each year. The Revenue Service programme will ensure that the collection of this income is secure by reducing operational risks and, through the appropriate automation of processes, will enable resources to be focused on tax compliance and higher risk cases, ensuring that Guernsey's collection regime is as effective as possible and meets international expectations.	Section 3
03	Why is this good for customers?	The Revenue Service interacts with the majority of local people and many of the businesses and companies in the Island. A customer survey carried out in November 2018 demonstrated widespread dissatisfaction with the Services' waiting times, customer service, website and external communications. The Revenue Service programme will use customer insights to target key operational improvements and to inform the design of digital services, the organisational structure and staff training.	Section 3 and 6.4
04	How will the Revenue Service support other States services?	The Revenue Service is responsible for collecting the majority of the income that funds public services. It also provides a lot of the information used in the States e-census. The Programme will share the lessons it as learnt with other States' transformation programmes, including information on customer expectations and preferences, staff involvement and Furthermore, the technological solutions developed as part of	Section 3

		Phase 2 and Phase 3 of the Revenue Service can be re-used across the States.	
Phase 2			
05	What has Phase 2 achieved?	Phase 2 has successfully established a foundation for the full scale transformation of the Revenue Service. The phase has focused on the detailed design of future operations and on preparing the service, its customers and its staff to enter a period of implementation. This has required the introduction of a new organisational structure, the development of further digital services, and the identification of specific requirements for the replacement IT systems.	Section 5
06	Why did some Phase 2 projects focus on corporate customers instead of the general public?	In 2018, the States agreed to introduce economic substance requirements into the local tax legislation. As such, companies tax resident in Guernsey are required to demonstrate that they have sufficient substance in the Island. In order to ensure that these requirements could be administrated effectively, the programme prioritised improvements to the corporate tax return and assessment process. This helped the service to avoid employing additional inspectors process the greater workload and made sure that the Island was in line with international tax standards.	Section 5.7
07	Why was repeated data extraction not carried out in Phase 2?	At the start of Phase 2, it was intended to regularly extract income tax and contributions data from the legacy IT systems. The assessment carried out within Phase 2 identified that the systems existing extraction tools were not suitable for repeatedly extracting the data (although extraction was tested) and the procurement of an alternative tool for regular extraction would not be cost-effective or supported by the limited storage capacity within the States' current IT architecture. In Phase 3, data will be migrated from the legacy systems to the replacement systems. This process has been successfully tested in Phase 2.	Section 5.4
08	Phase 2 has made some improvements. Why not stop now?	Whilst Phase 2 has created a single organisation and improved and digitised some services, it has primarily focused on establishing a foundation and evidence base for Phase 3, the key implementation phase. It is in Phase 3 that the majority of benefit generating activity will take place, including the decommissioning and replacement of the administrative IT systems, the reduction of service posts through redeployment and natural wastage (voluntary retirement and resignation), and the introduction of a comprehensive customer portal. Without Phase 3, significant IT failure risks would remain and the full benefits available from Phase 2 changes would not be realised.	Section 5

Phase 3			
09	What funding is required to support Phase 3?	Up to £12.1m will be required to fund Phase 2 projects. The vast majority of this cost can be attributed to the development of IT solutions for the Revenue Service, including the completion of the customer portal, the staff portal and the rules engine. The remaining funding is required to support specialist resource and facilitate the further transformation of business processes and the organisational structure.	Section 7
10	How has the required funding been calculated?	Detailed cost estimates were made for each individual work-package based on the work hours required, the type of payment arrangements anticipated, information from the organisation's relationship with Agilisys Guernsey, and the team's previous experience. Based on the confidence associated with each cost estimate, appropriate contingency has been incorporated into the budget.	Section 8
11	How much has been spent so far?	To date, the total Revenue Service budget has been £5.9m. - £914k was used to initiate the programme, develop the TOM and prepare for Phase 2. - The States authorised further expenditure of up to £5m for Phase 2 of the programme. This has been used to add further detail to the TOM and to develop a foundation for Phase 3 implementation.	Section 7
12	What financial benefits will the programme deliver?	The programme is anticipated to save £2.5-£3.0m from the Revenue Service budget. These savings will be driven by the decommissioning of the legacy systems, changes to the organisational structure, and the removal of large volume postal communication and associated printing. Benefits will be carefully monitored during Phase 3 and post-programme close to ensure that realisation is effective and benefits are real.	Section 6.20
13	Where will the predicted savings of £2.5-3m per annum come from?	The majority of benefits will be generated by a reduction in the number of staff needed to operate the services. This will be enabled by the automation of manual processes, digital channel shift and the removal of duplication. £830k will be released through the decommissioning of the legacy IT systems and £130k through the removal of large volume postal communication and associated printing.	Section 6.20
14	How long will Phase 3 last?	The indicative timeline for Phase 3 suggests that all work will be completed by the end of 2022. Benefits realisation however, will continue beyond this point.	Section 8

15	Will Agilisys be involved in Phase 3?	The Revenue Service programme intends to work with the States' Strategic Partner, Agilisys Guernsey, to develop and implement new digital services and replacement IT systems. This will ensure that functionality is not duplicated across the States, that all solutions meet government strategy and standards, and that work is as cost effective as possible. Specialist revenue collection system development or procurement however, may require the involvement of other external expertise.	Section 6.10
16	Why is the programme not being funded from the money allocated to Agilisys?	At its meeting on 12th June 2019 (Billet d'État X[10]), the States agreed to enter into a ten-year contract with Agilisys Guernsey Limited. At this stage, funding was agreed for the provision of business as usual IT (budget reallocation), for the improvement of business as usual IT (£26.9m) and for some States-wide digital projects (£16.7m). As was stated in the Future Digital Services Policy Letter, the States' significant transformation projects and programmes, which extend far beyond IT change, will continue to make their own separate, funding and approval applications to the States.	
17	Does the programme intend to purchase an existing commercially available 'off the shelf' system to provide all the tax and contributions services?	It is not planned to purchase a single 'off the shelf' system as part of the Revenue Service programme. The intended approach is to leverage the States of Guernsey platform provided by Agilisys Guernsey. This platform provides most of the tools needed to develop the services required by the Revenue Service to support its customers. These services include, authentication permissions provision for users, website and digital platform management, rules management, case management, workflow management, reporting, payment processing, document storage, user storage and data management. This approach provides value for money and has other advantages as the service will release functionality as each element becomes available rather than waiting for the entire system to be available. The use of the States of Guernsey platform allows the Revenue Service to modify the service more easily in the future, supports a consistent customer experience and enables any information collected on behalf the States of Guernsey to be shared as appropriate.	Section 6
18	How will data protection be ensured with a new database and new IT systems?	Whilst income tax and contributions data records will be integrated, staff members will only be able to access the information relevant to their roles. In Phase 2, a data strategy was developed which will guide how Phase 3 consolidates records and disposes of extraneous data.	Section 8

[10] Future Digital Services, Billet d'État X, 2019

19	What is 'relevant data'?	All relevant data will be migrated to the new data base. This is all of the data required to make any contributions or tax assessment. The legacy systems will not be decommissioned until the Revenue Service is happy that all necessary data has been transferred.	Section 8
20	Will the new IT system be secure?	Cybersecurity will be a key consideration in the development of any new IT systems. The Revenue Service programme will work closely with experts in this field to ensure that any new service meets the necessary security requirements. The next phase will also build on the Phase 2 prototypes to ensure that the customer portal has effective customer verification protocols.	Section 8
21	How will this affect staff?	Part of Phase 3 involves the development of training and development materials for staff. The skills mix required within the service will change as technological solutions are introduced, this will open up new pathways for staff and new opportunities to progress. Over time however, developments in the Revenue Service will mean that income tax and contributions functions can be carried out with fewer posts. Where possible, any changes to staff numbers will be managed through retirements and people leaving their posts naturally. All changes to the Services structure will be in line with wider States' HR strategy and requirements.	Section 6
22	Will there be redundancies?	Whilst the number of posts within the Revenue Service are anticipated to decrease, it is intended that this take place through a combination of redeployment and natural wastage (voluntary retirement and resignation). This is made possible by the demographic of the existing Revenue Service workforce where many employees are close to retirement age.	Section 6
23	Will staff be co-located?	It is an ambition of the programme that the majority of staff will operate from the same location. This will help to embed a common culture, promote the desired behaviours and facilitate the sharing of issues and ideas.	Section 6
24	Which Committee is responsible for the policy associated with contributions?	Whilst responsibility for the operational social security contributions functions has been transferred to the Policy & Resources Committee, the Committee *for* Employment & Social Security retains responsibility for policy. For example, the annual uprating report remains within the mandate of the Committee *for* Employment & Social Security.	Section 2.3
25	Will changes impact the benefits system?	Benefits policy and the benefits IT system are dependent on contributions records and information. The specification developed in Phase 2 has carefully considered the relationship and identified the needs of the benefits system to include in Phase 3 development.	Section 8
26	Is this the final phase of the programme?	At the end of Phase 3, the original scope of the Revenue Service programme will have been delivered. This does not mean that continuous improvement and change activities will not be ongoing in the Revenue Service, however these are unlikely to require significant States investment.	

APPENDIX III
MEETING CUSTOMER NEEDS

The table below illustrates how the programme has reacted to and used some of the customer insights developed in Phase 2. It includes examples of actions already taken by the programme and actions intended for completion in Phase 3.

Customer Insight	Programme Response
Written communication is difficult to understand.	A review was carried out of all of the letters issued by the Revenue Service to improve the clarity and consistency of communication. These lessons will be incorporated into any outputs designed in Phase 3.
Waiting and response times are too long.	By increasing the number of automated processes within the Revenue Service, the programme intends to significantly speed up the response times for customers, particularly those customers with relatively straight forward affairs. Online interfaces will ensure that customers have access to these services when they need them, rather than being restricted to office hours. This will be supported by an improved staff interface for the Service's systems and improved performance management functions to ensure that timelines can be more closely managed and complex cases can be identified early.
The website is difficult to use and services are hard to find.	Significant user testing took place when designing the Phase 2 digital services. This has ensured that these services are easy to use and identified a range of useful lessons which can be applied to future website and customer service developments. Phase 3 will include expanded digital services available on the website from a common front page, improved FAQs and useful tools such as calculators for tax and contributions.
Perception of customer service is mixed, with some customers identifying a lack of staff knowledge and unclear explanations as issues.	Revenue Service values were identified within Phase 2, these emphasise the importance of customer service for all service staff. Staff training to support any system changes in Phase 3 has been prioritised. Staff will also have access to all of the Revenue Service rules in plain English, as was established in Phase 2, which will improve the clarity and consistency of information and make it easier for staff to support customer queries.
Change in employment is the most common change in	The journey for customers to change their employer was the first service digitised as part of Phase 2. This has already

circumstance request made by customers.	saved considerable staff and customer time and will be built on further in Phase 3.
Significant numbers of Social Insurance Registration Cards were requested when customers changed employment, rather than the original card being used.	As part of Phase 2, the need for physical Social Insurance Registration Cards was removed from the Contributions Regulations. The information which is provided on the cards has been combined with the Income Tax Digital Coding Notice to reduce the customer and employer effort required.
Query account/statement is the most common reason for contact	Accounts and statements will be made available as part of customer portal. In this context, customers will be able to easily access further guidance associated with their statement structure and contents, and will have access to calculators to better understand their tax obligations. The design and text for customer guidance will be significantly tested before publication to ensure that it is clear and consistent.
Very small repayment cheques are issued and small debts are actively chased by the service	The Revenue Service will no longer issue reminders and repayments for amounts under £20 will no longer be sent to customers. Customers will still receive statements advising them of their balance, however small debts will not be chased and repayments will not be actively pursued. This will improve customer service and ensure that staff time is used more appropriately.