Public Sector Future WWPS Podcast

Detail: Public Sector Future

Episode: Digital Innovations in Tax and Customs

Host: Olivia Neal (intro)

Interviewer: Steve Barr

Guest: Mick Connolly

TRT: 17:51

[Music.]

**OLIVIA NEAL:** Hello and welcome to Public Sector Future. This is a show for anyone who cares about using digital approaches in the public sector in order to deliver better outcomes. Today we’re going to be continuing our theme of looking into digital transformation in one of the most important areas of public sector delivery - tax and customs. I’m going to be handing over the mic to Steve Barr, one of our Global Industry Strategists here at Microsoft, focused on Tax, Customs and Sustainability in Government. Steve is going to be talking to Mick Connolly. Mick is the Deputy Director for IT Innovation in His Majesty’s Revenue and Customs in the UK. Steve and Mick are going to be talking about practical approaches to introducing innovation in an organization of over 60,000 people, succeeding quick and failing fast, and the areas where technology can help drive operational improvements. Over to you Steve!

[Music.]

**STEVE BARR:** Thank you for joining me, Mick. So for our international audience, can you start by telling us about your role and the team you lead?

**MICK CONNOLLY:** Thank you, Steve.

So for the audience, first of all, HMRC is the UK tax collection agency, His Majesty’s Revenue and Customs. We have about 50 million customers within a captive audience within the UK, \. And probably just for a sense of scale, last year, I think we collected in the region of £716 billion, which obviously is money used to fund the direction for the UK.

Now, within that, my role is head up, as I said, heading up IT innovation. So what we’re looking to do is to see how we best exploit future technologies to enable HMRC to reach its strategic goals. So look at its aims, look at the objectives, and see what we can do to support that.

Some of those goals are making tech simple. Some of those are about stopping people from bending the rules. A lot of them are about supporting the vulnerable, and making it a mission, I suppose, is to be the trusted modern tax and customs department, okay? That’s what we’re actually trying to achieve. And like I said, we do that through strategic goals.

My team is about 40 Strong, which is relatively small in an organization of, of 60,000, but it’s divided into three Scrum teams, where we – we’re running a kind of three-step approach for new technologies, where we look at the proof of concepts, the art of the possible with technology, where we’re quite company agnostic at that particular point in time. We don’t mind who we work with. We just want to understand, based on business problems, what is it that we can actually achieve and what can technology do to support.

From that, we would then move into – typically move into a proof of value. And that’s very much along the lines of, we know technically we can probably do what we want to do, but actually, with the budget, with the direction, with the things that we want to do, is this the best way to spend taxpayers money, you know, are we going to receive the benefits that we actually think that we are going to get.

And then the final part from that is once you’ve run that proof of value and you’re comfortable with the answer, you would probably move into an iterative agile-type delivery, where we would move to defining a delivery team where we’d have an MVP and we’d have a clear target of what it is that we’re delivering towards, and then incremental growth thereafter of the solution that we’re after.

**STEVE BARR:** Why do you think innovation is such a focus for the organization at the moment? Because obviously, you know, it’s been around for a while with the IT systems for, you know, decades now. Why do you think innovation is going to be important going forward?

**MICK CONNOLLY:** I think you’re right to say that, you know, innovation isn’t – you know, we’ve innovated all the time. You know, we are where we are because of innovation, you know, not just a government department, but the world that we live in today.

And I think that we’ve never seen such a shift in technologies as we have over the last 10-15 years, and that shift in technology has created a vast amount of opportunity. And that opportunity is not just for the consumers of services and the public within – within the UK, but also opportunities for us to simplify tax, to make it as easy as possible for people to, you know, to make it harder for people that want to bend the rules, to support the vulnerable, because more and more people are finding themselves in that position there.

You know, as we’re all living in ever, sort of, like curious times, I suppose, in some sense, with the likes of COVID, you know, with activities going on across Europe, I think it’s important that we use technology to support the things that we want to do.

And the only way that you’re really going to appreciate, you know, what you can do is by innovating, by looking at what you do today, by trying things in different ways, by assessing the opportunity that these technologies bring. Otherwise, I think, you know, we’re in a kind of standstill kind of place, and standstill is a non-option for any country, I think.

**STEVE BARR:** Can you share any of the lessons you’ve learned in what you’ve been doing in this innovation space? And have you learned anything that surprised you?

**MICK CONNOLLY:** I think probably the biggest lesson I think we learn in – or I personally have learned in IT innovation, is you could probably do anything that you want to do if you set your mind to do it.

And actually, I would say it’s more the people and the policy or legislation of your particular country, it’s more the culture that’s probably going to stop you achieving the things that you want to achieve. It’s less about the technology. I think that that’s probably the biggest lesson for me,

There’s very little that we can’t do with technology in relation to the scope of things that we want to achieve. I think it’s quite a challenge for people to shift away from the kind of as-is position. Often, you know, they are the architects of that world. They’re the ones that, for all the right reasons, at the right time, have created what they think is the right solution. But the world’s moved on, and we can do things slicker, faster, better, quicker, more cost effectively.

**STEVE BARR:** Do you think there’s a better connection between IT and the business side these days? Because it used to be in the past, it was a bit separate, wasn’t it, but now a need to change and be better at using technology. So do you think there is a better relationship between the two sides of the organization?

**MICK CONNOLLY:** I think so. Any organization that just basically parks their IT on the side and sees it as a service industry, I think is underestimating the power and the influence of what IT can bring. I work directly for the chief technology officer, and these are paid-up board member for most of the senior transformation boards that we have. And I can’t see how you could have – you could effectively run a transformation board without a chief technology officer representation, either themselves or representatives of those people actually proactively been involved in that transformation.

As much as I say that people and culture are probably the biggest challenge around all of this, I also think the vast majority of change that where you’re going to make your wholesale step change will be through the use of technology.

**STEVE BARR:** So following the pandemic, there’s an increased focus on international trade. How do you see customs evolving to be more digital to meet the demands and challenges that are going to happen over the next few years?

**MICK CONNOLLY:** It’s a great point because I think the important thing about what customs does is it highlights that we live in a really small world, and everyone is interdependent all the way through. One person’s export is another person’s import, you know, and we’re crossing boundaries of time. So there’s that handshake that has to happen all the way through.

As we go forward, I think we will see a natural progression to sharing of data, I think, you know, and actually more collaboration around the actual transaction itself.

I think the other area that you’ll probably see more shift towards is the need to address real-time transaction. To the extent when actually, I think in a perfect world, there is an argument to sit there and say that people don’t really make – have to make customs declarations; all they need to do is just let the customs areas know that something’s happening.

And actually, we move from a push to – to a pull from – from a customs’ authority point of view, I think there’s probably a need for a model that’s more risk and trust-based in relation to the users of those particular services, and I think the better we get that – and this is where technology can help, you know, the use of Internet of Things, whether it be geo-trackers, or thermal controls, or, you know, just general understanding of where goods are at any particular point in time, in a trusted fashion, I think will make that movement of goods from one country to another much, much smoother.

**STEVE BARR:** So in some of the work you’ve been doing on the innovation front then, what outcomes have you seen so far? We think about, you know, failing fast and so on, trying things out. What have you found so far?

**MICK CONNOLLY:** I mean, failing fast is an important part of the lessons learning that we would need to apply to this, but, you know, succeeding quick is just as important to me as failing fast.

One of the things I’m quite interested in is that it’s important that you don’t look at innovation as your first iteration of delivery. And I think that’s one of the big things that we’re learning around this. You can’t just assume because you’re innovating, that actually the way that you’re innovating and the outcome that you’ve got, ends up being the final position as to where you end up.

In our organization, I find that the IT innovation, what it does a lot is it changes the narrative and the conversation with senior stakeholders. So instead of talking about, well, you know, we can’t possibly do that, because IT doesn’t enable us to, we’re able to close that aspect of the conversation down quite quickly, you know, through – you know, we have a spring model, we run the proof of concept, we close that conversation down, and then we start to talk about, you know, what’s the behavioral impact of change? You know, how would we support this through the right legislation? What would be the impact to the end users? How would the end users want to see this.

Now, we have a strong user-centric design module as well. So, you know, we don’t try to build solutions in a cupboard on our own. You know, we want to collaborate, we want to collaborate with the external companies.

In the way we’ve mentioned international trade, for example. So from a proof of concept, we recently ran a full proof of concept model around the use of distributed ledger technologies, you know, and the role that that can have, that there are scenarios where there’s probably, arguably an appropriate solution to be had. But there’s also a series of use cases out there where it doesn’t quite land as well as we would think.

And I think we need to recognize that there often isn’t a one size fits all out there. solution, and we need to perhaps think about how we address the different communities of customers or service users that we’ve got out there and how we can offer rounded services that address all their specific needs, with a view to making it as simple as possible, not to put, you know, a burden on it.

You know, the use of application program, interface APIs, I would argue that it’s not particularly innovative technology, because it’s been around for such a long time. Yet, for many, it’s new, and it – and it’s an innovative change in their working models, in how things are going to happen.

The use of open banking, the opportunities that presents is another area where we’re particularly interested in is, how do we make engagement as simple as possible through, you know, the tax authority or to the banks, to the end users? There are many things like that, though, that were already involved in.

**STEVE BARR:** I think a lot of this technology is not bleeding-edge technology, is it? It’s been around for a while. But I think from an organizational point of view, the innovation comes in how you use that technology to transform the businesses and then, you know, when I need to collect tax or, you know, facilitate customs processes and so on, it’s that implementation, isn’t it, that’s the innovation side of things.

For our listeners who want to replicate what you’ve done, what do you think the best first step is around?

**MICK CONNOLLY:** The starting point is you need to understand what your business problem is. If you don’t understand your business problem, and they use an expression, you know, eating an elephant one bite at a time, I think is the expression that’s used, you know, you need to break the problem down. You know, it’s very easy to articulate a problem that is just so broad, that you try to address that, and actually, what you do is you have a number of senior stakeholders, and they all have completely different expectations as to what the solution or the outcome is likely to be.

I think you kind of try and retain that focus on what it is that is the basic problem. And recognizing as well, that it’s not just about business problems; it’s about technology brings business opportunity, okay? And the lack of that opportunity, actually, is your business problem? How do I exploit that opportunity. So I think, if you can break that down into a sensible kind of way, you can then really start to address what it is that you’re trying to look at.

Make sure that you’ve got business sponsorship is probably the second point, I would say. You know, it’s very easy for an innovation team to sit off in the corner on their own, innovating quite happily, and then ultimately creating shelfware where you just produce a product, and nobody is actually bought into it, or understands it, because they didn’t really buy into the problem or the thing that you were doing. So I think there’s quite a lot of socializing.

The final thing I would say, a lesson around this, and this is more for the innovation people out there, is don’t be too precious about the thing that you’re doing, because not everyone will love it as much as you. Not everyone will see it the same way as you. And I think sometimes you put your heart and soul into it when you’re doing it, but you have to very quickly let it go. If it’s not the thing that people are valuing as much as something else.

**STEVE BARR:** So any other inspirations because in these podcasts, we try to highlight and celebrate the work of other people, you know, from around the world, you know. So are there any examples of work you’ve seen in relation to digital transformation, either from within the UK or internationally, which have impressed you?

**MICK CONNOLLY:** I’ve had some engagement with the OECD. I really like the collaboration that that brings. I liked the fact that perhaps some of the – you know, the smaller countries in relation to size, you know, are really kind of proactive and doing some interesting things. And it’s a great way where you can kind of link in.

Recently, we had a great exchange of knowledge and ideas with New Zealand tax authority, you know, apart from the fact that we’re on completely different time zones, so that that makes it a little bit of a challenge.

But when you’re listening to what some of these countries are able to do, and the challenges that they face, it really resonates and it’s really quite inspiring for me because I think it can be done.

You know, I don’t underestimate the size of the task for a country with the history of the UK and all the layers of legislation upon legislation on legislation and all the challenges that we faced because of that. You know, we’re not a startup country; we’ve got a lot of history and a lot of stuff you have to address them.

And perhaps that’s something I’ll should have mentioned around all of this is when you’re looking at the – the innovation, some of the things, the digital side of things, you know, you really have to be mindful the amount of legacy technology that you’re carrying, you know, and the burden that that can bring, and trying to balance legacy with digital, and then balancing change with your obligation to deliver business as usual services is quite a complex mix. The OECD for me is definitely somewhere that I think you can find some like-minded people that are really doing some great things.

**STEVE BARR:** So thank you very much, Mick, for all your time.

**MICK CONNOLLY:** Great. Thank you very much for the opportunity.

[Music.]

**OLIVIA NEAL:**

Thank you to Mick and to Steve for sharing their insights, and thank you to you for joining us today. Check out our show page for links to all of what was discussed today and visit us at wwps.microsoft.com. Please do reach out and send us your questions and your feedback.

As always, you can find me on Twitter. I’m @LivNeal. I’m also on LinkedIn. Or you can email us at Ask-PS@microsoft.com.

Thank you and see you next time.

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