



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

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HM Revenue & Customs

Customer service performance

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National Audit Office

HM Revenue & Customs

Customer service performance

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

14 December 2012

This report examines HMRC's performance in meeting its customer service standards and its plans to improve the experience customers have when they deal with HMRC.

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This report can be found on the National Audit Office website at www.nao.org.uk/hmrc-customer-service-2012

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Key facts

£900m

spent on customer service, 2011-12

74%

of calls answered, 2011-12

66%

of post answered in 15 days, 2011-12

- 79 million** telephone calls received, 2011-12
- 25 million** items of post received, 2011-12
- 72.8** scored out of 100 against 'customers find us straightforward to deal with' measure, 2011-12
- 91 per cent** of calls answered, October 2012 – highest monthly performance since December 2009
- 6.5 million** customers waited more than ten minutes to have their call answered, April to September 2011-12
- £34 million** comprising **£9 million** in 2012-13 and up to **£25 million** in 2013-14 to be spent on up to 1,000 additional advisers, to answer 90 per cent of calls by March 2013
- £103 million** estimated value of customers' own time, waiting for calls to be answered, 2011-12
- £33 million** estimated cost of call charges for customers waiting for calls to be answered, 2011-12

Summary

1 HM Revenue & Customs' 'customers' (taxpayers and claimants) do not have a choice about whether they interact with HMRC.¹ This obliges HM Revenue & Customs (HMRC) to ensure that customers get a good service. Good service also makes economic sense, as poor service imposes costs on HMRC and its customers.

2 We estimate that HMRC spends around £900 million each year (around a quarter of its £3.7 billion expenditure) serving customers, including all staff costs and overheads. Its main performance indicators to assess service levels are the proportion of phone calls it answers, the proportion of post it answers within a particular time, the accuracy of its responses, and customer experience, which it monitors through a quarterly customer survey.

3 The report examines HMRC's performance in meeting its customer service standards and its plans to improve the experience customers have when they deal with HMRC. It focuses on HMRC's performance in handling telephone calls as this is where HMRC has faced the greatest challenges in the past. We set out HMRC's current performance and the investment it has made to improve performance from a poor position in 2010 (Part One). We also examine HMRC's plans to sustain and improve customer service as it cuts customer-facing staff, and its strategy to improve the customer experience beyond 2015 (Part Two).

4 We have judged whether HMRC achieved value for money on: its performance in meeting customer service standards; the impact on customer experience; its plans for maintaining and improving customer service with fewer staff; and its strategy for improving customer experience beyond 2015. Further detail is provided in Appendix One.

Key findings

HMRC has made efforts to improve performance in a challenging environment

5 **HMRC intends to improve customer service but has to balance investment with other priorities.** HMRC has committed to making its customer service more accessible, accurate and timely by 2015. HMRC, however, has difficult decisions to make about prioritising resources, given its spending review commitments to reduce costs by 25 per cent (taking account of inflation) and to increase tax revenues by £7 billion a year by 2015 (paragraphs 1.3 to 1.4, 1.24 and 2.2).

¹ Some commentators object to taxpayers and claimants being called customers, because they have no choice about interacting with HMRC. However, we use HMRC's terminology in this report.

6 HMRC has restored levels of customer service from a low point in 2010.

In 2010-11, HMRC's customer service levels dropped sharply when problems with the new National Insurance and PAYE System (NPS), which combined pay and tax details, increased customer queries. In total, HMRC received 122 million phone calls in 2010-11 (compared with 80 million in 2009-10) of which it answered 48 per cent. We reported on HMRC introducing the NPS system and the impact on customer service in 2011.² It has now restored service to previous levels and dealt with long-term backlogs by employing 2,500 temporary staff, enhancing phone technology and improving productivity (paragraphs 1.6 to 1.10).

7 HMRC has taken steps to improve support for key customer groups. It has enhanced online services for small businesses and introduced a dedicated helpline to support bereaved customers. Although not yet fully implemented, HMRC's agent strategy aims to transform its relationship with tax agents (paragraph 2.17).

Despite improvements, customers are still not getting a good service

8 In 2011-12, HMRC met a lower interim target for the percentage of phone calls answered and targets for phone and post quality, but did not meet targets for answering post (Figure 1). HMRC answered 74 per cent of phone calls compared to a target of 58 per cent. This interim target was set following problems introducing NPS as part of a staged approach to improve performance and answer 90 per cent of calls by 2015. The performance achieved in 2011-12 is nevertheless a low level of service. For example, 20 million calls (including calls where customers rang back because they did not get through first time) were not answered. All customers who hang up during the automated message are counted as being answered. For many callers this will be correct because they will have their query answered by the message. This, however, may overestimate the number of answered calls. HMRC has told us that it is aware that some callers will hang up dissatisfied and is looking at how to address this (paragraphs 1.12 to 1.14).

9 HMRC's service targets are lower and cover fewer areas than those of other organisations. In particular, HMRC does not have a target for answering calls within a specified time, unlike some other government departments and overseas tax authorities. A common industry benchmark is to answer 80 per cent of calls within 20 seconds and some organisations now aim to answer 90 per cent within ten seconds. We also found that HMRC's targets to respond to post are less challenging than some other government departments that interact with citizens. HMRC does not have standards for online services, for resolving queries first time or for measuring customer satisfaction at point of contact. Other organisations often receive fewer, less complex phone calls and in developing its targets a key question HMRC will face is whether a public body should seek to achieve targets set by commercial organisations. It estimates that it would need to spend between £40 million and £50 million extra each year on staff and management to answer 80 per cent of calls within 20 seconds (paragraphs 1.23 to 1.27).

² Comptroller and Auditor General, *HM Revenue & Customs 2010-11 Accounts*, Session 2010-2012, HC 981, National Audit Office, July 2011.

Figure 1
HMRC customer service performance

HMRC's performance in meeting customer service standards

	2009-10 target	2009-10 performance	2010-11 target	2010-11 performance	2011-12 target	2011-12 performance	2012-13 target	2012-13 year to date (to Oct)	Target by 2015 ⁵
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Accessibility¹									
Percentage of phone calls answered	–	76 (61 million of 80 million calls received)	–	48 (58 million of 122 million calls received)	58	74 (58 million of 79 million calls received)	75	68	90
Timeliness²									
Percentage of post answered within 15 days	80	54	80	51	80	66	80	81	80
Percentage of post answered within 40 days	95	83	95	85	95	92	95	97	95
Quality³									
Percentage of phone calls passing quality checks	95	96	96	97	96	98	96	98	96
Percentage of post answered within 15 days passing quality checks	90	91	90	92	90	92	90	92	90
Customer experience⁴									
Customer experience score	–	75.4	–	71.2	–	72.8	–	72.9	75.8

NOTES

- Internal targets for percentage of calls answered for 2009-10 to 2012-13 have not been published externally.
- HMRC has reported its targets for responding to post extensively e.g. in response to a Parliamentary Question and in the 2011-12 Annual Report.
- Internal targets for percentage of calls and post passing quality checks for 2009-10 to 2012-13 have not been published externally.
- HMRC's methodology for measuring the customer experience score changed in 2011-12. Earlier scores have been re-estimated so may not be directly comparable.
- HMRC published targets for 2014-15 in its 2012–15 Business Plan, with the exception of targets for percentage of calls and post passing quality checks, which have not been published externally.

Source: HM Revenue & Customs

10 In 2011-12, once customers got through to HMRC, they had to wait longer in a queue to be put through to an adviser. The average call waiting time has increased from 107 seconds in 2009-10 to 282 seconds in 2011-12. Performance can be substantially worse than average in some months and at peak times. For example, between April and September 2012, nearly 6.5 million people (25 per cent) waited longer than 10 minutes (paragraphs 1.16 to 1.17).

11 So far in 2012-13, HMRC has improved its post handling but its performance in answering calls varies. Between April and October 2012, HMRC answered 81 per cent of post within 15 days, against its target of 80 per cent. Overall, HMRC answered 68 per cent of calls between April and October 2012, compared with 73 per cent for the same period in 2011-12. In October 2012, it answered 91 per cent of calls, its highest monthly performance since December 2009 (paragraphs 1.15 and 1.19).

12 Customers incur costs waiting for HMRC to answer the phone. Depending on the tariff they pay their phone company, customers are charged once their call is connected even if they are held in a queue. We estimate that in 2011-12, it cost customers £33 million in call charges while they waited for HMRC to answer the phone and the estimated value of customer time while they waited was £103 million. We estimate that if HMRC improved performance to answer 90 per cent of calls and reduced waiting times, it could save customers around £52 million a year. HMRC currently plans to spend £34 million to achieve this level of performance (paragraphs 1.31 to 1.32).

13 The majority of HMRC phone helplines are still 0845 numbers. The Committee of Public Accounts recommended that HMRC replace its helpline numbers with cheaper 03 numbers unless there was an overriding case for not doing so, such as significant costs to the customer or to HMRC. HMRC has introduced a cheaper 03 helpline for tax credits customers and is investigating alternatives to 0845 numbers as it negotiates its new telephony contract. It estimates customers will save £13 million annually if all 0845 numbers are replaced with 03 numbers. Cable & Wireless provides HMRC's phone service and receives a proportion of the call charges borne by the customer. HMRC has chosen not to receive a share of the revenue and does not know how much Cable & Wireless receives because it has no contractual access to this information. In return, HMRC receives additional services which Cable & Wireless says are worth £4.7 million. The contract is based on HMRC receiving a minimum of 400 million minutes of customer calls to 0845 numbers a year. In 2011-12, customers were on the phone for some 600 million minutes, so Cable & Wireless could have received 50 per cent more revenue than it expected under the contract terms. However, in 2009, a regulatory change reduced the share of call charges Cable & Wireless received so the service provider sought to negotiate a price increase to offset the loss. HMRC refused on the basis that customer call minutes were higher than the contract minimum. HMRC expects to enter into a new telephony contract in June 2013 (paragraphs 1.33 to 1.34).

HMRC has plans to achieve service targets but they are ambitious, given previous performance and the need to reduce staff

14 HMRC needs to improve customer service while reducing costs. HMRC plans to meet its 2010 spending review settlement by reducing the size of its workforce and estate, and by simplifying the IT it uses. In particular, it plans to reduce staff in its personal tax business by 8,500 (about one-third) by 2015. Many of these staff directly support customers by answering phones or processing post and tax returns (paragraphs 2.2 to 2.4).

15 Our analysis indicates that HMRC could answer 90 per cent of calls by March 2013. HMRC has assessed that through investing in additional contact centre staff, reducing call volumes and using staff more flexibly, it should be able to achieve its target of answering 90 per cent of calls by the end of 2012-13 and through 2013-14. To support its analysis, HMRC has improved its modelling of the number of calls it expects to receive given its assessment of demand and the number of staff available to take calls (paragraphs 2.6 to 2.7).

16 By 2014-15, HMRC will need to redeploy substantial numbers of processing staff to answer phone calls, and there is a significant risk that demand could be higher than HMRC has projected. By 2014-15, HMRC will have reduced numbers of both contact centre staff and processing staff. We estimate that to achieve its target of answering 90 per cent of calls, HMRC will have to redeploy an average of 700–800 processing staff throughout the year and more at peak times. HMRC will need to redeploy more staff if it receives more calls than it has forecast. Previous experience indicates that unanticipated events can increase volumes of calls. HMRC acknowledges that while work is in hand, there is uncertainty about the impact on call volumes of large-scale changes such as the introduction of real time information and the transition to universal credit, where many of the underlying assumptions need to be worked through with the Department for Work and Pensions. HMRC recognises that it needs to refine its plans for 2014-15 and, in particular, needs to assess the impact on processing work of redeploying substantial numbers of processing staff (paragraphs 2.8 to 2.14).

17 HMRC is starting to consider measures where there is significant scope to improve customer experience beyond 2015. HMRC could reduce expensive and inefficient contact by phone and post by improving business processes and offering greater accessibility through the internet. Many of the current contacts are around checking progress, or querying and correcting basic information. Eliminating some contacts, migrating contact online and increasing self-service might cut phone and post contacts by around one-third. Customer service could also be improved by building on the work HMRC has started to segment the customer base and by offering services tailored to 'life events'; by not asking for information that the HMRC already has; by resolving customer queries at first contact; and by working collaboratively with other agencies (paragraphs 2.15 to 2.19).

Conclusion on value for money

18 HMRC faces difficult decisions about how much it can afford to spend on customer service given its other priorities. Setting aside the poor performance following the introduction of the new PAYE system, where the circumstances were exceptional, HMRC's customer service arrangements still represent poor value for money for customers. Despite some welcome improvements, HMRC has acknowledged that its performance in providing services to the public has been unacceptable. In 2011-12, it met three out of five customer service targets, and its targets for 2014-15 are lower and cover fewer areas than those of other organisations. Some of the costs of poor service, such as the time spent waiting for HMRC to answer the phone (£103 million for the value of the customers' own time and £33 million of call charges), are passed on to customers. In addition, the majority of its phone numbers are 0845 numbers, which result in high call charges for some customers.

Recommendations

- a** **HMRC has increased the sophistication of the modelling of its customer contact but should refine it further to confirm that it has sufficient resources to meet its performance targets by 2015.** In particular, HMRC should review its planning assumptions and ensure that they sufficiently consider past performance, to avoid over-optimism. It should:
- Refine forecasts of call demand between 2012 and 2015 and assess the impact of introducing universal credit on customer contact and whether any contingency margin is required.
 - Establish how many processing staff it will need to redeploy in 2014-15 to achieve a good telephone service during peaks in demand and whether it will be feasible to redeploy large numbers without causing backlogs in processing work.
 - Better understand the skills profile it will require to maintain customer service in 2015. If HMRC is successful in eliminating avoidable contact, for example by migrating simple information requests online, it will have a more complex caseload of phone calls and post.
- b** **HMRC should ensure when agreeing its new telephony contract that the contract provides for alternatives to 0845 numbers, to reduce costs to customers, in line with previous Committee of Public Accounts' recommendations.** It estimates it would save customers £13 million if it replaced all 0845 numbers with 03 numbers, although there would be some cost to HMRC. If it enters into contracts where service providers get a share of call revenues, it should insist on open-book accounting and transparent arrangements for sharing benefits.

- c** **HMRC needs to set out its strategy to improve customer service beyond 2015.** HMRC is considering measures, in line with those taken by many organisations, to improve customer service and these need to be set out in a formal strategy. It should establish what level of performance HMRC aims to achieve, how it will measure performance to ensure that it is meeting customers' needs and priorities, and what operational change and investment would be required. The strategy should be ready by the time HMRC next agrees its budget with HM Treasury.
- d** **As part of its strategy, HMRC should develop new customer service performance targets focused on customer priorities.** HMRC should set a target for the percentage of calls answered within a specified time. It should consider complementing existing service standards with targets to monitor the quality of advice for complex queries, performance in resolving queries at first contact, website usability and face-to-face contact. HMRC should publish its key customer service targets, and how it performs against them, at least annually.
- e** **The strategy should build on work under way to design services more around the customer.** In forming its strategy HMRC should consider:
- doing more to design services around life events, such as starting work or becoming a pensioner, as it is doing around bereavement;
 - facilitating more contact on the web and increasing customer self-service, while ensuring services remain available for those less able to use the internet;
 - improving the customer experience at peak times by providing information on waiting times or offering call-back options, once there is capacity to manage this; and
 - working collaboratively with other government departments, such as the Department for Work and Pensions, to have a common approach and common customer service standards.

Part One

HMRC's customer service performance

1.1 This part of the report examines HMRC's customer service performance and how its targets compare with those of other organisations. It also examines the experience customers have when they deal with HMRC, and the costs to customers of providing a poor level of customer service.

How HMRC supports its customers

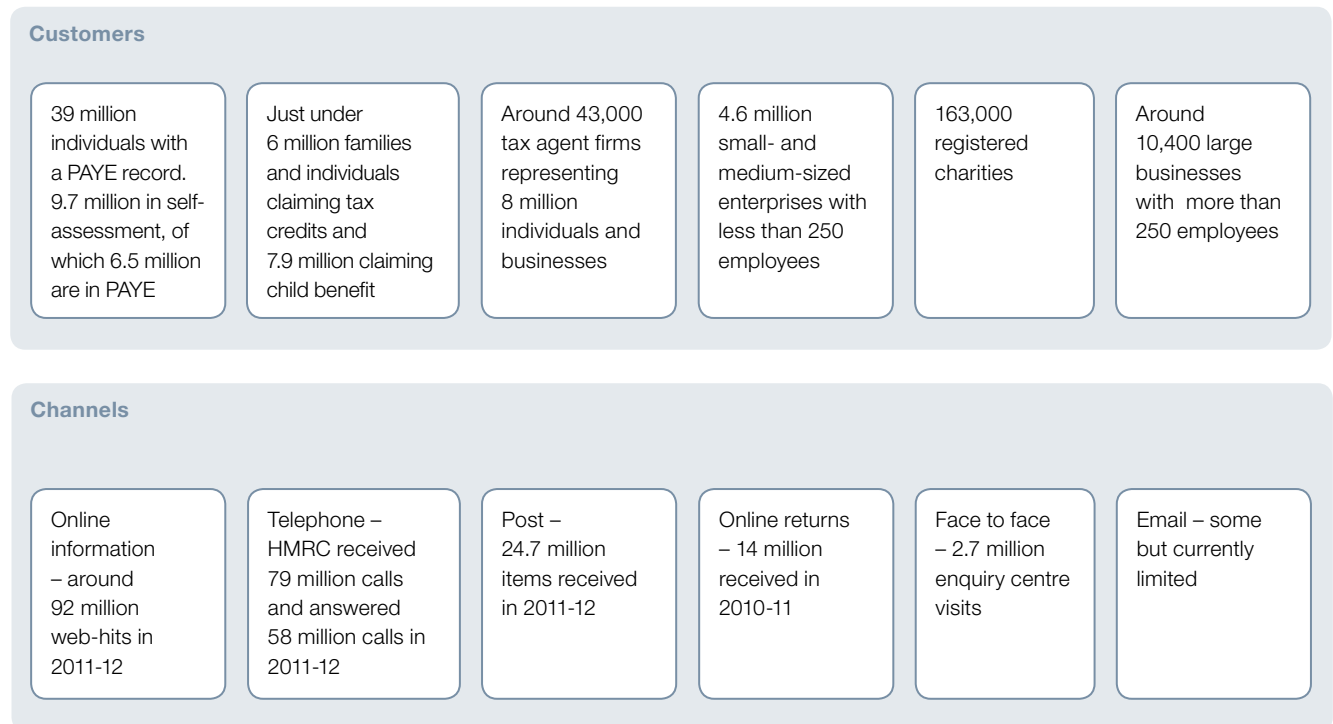
1.2 HMRC's customers include individuals, businesses, tax agents, charities and benefits claimants. Most customers contact HMRC by phone and many also use HMRC's website to find information or to file tax returns (**Figure 2**). We estimate that HMRC spent around £900 million in 2011-12 (around one-quarter of its total expenditure) serving customers. This included the costs of all staff associated with serving customers, IT and estates costs. Of this, HMRC spent an estimated £420 million answering phone calls and nearly £400 million processing correspondence.

1.3 HMRC defines 'customer service' as the service it provides to taxpayers and benefits claimants. HMRC aims to become an organisation that is more efficient and more flexible in responding to customers. In particular, it aims to reduce costs for HMRC and for customers by simplifying processes and moving to cheaper service channels, particularly online. It aims to make it as straightforward as possible for customers to register, submit returns and pay tax, reducing the need for customers to contact HMRC.

1.4 HMRC measures how well it provides customer service through a number of performance standards and a 'customer experience' score, which it derives from its quarterly customer survey. HMRC has committed to improving the accessibility, accuracy and timeliness of the customer service it provides by 2015 (**Figure 3**).

Figure 2

Customer base and methods of contacts

HMRC has a large customer base and different contact channels**NOTE**

1 Does not include all customers paying National Insurance contributions.

Source: National Audit Office analysis of HM Revenue & Customs data and publicly available information

Figure 3

Customer service targets

		2015 target
Customer service standards	Accessibility	Answer 90 per cent of phone calls received.
	Timeliness	Answer 80 per cent of post in 15 working days and 95 per cent in 40 working days.
	Accuracy	96 per cent of responses to phone calls and 90 per cent of responses to post to meet internal quality standards.
Customer experience score		Achieve a score of 75.8.

Source: *Delivering our vision, HM Revenue & Customs, 2012–15 Business Plan*

1.5 Since 2008, HMRC's performance in meeting customer service standards has varied. In January 2010, the Committee of Public Accounts reported that in 2008-09, HMRC answered only 57 per cent of calls received. This was well below HMRC's aim at the time of answering 90 per cent of calls by 2012, and common industry standards of answering 80 per cent of calls within 20 seconds.³ HMRC recognised that this performance was unacceptable and launched initiatives to better manage caller demand. For example, it looked at how to use staff more flexibly during peaks and troughs, and opportunities to reduce call volumes by encouraging customers to use HMRC's website.

1.6 HMRC introduced its National Insurance and PAYE Service (NPS) system, which for the first time combined all of an individual's pay and tax details into a single record in June 2009. We reported on HMRC introducing the NPS system and the impact on customer service in 2011.⁴ Problems with information generated by the new system resulted in large numbers of customers contacting HMRC for clarification. HMRC could not cope with the increase in calls. In 2010-11, HMRC answered 48 per cent of the calls received. In July 2011, the Treasury Select Committee concluded that customer service performance had been unacceptable. It said that although the problems with PAYE in 2010 had impacted on this performance, it considered that poor service standards had been an issue for many years.⁵

Action taken to restore performance from a low point in 2010

1.7 HMRC subsequently focused its attention on restoring public confidence in the service it provides and committed to making sure that the NPS system is working correctly. It has spent £74 million in 2011-12 and 2012-13 to employ 2,500 temporary staff to deal with the post backlog and increased call volumes after introducing NPS, as well as processing backlogs.

1.8 HMRC has taken other steps to improve customer service. It improved its phone systems, so that menus and automated messages gave more customers the information they needed, reducing the number of customers needing to speak to an adviser. In addition, it improved its infrastructure so that it could deal with a higher number of calls. It has also improved its postal operations. From 2008, it began establishing regional post rooms to replace its network of smaller local post rooms. In 2011, it further improved handling of self-assessment and PAYE mail, reducing average delays in post reaching HMRC by four days.

3 HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010; Comptroller and Auditor General, *Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, January 2010; Comptroller and Auditor General, *Helping individuals understand and complete their tax forms*, Session 2006-07, HC 452, National Audit Office, April 2007.

4 Comptroller and Auditor General, *HM Revenue & Customs 2010-11 Accounts*, Session 2010-2012, HC 981, National Audit Office, July 2011.

5 House of Commons Treasury Committee, *Administration and effectiveness of HM Revenue & Customs*, Sixteenth Report of Session 2010-2012, HC 731.

1.9 HMRC has improved the productivity of its contact centre operation. In 2011-12, contact centre staff spent 58 per cent of their time working on customer cases compared with 47 per cent in 2008-09.⁶ Time not spent answering calls includes activities such as annual leave, sickness absence and training. HMRC is aiming to achieve 60 per cent by 2012-13. In seeking to improve productivity, HMRC has compared its practices with other government departments and private sector organisations. HMRC has also trialled using external organisations to answer calls but so far has found that these organisations struggle to match HMRC's performance for call length and quality.

1.10 HMRC also has a programme to reduce the number of phone calls it receives. HMRC estimates that, in 2011-12, it reduced the number of calls answered by an adviser that were of low value to HMRC and to the customer, by 10.7 million. However, eliminating these calls has not helped HMRC reduce the number of calls it receives or does not answer. In 2009-10, 19 million calls were unanswered, rising to 20 million in 2011-12. HMRC estimates that 'underlying demand', the actual number of customer queries, fell in 2011-12, but there was little change in the number of call attempts, suggesting that customers re-dialled because they were unable to get through. HMRC's programme to eliminate avoidable phone calls is discussed further in Part Two, which looks at HMRC's plans to improve customer service with fewer staff.

HMRC's current customer service performance

1.11 Despite the positive steps HMRC has taken to improve performance, customers are still not getting a good service. HMRC's current performance against service standards is set out below.

Performance in answering phone calls

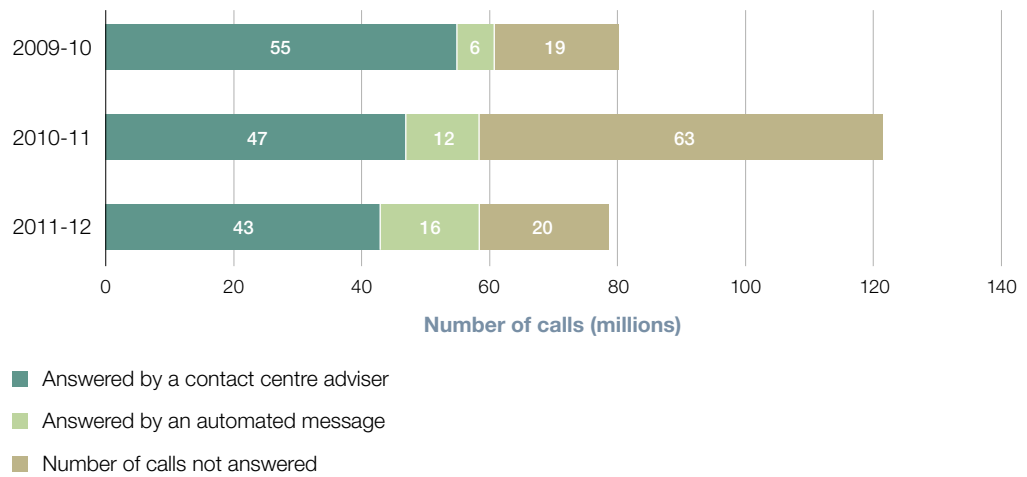
1.12 HMRC's key performance measure is the percentage of calls it answers out of all calls received. When customers first call HMRC they generally hear an automated message, lasting around 1–2 minutes and then join the queue. If callers hang up during the automated message, HMRC assumes they have the information they need and the call is measured as answered. If they continue to wait and the call is answered by an adviser it is measured as answered. Otherwise, if callers hang up while queuing, or if when they first ring they hear a busy message or engaged tone, the call attempt is measured as unanswered.

⁶ HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010. The report stated 38 per cent but since then, HMRC has changed how it measures staff utilisation.

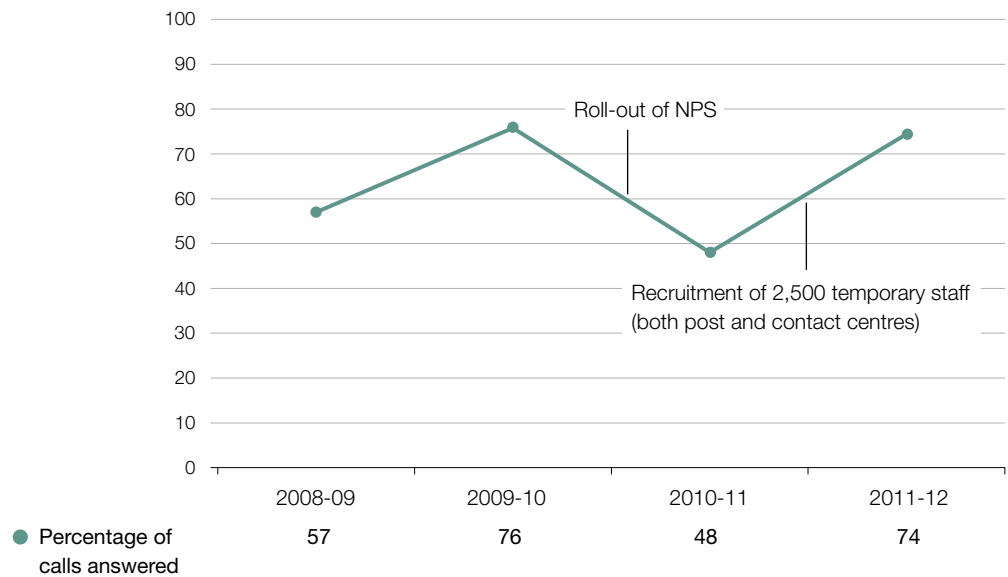
1.13 In 2011-12, HMRC answered 74 per cent of phone calls against an interim target of 58 per cent. The interim target was set as part of a staged approach to recover from the problems after it implemented NPS and to answer 90 per cent of calls by 2015. The performance achieved is nevertheless a low level of service given customer expectations – 20 million calls went unanswered (**Figure 4**).

Figure 4
HMRC call volumes

HMRC's performance in answering calls has recovered since 2010-11



Percentage of calls answered



Source: National Audit Office analysis of HM Revenue & Customs performance data

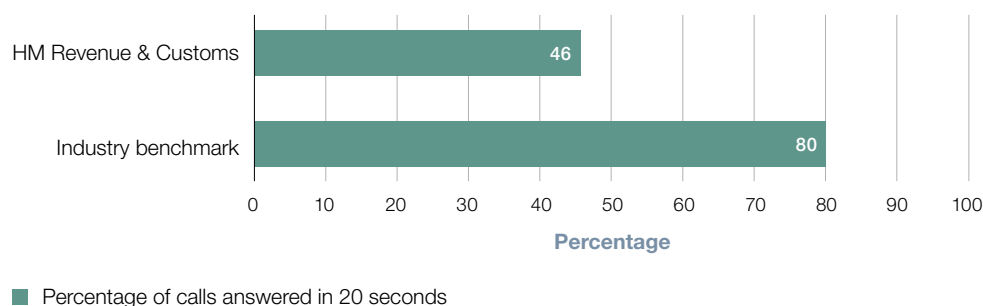
1.14 Furthermore, HMRC may have overestimated its performance. All customers who hang up during the automated message are counted as being answered. For many callers this will be correct because they will have their query answered by the message. However, in 2011-12, 28 per cent of the 15 million callers HMRC assumed had had their queries answered by the automated message called again within 24 hours. There is a range of reasons why callers may call again. In some cases, for example, customers may have heard an automated message advising them they needed certain information before an adviser could help them, so they rang again once they had the information to hand. In other cases, callers may have had difficulties navigating HMRC's menu system so hung up to start again. This may result in an overestimate of the number of answered calls by between 0 and 5 per cent. HMRC has told us that it is aware that some callers will hang up dissatisfied and is looking at how to address this.

1.15 Overall, HMRC answered 68 per cent of calls between 1 April and 31 October 2012, compared with 73 per cent for the same period in 2011-12. In October 2012, HMRC handled 91 per cent of calls, its highest monthly performance since December 2009. Although HMRC had set a further interim target of answering 75 per cent of calls in 2012-13 and 2013-14, it has concluded that to meet public expectations, it needs to improve more rapidly and is spending £34 million to employ additional staff, with the aim of answering 90 per cent of calls by March 2013.

1.16 A common industry benchmark is to answer 80 per cent of calls within 20 seconds.⁷ HMRC does not have a target for answering phone calls within a specific timescale. However, it does monitor the percentage of calls it answers within 20 seconds (**Figure 5**). In 2011-12, HMRC answered 46 per cent of calls (36 million) within 20 seconds, a decline since 2008-09 when HMRC answered 55 per cent of calls received within 20 seconds. The average call waiting time has increased from 107 seconds in 2009-10 to 282 seconds (which is more than four minutes) in 2011-12 (**Figure 6** overleaf).

Figure 5
Calls answered within 20 seconds, 2011-12

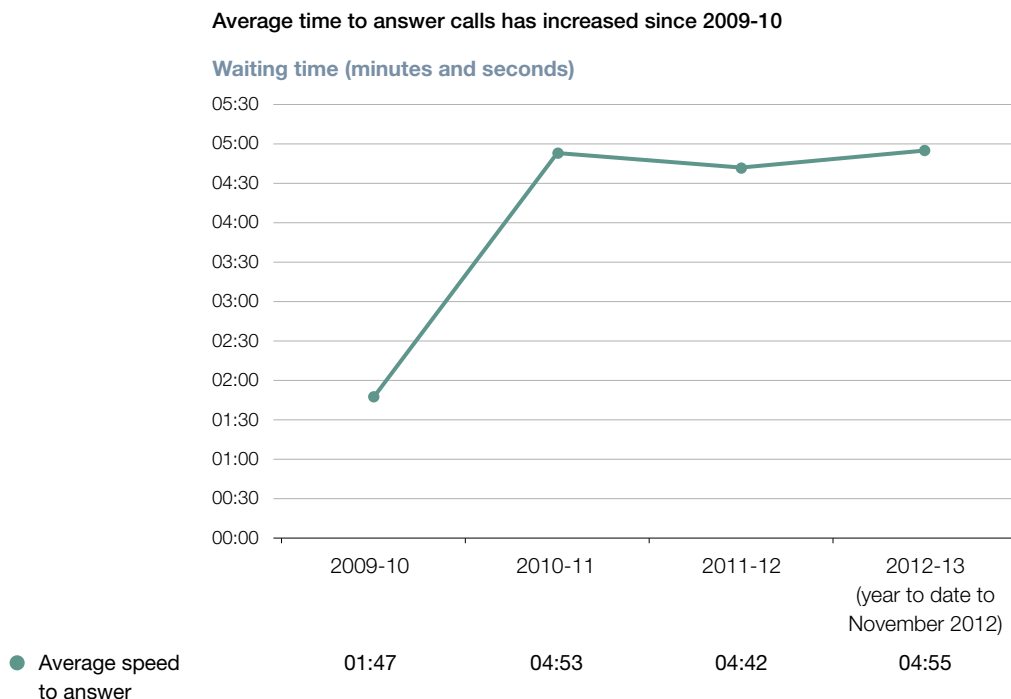
Percentage of calls answered in 20 seconds is low compared with a common industry benchmark



Source: National Audit Office analysis of HM Revenue & Customs performance data

⁷ Comptroller and Auditor General, *HM Revenue & Customs: Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, January 2010; Comptroller and Auditor General, *Helping individuals understand and complete their tax forms*, Session 2006-07, HC 452, National Audit Office, April 2007.

Figure 6
Call answering times



NOTE

1 Analysis does not include waiting times for callers who hang up.

Source: HM Revenue & Customs

1.17 Between April and September 2012, HMRC answered 66 per cent of calls, and of the 26 million calls answered, 46 per cent were answered in less than two minutes and 75 per cent within ten minutes. Nearly 6.5 million customers waited for more than ten minutes (excluding additional time spent listening to automated greeting and menu messages) to have their call answered (**Figure 7**).

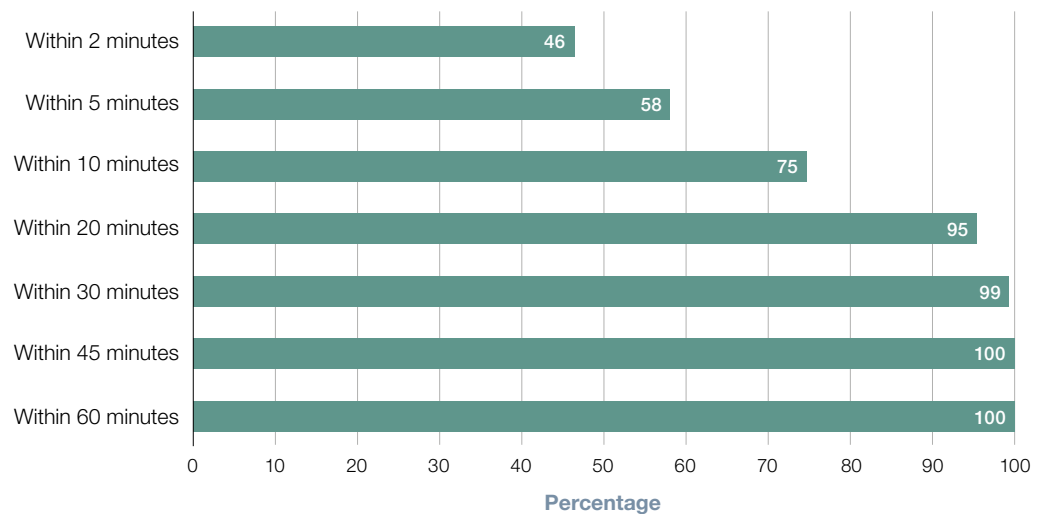
1.18 There is considerable variation in the service customers experience – customers calling at busy times of the day or year, or using busier helplines, may have more difficulty getting through. For example, HMRC answered 62 per cent of calls to the Self-Assessment helpline in January 2012 (the run-up to the tax return deadline). September was the quietest month in 2011-12 for this helpline when HMRC answered 90 per cent of calls. Even in the busiest month, HMRC answered more than 90 per cent of calls from tax agents to its Agent Dedicated Line.

Figure 7

Cumulative probability of call attempts answered in a given time
(April to September 2012)

Seventy-five per cent of calls were answered within ten minutes

Probability of calls being answered within given time between April and September 2012

**NOTE**

1 Analysis does not include waiting times for callers who hang up.

Source: National Audit Office analysis

Post-handling performance

1.19 In 2011-12, HMRC answered only 66 per cent of post within 15 working days, against a target of 80 per cent. Consequently, 8.5 million customers waited more than three weeks for a response in 2011-12. HMRC answered 92 per cent of post within 40 working days (eight weeks) in 2011-12, against a target of 95 per cent. Between April and October 2012-13, HMRC answered post more quickly, answering 81 per cent in 15 days.

Performance in meeting quality standards

1.20 To assess work quality, HMRC measures accuracy of work done against standards in a number of areas, including responses to phone calls and post. HMRC monitors phone calls and replies to post and concludes responses have met quality standards if they pass specific tests. For example, HMRC reviews a sample of phone calls to check that staff have performed necessary security checks, given advice in line with internal guidance and undertaken all necessary work after the call. In 2011-12, we examined the data systems supporting these indicators and found them to be adequate.⁸

1.21 In 2011-12, HMRC met its internal targets for phone and post quality. Performance against HMRC's phone quality standard has improved from 92 per cent in 2008-09, when we reported on *Handling telephone enquiries* (Figure 8).⁹ However, there has been no improvement in the quality of responses to post.

1.22 Some customers have stated that, in their view, the quality of advice is falling. Eleven per cent of small- to medium-sized enterprises and 29 per cent of tax agents surveyed by HMRC in 2010-11 did not agree that HMRC was good at getting things right. HMRC's measurement may not be reflecting a detailed picture of the quality of service provided as it does not distinguish between simple queries and more complex questions.

More challenging targets and service standards

1.23 In 2010, the Committee of Public Accounts concluded that HMRC should be more ambitious in improving performance. The Committee was concerned that HMRC's aim of answering 90 per cent of calls by 2012 fell short of industry standards.¹⁰ A common industry standard is to answer 95 per cent of all call attempts. Another common benchmark is to answer 80 per cent of calls within 20 seconds and some organisations now aim to answer 90 per cent of calls within ten seconds.¹¹

1.24 It is often difficult to compare organisations, which may use different definitions or operate in different environments. For example, other organisations may receive fewer, less complex calls than HMRC. HMRC told us that its trial of using external organisations to handle calls indicated that its queries are more complex than those handled by other organisations. Nevertheless, benchmarking data indicates what level of service other organisations seek to achieve and customers will expect. A further question is whether a public body such as HMRC should seek to achieve targets set by commercial organisations – HMRC estimates that it would need to spend between £40 million and £50 million extra each year on staff and management to answer 80 per cent of calls within 20 seconds.

Figure 8
Performance against quality standards

HMRC is meeting its quality standards

	Internal target	2010-11	2011-12	2012-13 year to date
Percentage of phone calls passing quality check	96	97	98	98
Percentage of post answered within 15 days passing quality check	90	92	92	92

Source: *HM Revenue & Customs*

9 Comptroller and Auditor General, *Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, January 2010.

10 HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010.

11 Comptroller and Auditor General, *HM Revenue & Customs: Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, March 2010, Figure 4; Comptroller and Auditor General, *Helping individuals understand and complete their tax forms*, Session 2006-07, HC 452, National Audit Office, April 2007.

Targets used by other organisations

1.25 The Department for Work and Pensions aims to answer 80 to 90 per cent of phone calls (depending on the helpline). Some other government departments have targets to answer a percentage of calls within a specified timescale. We found that other government departments have targets that are more stretching than HMRC's standard to respond to 80 per cent of post within 15 days (**Figure 9**).

Figure 9 Performance targets

Some targets set by other government departments for answering phone calls and post are more demanding than HMRC's targets

Government body	Performance targets set	2011-12 performance (%)
NHS Direct	Aim to answer 95 per cent of calls within 60 seconds	91
Department for Work and Pensions	Percentage of calls answered – standard depends on helpline:	
	<ul style="list-style-type: none"> • Aim to answer 90 per cent of working age benefits calls 	87
	<ul style="list-style-type: none"> • Aim to answer 90 per cent of benefit enquiry calls (various service lines) 	87
	<ul style="list-style-type: none"> • Aim to answer 80 per cent of crisis loans calls 	83
	Aim to answer 93 per cent of pensions service calls	94 (2010-11)
	Child Maintenance aims to answer telephone calls within 60 seconds	95
	Resolve 80 per cent of working age benefits calls first time	74
Both Jobcentre Plus and the Pension, Disability and Carers service aim to provide replies to correspondence within ten working days	–	
Driving Standards Agency	Aims to answer 70 per cent of phone calls within 30 seconds	78
	Aims to respond to 90 per cent of general enquiries within ten working days	99

NOTE

1 Performance may not be directly comparable as different organisations may measure performance in different ways.

Source: National Audit Office analysis

1.26 We examined the targets overseas tax authorities have set to measure performance in answering phone calls (**Figure 10**). All those we examined aim to answer calls within a specified time, with the exception of the United States Internal Revenue Service, which aims to answer 70 per cent of calls received. New Zealand and South African revenue agencies have a similar target to HMRC's for answering post, aiming to respond to 85 per cent and 80 per cent of post within three weeks. The Irish Revenue Agency aims to respond to 50 per cent of post within ten working days and achieved 93 per cent in 2009-10.¹²

Figure 10
Tax authority customer standards

Most overseas tax authorities aim to answer phone calls within a specified time

Tax authority	Performance standard ^{1,2}	Performance achieved ¹	How HMRC would compare if its performance is measured against a similar target
Australia	Answer 80 per cent in 5 minutes	81 per cent	58 per cent ³
Canada	Answer 80 per cent in 2 minutes	80 per cent	46 per cent ³
Ireland	Answer 50 per cent in 30 seconds/85 per cent in 3 minutes/100 per cent in 5 minutes	37 per cent in 30 seconds/68 per cent in 3 minutes/85 per cent in 5 minutes	41 per cent within 30 seconds, 55 per cent within 3 minutes and 63 per cent within 5 minutes ⁴
Netherlands	Answer 80 to 85 per cent within 200 seconds	82 per cent	55 per cent within 180 seconds ⁴
New Zealand	Priority: answer 70 per cent in 1 minute	69 per cent	45 per cent ⁴
	Non-priority: answer 70 per cent in 4 minutes	76 per cent	59 per cent ⁴
United Kingdom	Answer 90 per cent (2015 target)	74 per cent	
United States	Answer 70 per cent	achieved	74 per cent

NOTES

- 1 OECD, *Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2010)*, March 2011. Performance achieved relates to 2010-11 except for UK, New Zealand and Canada (2011-12).
- 2 Levels of performance may not be fully comparable as tax authorities may measure time taken to answer calls in different ways. For example, HMRC's analysis does not include calls where the caller chooses to hang up and its measurement of waiting time does not include time spent listening to the recorded message. However, the data is an indication of the standards set and the broad level of performance achieved by each tax authority.
- 3 HMRC data for April to September 2012.
- 4 HMRC data for July to September 2012.

Source: National Audit Office analysis of HM Revenue & Customs data and of benchmarking reports produced by the Organisation for Economic Co-operation and Development and HM Revenue & Customs

12 OECD, *Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2010)*, March 2011.

Targets focused more on what matters to the customer

1.27 HMRC's targets for 2014-15 are focused on particular aspects of performance. HMRC recognises it needs to establish targets more closely aligned to customers' needs and is considering:

- **Calls answered within a specified time:** As shown above, industry benchmarks and targets set by many other organisations are for the percentage of calls answered within a time frame.
- **Quality of service:** HMRC could monitor different aspects of quality. In particular:
 - A measure that distinguishes between simple and more complex queries may provide useful information about where HMRC needs to improve the quality of advice.
 - HMRC does not currently measure the number of customer queries that are resolved at first contact, which would be a good indicator of the quality of service. Other organisations in the service industry can measure first contact resolution across multiple communication channels.
 - In 2008, the Committee of Public Accounts recommended that HMRC use a 'mystery shopping' exercise to track the handling of more complex queries.¹³ We also recommended using mystery shopping to evaluate the clarity and accuracy of complex advice in 2010,¹⁴ but HMRC concluded that, in the context of resourcing pressures, mystery shopping was of lower priority.
 - Some organisations monitor aspects of quality of service other than accuracy, such as empathy, clarity and confidence. Many organisations measure customer satisfaction at point of contact rather than through a later survey.
- **Website usability:** HMRC aims to reduce phone call volumes by encouraging customers to use its website. Although it carries out user testing to test changes to the website, it does not have a web usability measure. It cannot, therefore, readily assess whether customers are finding what they need online, avoiding further contact, or whether there are particular areas of the website that need to be improved. HMRC has begun to develop a measure.

¹³ HC Committee of Public Accounts, *HM Revenue & Customs: Helping individuals understand and complete their tax forms*, Twentieth Report of Session 2007-08, HC 47, March 2008.

¹⁴ Comptroller and Auditor General, *HM Revenue & Customs: Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, January 2010.

1.28 There are other areas where HMRC could do more to meet the needs of customers. For example, HMRC does not currently let customers know their position in the phone queue because this service is difficult to manage when there are priority phone lines. On one helpline, HMRC is currently trialling a message to give customers an estimate of how long they may need to wait. HMRC does not offer to call back customers who can't get through because it does not have enough capacity. These options are offered by contact centres in the private sector, and the New Zealand tax authority offers virtual hold whereby customers are able to choose whether to queue or to be called back once they reach the front of the queue. The New Zealand tax authority found virtual hold to be excellent for evening out peaks and troughs in the working day. HMRC told us it would actively consider virtual hold once service improvements have been achieved.

The impact of poor service on customers

Customer experience

1.29 HMRC measures customer experience through a quarterly survey of individuals, small- to medium-sized enterprises and tax agents.¹⁵ It publishes the indicator 'Customers find us straightforward to deal with' each quarter. The customer experience score has fallen from 2008 levels but in 2011-12, the score improved from a low point in early 2011. The overall score for 2011-12 was 72.8 out of 100, compared with 71.2 for 2010-11 and a target to achieve 75.8 by 2014-15 (**Figure 11**).

Customer complaints

1.30 In 2011-12, HMRC resolved 75,656 complaints (compared with 76,763 in 2010-11), of which 45 per cent were upheld or partially upheld. Nearly one-third related to delays (**Figure 12** on page 26).

Costs incurred by customers

1.31 Customers incur costs when they spend time waiting for HMRC to answer their phone calls. We estimate that in 2011-12 these costs included:¹⁶

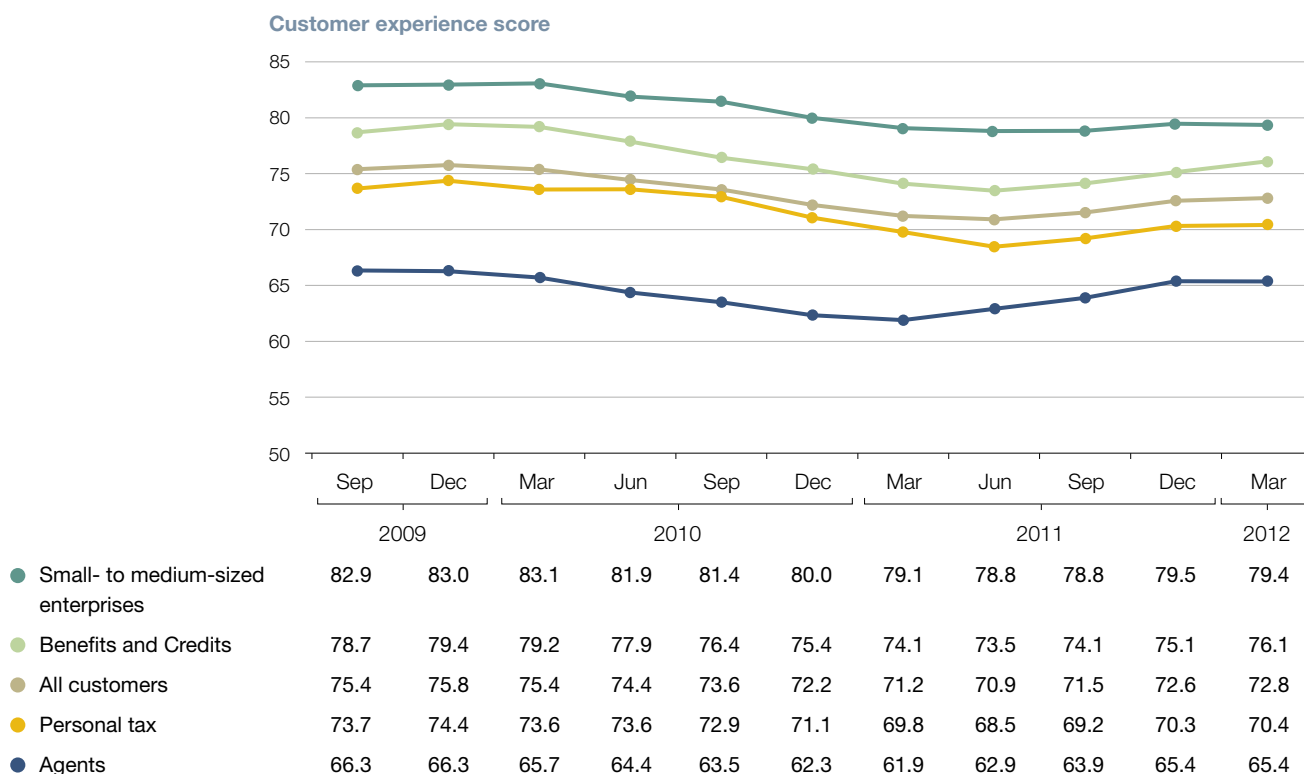
¹⁵ The HMRC Customer Survey 2011-15 started in the second quarter of 2011-12 and replaced the HMRC Customer Survey 2007-11. A number of changes were made to the methodology between the surveys, particularly around sample coverage. The impact on results of these changes has been modelled by HMRC and the data from the 2007-11 survey have been amended to make the results consistent across the surveys. Therefore amended scores should be treated as an estimate. Further detail on the methodology for revising calculations and more technical information about the survey and the calculation of the measure are available in a paper published on the HMRC website. Available at: www.hmrc.gov.uk/research/cust-exp-2010.pdf

¹⁶ This estimate is based on HMRC's assumption that customer's time costs 25p per minute. Some other government departments use a cost of customer time of 15p per minute.

- The value of the customer's own time, which is lost if they spend time waiting for their call to be answered (£103 million). In its investment appraisals HMRC values customer time at 25p per minute. This figure is based on assessing the time value of the range of customers HMRC deals with. It is comparable to the average wage but higher than values used by some other government departments who, for example, value time at 15p per minute. Using this alternative value, the value of customer time when they wait for HMRC to answer the phone drops to £62 million.
- The costs customers incur in direct call charges, considering the different tariffs available for calling HMRC on 0845 and 03 phone numbers (£33 million). Customers are charged once their call is connected even if they are held in a queue.

Figure 11
HMRC customer experience

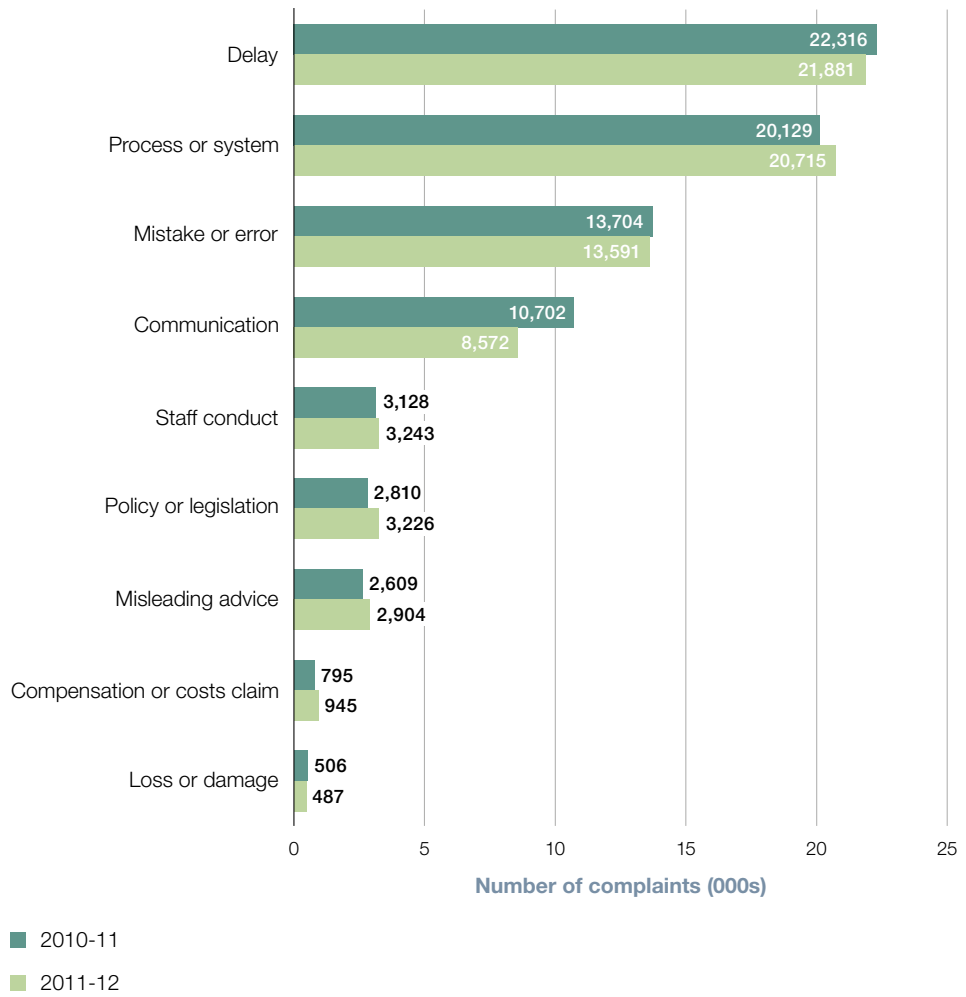
Customer experience scores have declined between 2009 and 2012



Source: National Audit Office analysis of HM Revenue & Customs data

Figure 12
Complaints by category

Most complaints occur as a result of delays



Source: National Audit Office analysis of HM Revenue & Customs data

1.32 We estimate that if HMRC reduced waiting times by an average of three minutes it could save customers around £52 million a year. HMRC currently plans to spend £34 million to answer a target of 90 per cent of all calls by March 2013. It expects that this improvement will also reduce waiting time. There are also avoidable costs if customers spend time in contact with HMRC unnecessarily. HMRC estimates that 42 per cent of its phone contact in 2011-12 was of low value to HMRC and the customer. If HMRC had avoided these calls it would have saved customers more than £89 million in 2011-12. Part Two sets out HMRC’s plans for improving call-handling performance and eliminating avoidable contact.

1.33 The Committee of Public Accounts previously recommended that HMRC replace its helpline phone numbers with cheaper 03 numbers unless there is an overriding case for not doing so, such as significant extra costs to the customer or the Department.¹⁷ HMRC's tax credit helpline is now an 03 number and HMRC plans to review its numbering strategy as it negotiates its next telephony contract by June 2013. It estimates customers will save £13 million annually if all existing 0845 numbers are replaced with 03 numbers. However, HMRC told us there would be significant costs of moving further numbers to 03 numbers in advance of negotiating a new contract.

1.34 Cable & Wireless¹⁸ manages HMRC's calls and currently receives a proportion of the call charges borne by the customer. HMRC does not know how much revenue Cable & Wireless gets as a result of this arrangement because it has no contractual access to this information. In return, Cable & Wireless provides HMRC with additional services, Cable & Wireless told HMRC it considers these services have a retail value of £4.7 million. The contract, signed in 2008, is based on HMRC receiving a minimum of 400 million minutes of customer calls to 0845 numbers a year. In 2009, customers made 438 million minutes of calls to 0845 numbers but in 2010 and 2011, customers were on the phone for more than 600 million minutes, so Cable & Wireless could have received 50 per cent more revenue than it did in 2009. However, in 2009, a regulatory change reduced the share of call charges Cable & Wireless received. Cable & Wireless claimed the change resulted in it making a loss and sought to negotiate an increase in its prices. HMRC did not agree to a price increase on the basis that call minutes had been greater than the contract minimum. Cable & Wireless also agreed to benchmark its services and concluded that its prices are lower than its competitors.

¹⁷ HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010.

¹⁸ A subsidiary of Vodafone.

Part Two

HMRC's plans to improve customer service

2.1 This part of the report assesses the risks and challenges HMRC faces in sustaining and improving customer service performance as it reduces the number of customer-facing staff between now and 2015.

Reductions in customer-facing staff

2.2 Between April 2011 and April 2015, HMRC must make savings of 25 per cent (taking account of inflation), in line with its 2010 spending review settlement. A large proportion of HMRC's savings will be made through reducing the size of its workforce. It plans to reduce headcount from 66,000 in 2011-12 to 56,100 in 2014-15.¹⁹ Staff reductions are not being made evenly across HMRC. In particular, HMRC's personal tax business area, which processes self-assessed income tax and PAYE returns, and runs phone contact centres and local enquiry centres, is planned to reduce in size by 8,500 staff (around a one-third) by 2015. As part of this reduction, HMRC currently plans that numbers of contact centre staff handling telephone calls will decrease from 6,900 in 2011-12 to 3,700 in 2014-15.

HMRC's plans to answer 90 per cent of calls

2.3 HMRC's 2012-15 Business Plan states that it aims to answer 90 per cent of all calls received by 2015. HMRC faces challenges to improve performance from 74 per cent in 2011-12 while reducing staff numbers and collecting an additional £7 billion of tax revenue annually by 2015. HMRC has a wide change programme, including projects that aim to maintain and improve customer service with fewer customer-facing staff. The most significant of these are the 'demand management' and 'future service delivery' projects (**Figure 13**). These projects both build on previous recommendations by the Committee of Public Accounts. In 2010, the Committee recommended that HMRC obtain more accurate information on why people call and how far calls are avoidable.²⁰ It has also recommended that HMRC match contact centre staffing levels more closely with fluctuating levels of demand throughout the year.²¹ We also recommended using processing staff more flexibly.²²

¹⁹ Comptroller and Auditor General, *Reducing costs in HM Revenue & Customs*, Session 2010-2012, HC 1278, National Audit Office, July 2011.

²⁰ HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010.

²¹ HC Committee of Public Accounts, *HM Revenue & Customs: Handling telephone enquiries*, Twenty-fourth Report of Session 2009-10, HC 389, March 2010.

²² Comptroller and Auditor General, *HM Revenue & Customs, Managing variations in workloads*, Session 2008-09, HC 507, National Audit Office, May 2009.

Figure 13

Key projects in HMRC's change programme

Key projects in the change programme are aimed at allowing HMRC to maintain customer service with fewer staff

Change project	Project objective	How customer experience will be improved	Approximate full-time equivalents that HMRC estimates could be saved
Demand management	Reduce the need for customers to contact HMRC across all channels by eliminating avoidable contact and migrating contact to online and self-serve options.	Processes will be improved so that customers need to contact HMRC less frequently or can use self-serve or online options, saving them time and money.	3,930
Future service delivery	Aims to increase operational flexibility by redeploying processing staff to answer the phone at peak times. Also to improve processes and develop targeted support for customers who need help.	Customers will be able to get through on the phone at peak times, will have more queries resolved first time and those customers who need help will receive tailored support.	2,660

Source: National Audit Office review of HMRC change programme

2.4 In addition to these projects, HMRC is also working to improve attendance and staff use, broaden contact staff skills so staff can handle a wider range of types of call, improve current systems and processes, and smooth peaks by better controlling changes which lead to increased calls.

2.5 In August 2012, HMRC announced plans to deploy up to 1,000 temporary additional contact centre staff, at a cost of £34 million, to answer a target of 90 per cent of all calls by March 2013, two years earlier than planned. The decision was driven by concerns that public expectations have moved on and the risk of reputational damage without a rapid improvement. These additional staff will be in place until March 2014. After that, HMRC anticipates they will no longer be needed as it will have fully implemented its plans to reduce demand, use resources more flexibly and improve efficiency.

Progress in implementing the plans

2.6 In 2011-12, HMRC successfully reduced calls to advisers by 10.7 million by analysing why customers contact HMRC by phone, identifying avoidable calls, changing processes and eliminating avoidable contact. HMRC aims to eliminate a total of 28 million calls to advisers by 2015. HMRC expects to do this by changing existing processes, accelerating the shift to online services and introducing 'intelligent telephone automation'. This will use voice recognition technology so customers can navigate menus more easily and self-serve by phone. HMRC has also made a good start on its 'future service delivery change project', providing the majority of 2,300 additional flexible contact centre seats by August 2012.

2.7 HMRC has forecast call volumes up to 2015 by making a detailed prediction of demand, considering the potential impact of future business changes as well as its plans to reduce calls to advisers. It also made assumptions about productivity gains and the scope to redeploy processing staff to answer customer calls at peak times. From our own analysis, we have found that if HMRC's assumptions of forecast demand, planned staffing and productivity are correct, HMRC could achieve its target of answering 90 per cent of calls by the end of 2012-13 and through 2013-14.

Plans for redeploying large numbers of processing staff

2.8 HMRC aims to be better able to respond to unexpected surges in demand in the future as it has created the capacity to redeploy up to 2,300 processing staff to answer phone calls.

2.9 By 2014-15, HMRC will have reduced numbers of contact centre staff by around twenty-five per cent to 3,700 and processing staff to 7,000. We estimate that to achieve its target of answering 90 per cent of calls, it will have to redeploy an average of 700 to 800 processing staff throughout 2014-15 and 1,700 to 1,800 staff at peak times. At quiet times, HMRC won't need to redeploy any processing staff and will have surplus contact centre staff available. At peak times, the impact on processing activity of redeploying large numbers of staff could be significant. HMRC told us that it is currently assessing the impact on processing work while processing staff are redeployed and intends to minimise the risk of backlogs by redeploying staff for short periods only. HMRC acknowledges that it must balance between achieving call-handling targets and avoiding a drop in performance in processing work.

Risks and uncertainties in projecting future call volumes

2.10 HMRC has improved its modelling of the number of calls it expects to receive given its assessment of demand and the number of staff available to take calls. HMRC's plans to improve customer service have previously been blown off course when unanticipated events have increased phone call volumes beyond HMRC's capacity, for example the increase in calls HMRC received after implementing the National Insurance and PAYE System (NPS) in 2010. During the first five months of 2012-13, HMRC received more calls than it expected in some weeks following an increase in demand after writing to customers about whether they should file self-assessed income tax returns, and an increase in tax credit callers due to budget changes. The calls in these busy weeks were offset by fewer calls than expected in other weeks, and overall HMRC received the number of calls it expected, but the experience highlights the uncertainty in forecasting call volumes.

2.11 HMRC's forecast of future call volumes includes assessments of the potential impact of business changes, such as changes to child benefit entitlements and introducing 'real time information' on employers national insurance and income tax contributions. However, it acknowledges there is much uncertainty and it has yet to assess the impact of the transition to universal credit.

2.12 While HMRC's project to reduce 28 million calls to advisers by 2015 has made good progress, the remaining calls may prove more difficult to eliminate. HMRC acknowledges that it has already identified and eliminated the 'low-hanging fruit'. As set out at paragraph 1.10, there has been little change in the total number of calls HMRC receives or the number it does not answer as these measures are affected by service levels (such as the number of staff available or time taken to handle calls).

2.13 If HMRC receives more calls than it forecasts, it will need to redeploy further processing staff to answer calls. We estimate that if, in 2014-15, demand is 5 per cent higher than it is currently projecting, it will need to redeploy an average of 900 to 1,000 processing staff during the year, and 2,000 to 2,100 at peak times. HMRC recognises that it needs to refine its plans for 2014-15 and, in particular, needs to assess the impact on processing work of redeploying substantial numbers of processing staff.

2.14 Once it has eliminated low-value contact, HMRC will also have a more complex caseload of phone calls and post. It may need a different skills profile to deal with more complex calls, and call-handling times could increase. HMRC plans to use staff with multiple skills to handle more complex work.

Improving customer service beyond 2015

2.15 HMRC has to make savings of 25 per cent by 2015 and collect an additional £7 billion of tax revenue annually, while improving customer service. Many of the efficiencies it is planning, such as streamlining processes and reducing avoidable contact, will also benefit customers.

Issues a strategy could address

2.16 HMRC is currently focusing on the challenges of sustaining and improving customer service as it reduces the number of customer-facing staff. HMRC has told us that it has begun to think about how it will improve customer service beyond 2015 but has not yet set out a strategy which establishes:

- the level of performance it aims to achieve;
- how it will measure performance, to meet customers' needs and priorities;
- what operational change and investment would be required to achieve this performance; and
- how this will fit with HMRC's other strategic priorities, such as reducing costs.

2.17 HMRC has begun to do more to meet customers' needs and priorities and to build its service around the customer. In particular, it has improved support for key customer groups:

- **Tax agents** told us that HMRC had positively engaged with them following the Treasury Select Committee's recommendations. Agents told us that HMRC's consultation process was an example of something HMRC was doing right. HMRC also aims to transform its relationship with tax agents, and take forward the recommendations we made in our 2010 report, *Engaging with Tax Agents*.²³ Building on the introduction of a dedicated line for agents in 2008, HMRC has introduced agent account managers and training events for agents. HMRC answered more than 90 per cent of calls to the dedicated line in 2011-12. It now aims to provide more self-serve options for tax agents so that they need to contact HMRC less frequently.
- HMRC has significantly increased the level of online services it offers including online registration, filing and other services. In particular, HMRC's 'one click' project is improving the online service for **new businesses and small- to medium-sized enterprises**. It aims to simplify engagement, reduce administrative burdens and improve experience. It has developed an online dashboard so businesses can access information about their tax records all in one place. Online VAT registration will be in place by the end of 2012 and is expected to significantly reduce registration times.
- HMRC introduced a **bereavement helpline** in 2012. Tax agents and charities welcomed this service although HMRC acknowledges that it has more to do to develop this service further. So far in 2012-13, HMRC has answered up to 95 per cent of calls made to the helpline.
- HMRC has also improved the service it offers **benefits and credits customers**. By improving handling of customer queries, between April and June 2012, HMRC reduced the number of progress-chasing calls by 158,000 compared with the same period in 2011. HMRC has also reduced delays in processing claims. For example, between April and October 2012, HMRC reduced the number of claims more than a year old from 8,379 to 5,217.

²³ Comptroller and Auditor General, *Engaging with tax agents*, Session 2010-11, HC 486, National Audit Office, October 2010.

2.18 While many of the tax agents, small businesses and voluntary bodies we consulted identified areas where HMRC has improved its service, they also suggested areas for further improvement (**Figure 14**).

Figure 14
Stakeholder suggestions for improvement

Areas where stakeholders consider HMRC needs to improve

Customer group	Concerns or areas for service improvement
Tax agents	<p>HMRC should:</p> <p>Improve speed and quality of communication by post, phone and email.</p> <p>Improve technical knowledge in contact centre staff so they can deal with complex queries.</p> <p>Improve accountability so that staff are required to see cases through to their conclusion rather than pass them on to other parts of HMRC.</p> <p>Introduce an electronic case management system to make it easier to track the progress of post online to avoid progress-chasing by phone.</p> <p>Introduce self-authorisation to act for clients.</p>
Small- to medium-sized enterprises	<p>Reduce time taken to administer their tax affairs and the cost burden this places on small- to medium-sized enterprises.</p> <p>Reduce time HMRC takes to respond to queries.</p> <p>Improve email contact and ability to submit forms online.</p> <p>Improve the clarity and appearance of HMRC's website.</p>
Voluntary sector	<p>Better design communications to avoid progress-chasing.</p> <p>Improve staff training – contact centre staff working from scripts do not always ask pertinent questions or fully understand a customer's situation and provide an appropriate response.</p> <p>Develop a more informed understanding of the costs customers incur from dealing with HMRC – HMRC needs to be more joined-up to reduce customer costs.</p> <p>Consider, when designing new processes, the accessibility and usability of its systems and communications for customers with disabilities.</p>

Source: National Audit Office analysis

2.19 HMRC recognises that there is more it can do to build its service around the customer. It is starting to consider developing a number of areas where other organisations have found that significant improvements can be made, depending on the availability of investment:

- **Tailoring services.** Most contact with customers occurs at 'life events', for example changes in circumstances relating to marriage, birth of children, start and change of employment and bereavement. Tailoring services and segmenting customer groups so that services meet customers' needs at these points could reduce avoidable contact.
- **Providing services online.** Self-assessment online has shown what is possible, demonstrating there is scope for HMRC to undergo a digital revolution which could make the internet the first-choice means of contact. Around one-third of contacts by phone and post could be removed if customers had access to their records so that they could check them, amend them if necessary and exercise a greater degree of self-service. Tax agents have told us that the usability of existing online forms could be improved. HMRC has a project in its change programme to improve web-based guidance and online forms.
- **Making more use of the information it holds.** HMRC already knows many of the details that it asks customers to provide, for example how much tax an individual has paid. It could offer customers forms pre-populated with the information it already has.

Appendix One

Our audit approach

1 This report provides an independent opinion on whether HMRC's customer service arrangements provide value for money for its customers (taxpayers and claimants). To undertake this study we examined:

- HMRC's performance in meeting its customer service standards and the impact HMRC's current performance has on customer experience (Part One);
- HMRC's plans for maintaining and improving customer service with fewer staff and its strategy for improving customer experience beyond 2015 (Part Two).

2 Our audit approach is summarised in **Figure 15** overleaf. Our evidence base is described in Appendix Two.

Figure 15

Our audit approach

The objective of HMRC

HMRC aims to improve or at least maintain customer service levels (around accessibility, accuracy and timeliness) by 2014-15 as well as reducing running costs by 25 per cent and achieving an additional £7 billion of tax revenue per year.

How this will be achieved

HMRC's plans include additional investment in customer contact staff, implementing demand management measures, improving dedicated services for tax agents and small- to medium-sized enterprises, technological improvements to telephony services and establishing new ways of working so HMRC can be more responsive to changes in demand.

Our study

Our study examined HMRC's performance in meeting its customer service standards and its plans to improve the experience customers have when dealing with HMRC.

Our evaluative criteria

Is HMRC reaching its customer service performance standards?

Does HMRC understand and measure the impact that the service it provides has on customer experience?

Does HMRC have plans for maintaining and improving customer service with fewer staff?

Does HMRC have a strategy for improving customer service beyond 2015?

Our evidence
(see Appendix Two for details)

We carried out a comparative analysis including:

- Performance data analysis of HMRC customer service measures.
- Examination of trend data on HMRC's customer service performance.
- Benchmarking HMRC against other government departments and overseas tax authorities.

We examined the impact on the customer through:

- Secondary analysis of HMRC's research.
- Consultation with representative bodies for tax agents, small- to medium-sized enterprises and the voluntary sector.
- Other external information.
- Analysis of costs borne by the customer.

We analysed HMRC's current plans by:

- Examining internal documentation and business plans.
- Examining HMRC's analysis of contact types and future demand.
- Modelling call volumes and staff numbers.

We examined HMRC's future strategy by:

- Reviewing internal documentation.
- Interviewing staff responsible for overall and group strategies.
- Examining practice and performance in other government departments and overseas tax authorities.

Our conclusions

- HMRC has made efforts to improve performance in a challenging environment.
- Despite improvements, customers are still not getting a good service.
- HMRC has plans to achieve its targets but they are ambitious given previous performance and the need to reduce staff.
- HMRC is considering measures that may form a strategy to improve customer experience beyond 2015.

Appendix Two

Our evidence base

1 Our independent conclusions on whether HMRC's customer service has improved and whether it is delivering value for money were reached following our analysis of evidence collected between April 2012 and November 2012.

2 We applied an analytical framework with evaluative criteria, which considers what level of customer service performance would constitute value for money. Our audit approach is outlined in Appendix One.

3 **We assessed whether HMRC is reaching its customer service performance standards.** To do this, we reviewed data on HMRC's customer service performance measures and analysed how this performance had changed over time. HMRC's main performance indicators to assess customer service are:

- **accessibility** (e.g. telephone call-handling performance). HMRC measures a call as answered if callers hang up during the introductory automated message (in which case it assumes they have the information they need) or if they speak to an adviser. If callers receive a busy message or an engaged tone, or if they hang up while waiting for an adviser to answer, or if their connection is terminated by HMRC at the end of the automated message because the system is too busy, the call is not counted as answered. HMRC includes around ninety-five per cent of calls to contact centres in its analysis;
- **timeliness** (for example, post turnaround times);
- **accuracy** (for example, of advice given over the phone or in letters). To measure accuracy, HMRC reviews a sample of phone calls and letters to check that, for example, security checks have been performed and staff have given advice in line with internal guidance. We looked at HMRC's quality monitoring arrangements as part of our 2010 report on HMRC: *Handling telephone enquiries*.²⁴ In 2011-12, we examined the data systems supporting HMRC's accuracy of work done indicators and found them to be adequate);²⁵ and

²⁴ Comptroller and Auditor General, *HM Revenue & Customs: Handling telephone enquiries*, Session 2009-10, HC 211, National Audit Office, January 2010.

²⁵ National Audit Office, *Information Assurance Summary Reports: HM Revenue & Customs*, August 2012.

- HMRC's customer experience scores, which it measures through a quarterly survey of individuals, SMEs and tax agents.

We also examined:

- costs customers incur when they deal with HMRC; and
- customer complaints, including a review of a sample of complaints received by HMRC.

We compared HMRC's performance against external benchmarks and the targets set by other organisations and the performance they have achieved. We examined:

- industry benchmarks including call-handling performance;
- targets set by other government departments and the performance they achieved; and
- benchmarking work undertaken by HMRC and OECD comparing performance of overseas tax authorities.

4 We assessed the impact of HMRC's performance on customer experience:

- We undertook an examination and secondary analysis of HMRC's customer survey results.²⁶
- We sought views and perspectives of customers through:
 - consultation with tax agents/their representative bodies;
 - consultation with small- to medium-sized enterprises/their representative bodies; and
 - a call for evidence from the representative groups for tax agents and small- to medium-sized enterprises and other customer groups. Customer groups provided written responses to a set of questions about their experiences of HMRC's service.

Groups we consulted included the Association of Accounting Technicians, the Association of Chartered Certified Accountants, the Association of Taxation Technicians, the Chartered Institute of Taxation, the Institute of Chartered Accountants in England and Wales, the Federation of Small Businesses, the Institute of Chartered Accountants in Scotland, the Low Incomes Tax Reform Group, TaxAid and Tax Help for Older People.

²⁶ The HMRC Customer Survey 2011–15 started in the second quarter of 2011-12 and replaced the HMRC Customer Survey 2007–2011. A number of changes were made to the methodology between the surveys, particularly around sample coverage. The impact on results of these changes has been modelled by HMRC and the data from the 2007–2011 survey have been amended to make the results consistent across the surveys. Therefore amended scores should be treated as an estimate. Further detail on the methodology for revising calculations and more technical information about the survey and the calculation of the measure are available in a paper published on the HMRC website: Available at: www.hmrc.gov.uk/research/cust-exp-2010.pdf

- We analysed the impact of customer service performance on customer costs. In particular, we calculated the costs customers incur when they phone HMRC. The analysis took into account the average time customers spend waiting for their calls to be answered, the average length of HMRC's information messages and average call length. We modelled how changes in the way HMRC operates would impact on customer costs, for example reducing waiting times and eliminating calls which are of low value to HMRC and the customer. The cost calculation comprised two elements:
 - The value of the customer's own time, which is lost if they spend time waiting for their call to be answered. In its investment appraisals HMRC values customer time at 25p per minute. This figure is based on assessing the time value of the range of customer HMRC deals with including individuals, taxpayers, benefits claimants and tax agents. We also carried out the analysis using alternative assumptions, for example in their assessments, some other government departments value customer time at 15p per minute.
 - The direct call charges that customers incur, which depend on the contract they have with their telephone providers. Following consultation with HMRC, our analysis drew on research undertaken by Ofcom into the different phone tariffs available and the proportions of customers using them.²⁷

5 We examined whether HMRC had plans to maintain and improve customer service with fewer staff:

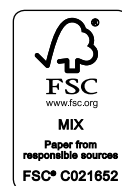
- We reviewed HMRC's business cases and supporting analysis. In particular, we examined planning documents and analysis relating to HMRC's Demand Management and Future Service Delivery change projects.
- We examined HMRC's analysis of contact types and reasons and management information on avoidable contact, analysis of future demand levels, HMRC's assumptions and how HMRC's previous forecasts compare to actual demand.
- We also developed our own model of call volumes and staff numbers to test HMRC's modelling assumptions. We analysed HMRC's previous performance in handling telephone calls, examining parameters such as call volumes, numbers of staff, underlying demand and the percentage of calls answered. We used this analysis to project performance between 2012 and 2015 given HMRC's projected staff numbers and forecast of demand. We tested the robustness of HMRC's plans by calculating the number of staff HMRC would need to redeploy from other areas of its business. We examined alternative scenarios, for example where call demand was 5 per cent higher than HMRC's forecast.

6 We examined whether HMRC had a strategy for improving customer experience beyond 2015:

- We undertook interviews with HMRC staff responsible for its future strategy including HMRC's Director General of Personal Tax, as well as senior staff responsible for customer strategy and change programmes in HMRC's Personal Tax, Business Tax and Benefits & Credits business areas. We also visited HMRC's contact centre operations in Birmingham, Cardiff and Manchester to gain an understanding of the steps HMRC is taking to improve telephone call-handling performance.
- We examined the targets used to measure customer service performance in other government departments and overseas tax administrations. We consulted the New Zealand tax authority on the action it had taken to improve customer service.

7 In order to obtain expert opinions on industry best practice in customer service we consulted with reference partners in Deloitte's Multi-Channel Customer Service practice. The role of the partner was to review and discuss our:

- detailed methodology and plans for the study; and
- emerging findings, conclusions and recommendations.



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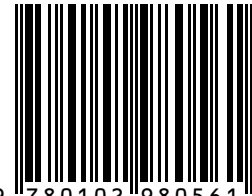
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