HM Revenue
& Customs

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Dear Chair,

HM Revenue and Customs (HMRC) has been working towards providing a simple, fairer and more consistent set of working arrangements and pay system for our employees. The reform of HMRC's working arrangements and pay is long overdue.

Largely as a result of the merger of HM Customs and Excise and the Inland Revenue in 2005, we currently have a complex array of different contracts, terms, conditions and entitlements across HMRC. These arrangements have increasingly restricted our ability to respond to the changing needs of the public we serve, whilst also generating additional costs for HMRC.

Currently two thirds of HMRC colleagues are at the bottom of the pay range and we don't want to be a living wage employer, where we have to increase pay each April to keep in step with the National Living Wage. We also have an array of working arrangements, with colleagues on different contracts, which do not always meet the needs of the Department and our customers.

Last July, Ministers agreed that we should enter negotiations with the trade unions to resolve these longstanding contractual problems as part of a wider pay settlement for our staff.

In the negotiations, we focused on the things that our colleagues told us matter most: a good pay offer, a permanent fix to the issues with our current pay system and, critically, changes to make our working arrangements fairer and simpler, while giving us greater flexibility to deploy our workforce to meet customers' needs.

On 1 February 2021 I informed colleagues of the pay and contract reform offer that the Department has agreed with our recognised Trade Unions, ARC and PCS. This offer, if accepted, will reform our working arrangements, improve pay, and enable us to give a better customer service.

In concluding these negotiations, we have agreed a three-year pay offer that provides an average award to non-SCS (grades AA to 6) staff of 3% for this year, and 5% thereafter. The pay increases will be targeted at those in our most junior grades and those on the bottom of their pay range.

In return, we will have a standard set of terms and conditions that apply to everyone in the same way, helping us to deploy our workforce more flexibly and fairly across our business areas. Reforming our terms and conditions will make things much simpler and bring entitlements together across HMRC, such as aligning working hours to 37 per week and annual leave entitlement to a maximum of 30 days.

The nature of the offer reflects the scale of the workforce reforms we have secured, their importance in enabling us to deliver immediate government priorities, and the efficiencies they will generate for the taxpayer, while allowing us to deliver a better service for the public. Importantly, the pay rise will be self-funding and will not result in extra costs to the taxpayer.

The trade unions have agreed to put the offer to their members in a ballot, and to recommend acceptance. The ballots will open for a three week period from 8 February.

This is a fair and good offer for colleagues and the taxpayer, with substantive reforms that will make the Department more efficient and increase pay. It is a key part of HMRC's strategy to be a modern, trusted tax administration and a great place to work.

Yours sincerely,

JHarra

Jim Harra
CHIEF EXEUCTIVE AND PERMANENT SECRETARY