



House of Commons
Committee of Public Accounts

HM Revenue and Customs: Handling telephone enquiries

Twenty-fourth Report of Session
2009–10

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

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Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Contacting the Department by telephone	7
2 Getting the correct advice by telephone	10
3 Achieving efficient telephone operations	12
Formal Minutes	14
Witnesses	15
List of written evidence	15
List of Reports from the Committee of Public Accounts 2009–10	16

Summary

Every year millions of people telephone HM Revenue & Customs (the Department) to seek help or information about their tax affairs or entitlement to tax credits and benefits. The Department's telephone services are likely to become increasingly important as it encourages people to use cheaper forms of contact, such as telephone and online services, and make less use of face-to-face and postal contact.

The Department's performance in responding to calls has been poor. In 2008–09, the Department answered only 57% of the 103 million calls to its main helplines, compared to an industry standard of 95%; callers waited on average two minutes, and nearly four minutes in peak periods to speak to an advisor; and yet contact centre staff spent only 38% of their time handling calls against an industry benchmark of 60%.

The Committee recognises that the Department is taking steps to improve its performance but considers that it should be more ambitious. The Department has set a target to answer more than 90% of calls by March 2012, but achieving this would still fall short of best practice. It could do more to reduce the confusion caused by having 139 telephone numbers and to reduce the costs of calling the Department. In addition, it is piloting a call-back service on Child Benefit, but the pilot excludes Tax Credits claimants, a group who might benefit significantly from such a service.

6.8 million calls failed the Department's accuracy checks in 2008–09 because advisors did not follow the Department's guidance and procedures, but the Department does not know how often the advice it provides by telephone is actually incorrect.

The Department could be far more efficient in using contact centre staff time, in particular by eliminating the 11% of time that is spent by advisors waiting for calls and in reducing levels of sickness absence. It could also match staffing levels more closely to levels of demand, as the number of calls fluctuates significantly around key statutory deadlines during the year. There are also significant opportunities to reduce costs and improve its responsiveness by reducing the number of unnecessary calls. The Department estimates that 35% of calls are avoidable, often from people seeking to clarify information they had received which they did not understand, or chasing progress on items being processed in other parts of the Department.

In developing its telephone services the Department should not retreat so far from other forms of contact, such as face-to-face meetings, that more vulnerable customers, who are less likely to want to use the telephone or online services, are effectively marginalised.

On the basis of a report by the Comptroller and Auditor General,¹ the Committee examined the Department on: how easy it is for customers to contact the Department by telephone and obtain the correct advice; and the efficiency of its telephone operations.

1 C&AG's Report, Session 2009–10, *HM Revenue & Customs: Handling telephone enquiries*, HC 211

Conclusions and recommendations

- 1. Although the Department has achieved recent improvements in answering telephone calls, its performance remains well below industry best practice standards. Its target to achieve, by March 2012, a standard of answering 90% of calls also falls short of best practice.** It should commit to achieving by March 2012 the industry best practice standard of answering at least 95% of calls.
- 2. People have to wait too long to speak to an advisor when they call, creating frustration and unnecessary costs for callers.** Callers have to wait on average two minutes, and nearly four minutes during peak periods, before they speak to an advisor, compared to the public sector benchmark of up to one minute. The Department should introduce an additional target for achieving this benchmark by 2012.
- 3. The Department uses 139 telephone numbers. It plans to reduce this number, but it could do more by reducing the costs of contacting the Department by telephone.** The Department plans to reduce the telephone numbers it uses for Income Tax in 2010, and has committed in principle to moving any new services to price-capped '03' numbers. It should review and rationalise the remaining helplines, textphone numbers and orderline numbers, and decide which helplines should be free to call. It should also move new and existing services to '03' numbers unless there is an overriding case for not doing so, such as significant extra costs for customers or the Department.
- 4. The Department is piloting a call-back service for more vulnerable customers on the Child Benefit helpline. The pilot does not cover Tax Credits helplines, although many claimants, being on low incomes, might benefit most from such a service.** The Department should extend its piloting of call-back technology to include Tax Credits phone lines, so that decisions about providing such a service are informed by a fuller understanding of the benefits to those most likely to use it.
- 5. The Department does not know how often it gives incorrect advice by telephone, or its likely effect on peoples' tax assessments, credits and benefits.** 6.8 million calls failed the Department's internal accuracy standard in 2008–09 but the test used does not distinguish between failure to follow Departmental guidance and procedures and failure to provide correct advice. The Department should reduce the number of calls that fail its accuracy standards. It should also identify how often incorrect advice is actually given, its consequences and how to prevent this happening.
- 6. The Department could make far more efficient use of contact centre staff time and thereby improve the service it provides.** Staff spent only 38% of their time handling calls or on follow-up work compared to the industry best practice benchmark of 60%. The Department should match staffing levels more closely to the fluctuating levels of demand throughout the year. While the Department has achieved some success in reducing sickness absence, it should reduce this further to at least match the average level achieved in the private sector of 4%.

7. **The Department is not doing enough to realise savings from reducing avoidable calls.** The Department estimates that 35% of calls received are avoidable and plans to make savings by reducing these by 50% by March 2011, but it does not have a good understanding of why people call unnecessarily in the first place. The Department should obtain more accurate information on why people call and the extent of calls which are avoidable. It should produce a robust assessment of the reduction in avoidable calls it will achieve by March 2011 and the associated cost savings.

1 Contacting the Department by telephone

1. In 2008–09, HM Revenue & Customs’ (the Department’s) contact centres answered around 62 million telephone calls. Fifty-nine million of these calls (95%) were handled by the 19 contact centres run by the Customer Contact Directorate (the Directorate),² which operate the helplines for the main taxes, Tax Credits and Child Benefit. The remaining three million calls were handled by contact centres run by individual business areas such as Debt Management and Banking. A further 16 million calls were handled by other parts of the Department. In recent years the number of calls has been rising as the Department has encouraged people to contact it by telephone and to complete transactions such as Tax Credit renewals by telephone. Its strategy is to direct people to the form of contact that meets their needs at the lowest cost to them and the Department. It aims eventually for the majority of customers to use self-service telephone and online communications.³

2. The Directorate’s performance in answering calls has fluctuated over the years but has remained well below the industry best practice standard of answering 95% of calls (**Figure 1**). In 2008–09, it answered only 57% of the 103 million calls to its main helplines, below its own target of 63%. Recognising this performance was unacceptable, the Directorate took steps during 2009 to improve its performance. In the 10 months to January 2010, it answered 77% of calls on average, a level of performance it expected to maintain to the end of 2009–10. In some weeks, 96% of calls had been answered, but the volume of business meant that it was difficult to sustain this level of performance over the year. The Directorate had however improved its response rates in the peak periods for Tax Credit renewals and filing of Self Assessed Income Tax returns (**Figure 2**). It has set a target that by March 2012 it would be answering over 90% of telephone calls and has introduced a change programme to achieve this target.⁴

Figure 1: The Customer Contact Directorate’s performance 2005–06 to January 2010

Year	Call attempts answered (%)
2005–06	37
2006–07	68
2007–08	71
2008–09	57
April 2009– January 2010	77

Source: Q 2; C&AG’s Report, Figure 4

2 Unless otherwise stated, performance data in this report refers to the Customer Contact Directorate.

3 Q 71; C&AG’s Report, paras 1.1, 1.5 and 1.8, Figure 3

4 Qq 2 and 85; C&AG’s Report, paras 5, 6 and 2.4, Figure 4

Figure 2: The Customer Contact Directorate's performance during peak periods

Peak	Month	Call attempts answered (%)
Tax Credit renewals	July 2008	33
	July 2009	68
Income Tax Self Assessment returns	January 2009	61
	January 2010	72

Source: Q 3; C&AG's Report, Figure 3

3. In 2008–09, customers had to wait two minutes, on average, before they spoke to an advisor, and up to nearly four minutes in peak periods. This compared unfavourably with the Contact Council's benchmark for public sector contact centres of answering calls within one minute; and with the industry best practice benchmark of answering 90% of calls within 10 seconds. The Department accepted that it needed to reduce waiting times but considered that an acceptable waiting time did depend on the nature of an organisation's business. It explained that automatic redialling could inflate the number of calls by up to 200%, which could lead to increased waiting times as well as giving an inaccurate impression of the actual number of people calling.⁵

4. The Department operates 139 '0845' telephone numbers, including 14 textphone numbers, seven orderline numbers for forms, and five online services numbers for different taxes and benefits. The large array of numbers can make it difficult for some people to find the right number to call and for the Department to keep its forms, letters and weblinks up to date. Recognising it had too many telephone numbers the Department planned during 2010 to eliminate 70 numbers following the introduction of its new Pay-As-You-Earn computer system. The new system removed the need to have different telephone numbers for Income Tax enquiries relating to different tax districts.⁶

5. The cost to the customer of making an average length call to the Department on its '0845' numbers ranged from being free to 50 pence on a standard landline, and to more than £3 on a mobile telephone. It is not straightforward to calculate the cost of calling '0845' numbers, although it is generally more expensive on mobile telephones than on landlines, especially for those using 'pay-as-you-go' mobiles, and research by Which? and OFCOM found that consumers were concerned about the cost of calling '08' numbers. In October 2007, OFCOM introduced '03' numbers which cap the cost of calls to the same rate as '01' and '02' numbers, enabling greater transparency about the maximum cost of calls. The Department has committed in principle to using '03' numbers for any new services. Moving existing services could involve extra costs for some customers and the Department.⁷

5 Q 86; C&AG's Report, paras 2.7 and 2.13

6 Q 15; C&AG's Report, paras 2.1 and 2.2

7 C&AG's Report, para 2.11 and 2.12

6. The Department for Work and Pensions provided a free '0800' number for customers applying for Jobseeker's Allowance by telephone because applicants were required to go through a structured interview which could last up to an hour. HM Revenue & Customs (the Department), however, only provided an '0800' number on its hotline for gathering intelligence about possible tax fraud and evasion.⁸

7. The Department recognised that '0845' numbers could place a disproportionate financial burden on low income groups. It had to strike the right balance between the cost to the Exchequer of providing free telephone services, and reducing that cost by requiring those who could afford to pay to do so via '0845' numbers. The Department told us that, as over 90% of the calls it received about Child Benefit and Tax Credits were less than 10 minutes in length, its profile of calls from customers on low incomes was very different from that of the Department for Work and Pensions. The Department used a number of suppliers for its telephone services and it was planning to review the current contracts in 2010 when it would consider the issue of how the cost burden should fall for different customer groups.⁹

8. The Department's contact centres only call customers back occasionally. The Department for Work and Pensions and local authorities such as Bristol City Council provided callers with the option to be called back at a specified time if they did not want to wait in a telephone queue. Such a facility was particularly helpful for those on low incomes. The Department was currently piloting a call-back facility on its Child Benefit helpline, which received 4 million calls in 2008–09. In comparison, the Tax Credits helpline received 23 million calls in 2008–09.¹⁰

8 Qq 17 and 78

9 Qq 16–18, 79 and 84

10 Qq 65–68 and 71; C&AG's Report, para 2.14, Figure 1

2 Getting the correct advice by telephone

9. The Directorate used a range of measures to monitor the quality of advice provided to callers and help develop the competency of staff in providing advice. These include customer satisfaction surveys and a quality assurance process that checks a sample of individual calls. Its quality assurance work measures the quality of advice provided against three criteria: the accuracy of advice given in terms of adherence to prescribed call scripts and procedures; proper use of the security process to check the caller's identity; and the correctness of follow-up action. In 2008–09, around 6.8 million (11%) of calls handled by the Directorate failed the accuracy check as the call script and procedures were not followed in full. In the same year, 6% of calls failed the checks on security and on follow-up action.¹¹

10. The accuracy check is based on testing whether the advisor has followed in full the pre-determined script. Failure to follow the script exactly will mean the call will fail the accuracy check but the customer may nevertheless still receive the correct advice.¹² Consequently the Department did not know how often inaccurate advice was given to callers or the nature of that incorrect advice. In 2008–09, one-quarter of complaints received by the Directorate related to incorrect advice, and the Department recognised that providing incorrect advice was not acceptable. The Chartered Institute of Taxation, however, had expressed concern that the level of incorrect advice could be as high as 80% in more complex cases.¹³

11. Customers can ask for the information provided during a call to be reviewed if they believe they have been misadvised. Except where specifically provided for by statute, customers have no legal entitlement to financial redress for mistakes made by the Department. The Department confirmed that it operates an ex-gratia policy under which, if a customer could show they had incurred an actual financial loss as a result of a mistake by the Department, it would consider offering redress for that loss, in line with Cabinet Office guidance. In the interests of natural justice and as a gesture of goodwill, it would also consider making a small payment to compensate people who had suffered significant worry or distress as a result of a mistake the Department had made.¹⁴ But the Department could not guarantee that it would never impose a penalty or sanction on individuals who had received inaccurate advice from the Department and acted upon it. This was because the Department's primary duty was to collect the right amount of tax as required by statute. In some circumstances, this might mean it could no longer be bound by the advice it had given, for example, if the customer provided incorrect or incomplete information when requesting advice from the Department, or if the relevant law or its interpretation had changed. The Department would, however, be bound by information or advice it gave which was incorrect in law, provided it was clear and explicit, and the customer could show that: they reasonably relied on the advice; where appropriate, they made full disclosure of

11 Q 23; C&AG's Report, paras 3.1, 3.3–3.4 and 3.10

12 Qq 4 and 20; C&AG's Report, para 3.10

13 Qq 25 and 29–31; C&AG's Report, para 3.10; Ev 13

14 Qq 26–27 and 40; Ev 12

all the relevant facts; and the application of the statute would result in their financial detriment.¹⁵

15 Qq 35-40; Ev 12

3 Achieving efficient telephone operations

12. In 2008–09, the Directorate spent an estimated £405 million on running its contact centres of which £223 million was on staff. In practice only 38% of advisor time was spent directly on handling calls or follow-up work, compared with an industry best practice standard of 60%. Eleven per cent of advisor time was spent waiting for calls. The Department acknowledged that it had more to do to design the work and processes of its telephone-based operations and use technology to ensure contact centre staff spend most of their time dealing with calls. The range and complexity of the advice provided by telephone also meant that contact centre staff spent on average six weeks training compared to an average of two weeks in the private sector. The peaks and troughs of demand created by statutory tax deadlines and static staff numbers meant that the proportion of time staff spent directly on handling calls or follow up work could fluctuate significantly from one month to the next. For example, in January 2009 when the Department received over 10 million calls, staff spent 47% of their time on this type of work, but only 27% in December 2008 when it received around four million calls.¹⁶

13. Better scheduling of staff to meet fluctuating demands, greater emphasis on reducing unscheduled breaks and on reducing sickness absence would all contribute towards improving staff utilisation. In 2008–09, the sickness absence rate amongst Directorate staff was 6%. Sickness absence had fallen 14% in 2009–10 and the Department's target was to reduce it by at least a further 10% in 2010–11, although that would still be higher than the private sector average of 4%.¹⁷

14. Achieving more efficient telephone services also depended on how well the Department managed caller demand, including reducing avoidable calls. The Department estimated that 35% of calls to its contact centres were avoidable, with an estimated cost of up to £75 million. The Department planned to reduce avoidable calls by 50% between April 2008 and March 2011. To date, it had reduced such calls by 27%. The Department needed more accurate information on why people called to better identify the scope for reducing avoidable calls. It had started to use a call classification system to gather information on why calls were made, and to ask staff to identify avoidable calls they received. In this way, it could identify changes needed in its business practices that would avoid the need for such calls. For example, feedback from advisors had revealed that a letter it sends out each year to people joining Income Tax Self Assessment was confusing. By changing the letter it had eliminated 88,000 calls which would save the Department £447,000 a year.¹⁸

15. Encouraging people to make greater use of self-service telephone and online options, which did not require speaking to an advisor, was part of reducing avoidable calls. The Department had introduced messages on certain telephone lines to provide basic information or to alert callers that they needed specific information to hand before proceeding. Between April and July 2009, 350,000 people phoning to renew their Tax

16 Q 5; C&AG's Report, para 1.2, Figures 2 and 10

17 Q 8; C&AG's Report, para 4.13, Figure 10

18 Qq 6, 14 and 75; C&AG's Report, paras 19 and 4.3–4.4

Credits rang off before speaking to an advisor after hearing a message about needing to have their previous year's income to hand. The Department needed to improve its processes further so that other forms of contact did not generate unnecessary telephone contact and it was easy for people to understand when and how they should engage with the Department. For example, a significant number of calls were from people seeking to clarify the purpose of letters received which had been sent to provide information only and required no action, and seeking to find out what progress had been made on items being processed by the Department.¹⁹

16. The Department expected that encouraging people to make more use of cheaper forms of contact such as telephone and online services, and less use of postal and face-to-face contact, would allow it to reduce in size as an organisation.²⁰ We recently recommended in our report *HM Revenue and Customs: Dealing with the tax obligations of older people*, that the Department should not put at risk the access to face-to-face contact that vulnerable groups need.²¹ In moving people to cheaper forms of contact, the Department considered that many were happy to contact the Department by telephone, but recognised that some people, particularly among more vulnerable groups, would always prefer face-to-face contact. The Department was looking for this shift to free up the capability to provide more intensive support, including face-to-face contact to those who would still need it.²²

17. More widely, the Department was considering the future arrangements for its office network and the size and deployment of its workforce, in order to achieve necessary efficiency savings.²³ The Department remained committed to maintaining a face-to-face advice service at or near its current Enquiry Centres, but the way it delivered this service might change. This might involve shorter opening hours or part week opening. It was also looking at alternative ways of delivering services, such as working with third parties to provide the right type of services for more vulnerable groups, including maintaining the capability to offer face-to-face contact where appropriate.²⁴ For those staff affected by planned office closures, the Department would seek first to redeploy staff within their existing area of business, then to another part of the Department or, if either of these options were not possible, to another government department. The Department acknowledged that travelling distance was an issue for some staff, which could affect whether redeployment to another office was a realistic option. It planned to offer redundancy packages to staff who could not be redeployed.²⁵

19 Qq 6, 13–14, 76 and 80; C&AG's Report, para 4.3

20 Qq 9, 50, 52 and 56

21 The Committee of Public Accounts, Eleventh Report of Session 2009–10, *HM Revenue & Customs: Dealing with the tax obligations of older people*, HC 141

22 Qq 11–12, 64, 81 and 83

23 Qq 41, 56 and 74

24 Qq 12, 74 and 83; Letter from HM Revenue and Customs dated 13 January 2010

25 Qq 43–44, 46, 48–49 and 58–59

Formal Minutes

Wednesday 17 March 2010

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Mr Ian Davidson

Nigel Griffiths

Rt Hon Keith Hill

Mr Austin Mitchell

Rt Hon Alan Williams

Draft Report (*HM Revenue and Customs: Handling telephone enquiries*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations 1 to 7 read and agreed to.

Resolved, That the Report be the Twenty-fourth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Monday 22 March at 4.30 pm]

Witnesses

Monday 22 February 2010

Page

Ms Lesley Strathie, Permanent Secretary and Chief Executive, **Mr Nick Lodge**, Director, Debt Management and Banking, and **Mr Chris Hopson**, Director, Customer Contact, HM Revenue and Customs

Ev 1

List of written evidence

1	HM Revenue and Customs	Ev 11
2	The Chartered Institute of Taxation, Low Incomes Tax Reform Group (LITRG)	Ev 13
3	Public and Commercial Services Union	Ev 16

List of Reports from the Committee of Public Accounts 2009–10

First Report	A second progress update on the administration of the Single Payments Scheme by the Rural Payments Agency	HC 98
Second Report	HM Revenue and Customs: Improving the Processing and Collection of Tax: Income Tax, Corporation Tax, Stamp Duty Land Tax and Tax Credits	HC 97
Third Report	Financial Management in the Foreign and Commonwealth Office	HC 164
Fourth Report	Highways Agency: Contracting for Highways Maintenance	HC 188
Fifth Report	Promoting Participation with the Historic Environment	HC 189
Sixth Report	Train to Gain: Developing the skills of the workforce	HC 248
Seventh Report	Young peoples sexual health: the National Chlamydia Screening Programme	HC 283
Eighth Report	Department for International Development: Aid to Malawi	HC 282
Ninth Report	The procurement of legal aid in England and Wales by the Legal Services Commission	HC 322
Tenth Report	Services for people with rheumatoid arthritis	HC 46
Eleventh Report	HM Revenue and Customs: Dealing with the tax obligations of older people	HC 141
Twelfth Report	Maintaining financial stability across the United Kingdom's banking system	HC 190
Thirteenth Report	Excess Votes 2008–09	HC 360
Fourteenth Report	Department for Transport: The failure of Metronet	HC 390
Fifteenth Report	Equality and Human Rights Commission	HC 124
Sixteenth Report	Regenerating the English Coalfields	HC 247
Seventeenth Report	Department for Business, Innovation and Skills: Venture capital support to small businesses	HC 271
Eighteenth Report	Vehicle and Operator Services Agency: Enforcement of regulations on commercial vehicles	HC 284
Nineteenth Report	Improving Dementia Services in England—an Interim Report	HC 321
Twentieth Report	Department for Work and Pensions: Management of Benefit Overpayment Debt	HC 444
Twenty-first Report	The Decent Homes Programme	HC 350
Twenty-second Report	The sale of the Government's interest in British Energy	HC 356
Twenty-third Report	Ministry of Defence: Major Projects Report 2009	HC 338
Twenty-fourth Report	HM Revenue and Customs: Handling telephone enquiries	HC 389

Oral evidence

Taken before the Committee of Public Accounts on Monday 22 February 2010

Members present:

Mr Edward Leigh, in the Chair

Angela Browning
Mr David Curry

Mr Austin Mitchell
Mr Don Touhig

Mr Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General and **Jane Wheeler**, Director, National Audit Office, were in attendance.

Ms Paula Diggle, Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL HM REVENUE & CUSTOMS: HANDLING TELEPHONE ENQUIRIES (HC 211)

Witnesses: **Ms Lesley Strathie**, Permanent Secretary and Chief Executive, **Mr Nick Lodge**, Director, Debt Management and Banking, and **Mr Chris Hopson**, Director, Customer Contact, HM Revenue & Customs, gave evidence.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts. Today we are considering the Comptroller and Auditor General's Report on *HM Revenue & Customs: handling telephone enquiries*. We welcome back to our Committee Lesley Strathie, who is the Chief Executive at HM Revenue & Customs. Would you like to introduce your colleagues, please?

Ms Strathie: Good afternoon, Chairman. On my left I have Chris Hopson who is the Contact Centre Director. That is for main telephone operations in HMRC. On my right I have Nick Lodge, who is the Director of Debt Management and Banking, which is another key part of our telephone-based operations.

Q2 Chairman: Perhaps we can start on general performance, particularly as it compares with the private sector. If we look at 2.8, we can see, Ms Strathie, that your performance has been fairly up and down. When are you going to achieve a consistently high standard?

Ms Strathie: I think, as I have explained to the Committee in the past, we would see achieving 90% of all calls answered, the industry standard, as being our aspiration. The only hope we have of ever achieving that is if we can manage the demand side out because there is no way that you could meet all of the customers, the entire population of the United Kingdom, on a telephone-based operation. What I would say is that the NAO Report recognised the big improvement in the first half of the operational year, following the period to which the Report relates, and we are now, for example, at the end of January, achieving an average of 77% of calls answered against 55% last year. So we have still got a way to go, but in some weeks we are achieving as high as 89%.¹ It is just

the sheer amount of business and business change that is going through the business makes it difficult to hit that every week.

Q3 Chairman: Obviously it is more difficult for you in January when people are rushing to get their tax returns in and we see in paragraph 2.4 that your performance fell significantly in January 2009. I do not suppose that is entirely surprising. But what happened last month, for instance? Can you give us an update?

Mr Hopson: We answered 72.2% of our phone calls compared to 61% the previous year, so we have continued to show a good year-on-year improvement.

Q4 Chairman: You have your own accuracy standards and they are mentioned in paragraph 3.10, but for nearly seven million calls you did not meet your own accuracy standards. Why not? After all, you set these standards so surely you should meet them?

Ms Strathie: These are industry quality standards and I absolutely accept those figures. I think it is important to put them in context because the test is one of following the exact script in every part of detail. So, for example, if the script says "Ask the customer for their name and the child's name and the child's date of birth" and one of my agents did not ask the child's date of birth but still dealt with the customer satisfactorily, that would fail our quality standards because they have not followed the prescribed process. We want to drive to a point that we are meeting that quality standard because every contact that we have with our customers is an opportunity to get our data quality right.

Q5 Chairman: I want to ask you next why your staff are spending so little time actually dealing with customers compared with the private sector? Shall

¹ Note by witness: Figure corrected to 96%

we look at figure 10 on page 29 where we see that handling calls and follow-up work (staff utilisation rate) 38% HMRC; private sector, 60%. It is not very good, is it?

Ms Strathie: No, it is not, I would accept that, but before we just jump to the conclusion that HMRC's staff do not work hard enough, I think it is important to say that if you move work to a telephone-based operation then you have to start with the processes and your customer behaviour and customer insight to design the work and the technology in a way that people who are employed to be contact centre staff spend the vast majority of their time on contact. The Report shows that we have a way to go on that.

Mr Hopson: I think there are some particular complications for our contact centre operation. One of them is the fact—and you will see it from figure 10—that we train our staff on average for six weeks compared to a private sector average of two weeks. That is partly to ensure that we get the right quality of response that you have already mentioned but also, given the nature of the business. We also have a business in which the volumes of calls coming in are very much in peaks and troughs. If I give you an example: in January 2009 we had staff utilisation of 47% but if you go back to the previous month, which is one of our lowest volumes of demand, the utilisation fell to 27%. It is partly about the nature of the fact that we have these big peaks and troughs of demand related to the tax year deadlines.

Q6 Chairman: First of all, you could manage for that but, secondly, why for instance do your staff spend 11% of their time waiting for calls? That is in this figure 10 as well. That does not show very good man management or lady management to me.

Ms Strathie: I think that is the challenge. We want people there, especially when they are skilled staff that we have invested that amount of time in, taking customer contact. The Report shows the scope that we have for efficiency but we have to do it in the totality of our business volumes, and that will mean, as we do for other modernisations of HMRC, that we need to move much, much more through self-service for those who are willing and able to do that and to be able to take work off the telephone that at the moment is either no value or low value, if our customers can comply with our processes in a way that does not require telephone contact.

Q7 Chairman: For instance, why have you got a sickness rate of 6% compared to the private sector at 4%?

Ms Strathie: I missed the end of that.

Q8 Chairman: There is a sickness rate here in figure 10 of 6% compared to the private sector which has 4%. Have you a plan to reduce sickness absence?

Ms Strathie: Yes, we have, and would you like to say what you have already done.

Mr Hopson: We are taking action to reduce sickness absence. It is down by 14% this year. If we get to the minimum target that we are aiming for next year of 10%, that means we will have reduced our sickness by 35% over five years, so we are making good progress. It is still too high. Clearly my management team and I would like it to be at the private sector average but it is coming down and coming down really pretty rapidly.

Q9 Chairman: You are obviously encouraging people now to move on-line and to ring you up rather than have face-to-face contact, so what savings are you expecting to make as a result of this campaign?

Ms Strathie: The total package of savings—and we are on track to deliver this—for HMRC by the end of the year 2010–11 is £754 million in savings. At the moment we are working through the savings we expect to deliver for the three to four years after that.

Q10 Chairman: What worries me about all this is that you use committees like this as an excuse for moving away from face-to-face contact. My local tax office in Gainsborough is closing and my colleagues have problems all around the country. There are many people who want face-to-face contact. They may be elderly people or people who are not comfortable with the internet. They may be neither elderly or they even may be comfortable with the internet but they want to have face-to-face contact, so I do not want you to use this Committee as an excuse to end your face-to-face contact with the general public. After all, these are their own tax affairs, this is their money, these issues are very complex; they do not always want to be talking to machines.

Ms Strathie: Chairman, I would not use this Committee as an excuse for anything.

Q11 Chairman: I bet you would not!

Ms Strathie: But I can tell you right across all of our customer groups, particularly older people, the number of customers who say their preferred channel to deal with this is the telephone is in excess of 60%.² We regularly are taking the temperature with our customers for that. I recognise that there are some people who will always prefer face-to-face but they might not necessarily want to get on a bus or a train to have that face-to-face contact; there are people that do. I think it is a challenge for the totality of HMRC's business and the cost of administration that we move as much as we can to self-serve and cheapest cost to serve for those who are able, if we are going to free up the capability to be able to deal with those people who need more.

Q12 Chairman: The other thing that worries me about particularly the Inland Revenue, which used to be one of the best run departments in the

² Note by witness: While the overall customer preference for the telephone lies between 59%-65%, for some customer groups, particularly those receiving benefits and credits, the preference for the telephone is significantly higher.

22 February 2010 HM Revenue & Customs

country, was that you knew your local tax inspector, you had a local tax office, you could visit and you could ring them. Now everything is done on the basis of efficiency drives. You have created national customer contact centres so you are dealing with strangers, you are waiting for your call to be answered. Are you actually providing as good a service as you used to?

Ms Strathie: I cannot speak for the old Inland Revenue because it seems a long time ago and I had no dealings with it. I can say that it is a big change and the strategic review that we have done in the Department means that we have revisited all of those plans, as you know, and we have consulted on which offices we close and we have consulted on alternative service delivery models, but if you just take how many people are able to self-serve in self-assessment—and we had another 12% increase this year in January—that is an enormous shift of over seven million³ people who are able to operate that system easily. People with complex tax affairs need to employ tax agents to do that. The challenge for us is what we put through the phone and what would we still use paper for and when do people still need face-to-face contact. We do take the feedback from our customers and there is a very low requirement for face-to-face contact relative to the tens of millions of people with whom we engage.

Chairman: Thank you very much. Angela Browning?

Q13 Angela Browning: Ms Strathie, moving people to use on-line tax returns is obviously going to help you and we have discussed this in previous sessions here. Can I draw your attention to people who have been making their self-assessment returns in the last few months for the tax year 2008–09, which they would have been filing in 2009. I do not do that myself, because for some weird reason MPs cannot file on-line, but my husband files his on-line and he is a former accountant. He informs me that when you come to do this, there are problems with the software still that require him then to make a phone call, and when he makes a phone call he is openly told by your staff that, oh yes, there is something that still needs to be modified on the software package which would have enabled him to have completed it on-line and he needs to be guided through that software glitch. How carefully have you looked at the experience of the software because that would have avoided the phone call in the first place? I think there is an issue there which would avoid a few phone calls on self-assessment?

Ms Strathie: I shall take that away.⁴ From time to time we have had some problems with the software that we supply that people use for doing the assessments inside the overall assessments and calculations. I am a user myself, I have filed on-line, and I have to say this year we have had nothing but positive feedback from people's experience of that. We do, however, require people to phone us when

they are new users because obviously we have got to balance security and giving people a pass through, but we will take that away.

Q14 Angela Browning: He is not a new user. It is just that when he has phoned they have said immediately, "Oh yes," and immediately they know what the problem with the software is and they will then guide him on through it. Thank you. Just moving on from there to reducing avoidable contacts of which that is one: the Department estimates, according to the NAO Report that around 35% of contacts to its contact centres are avoidable. I just wonder how you are actually going to go about reducing that 35%?

Ms Strathie: Chris will probably come in on this but, essentially, the balance we have is between giving people a telephone number if they do not understand the communication we have sent them, if they have difficulty getting themselves round the web site, and asking people to take certain actions before they do, and removing telephone contact numbers so that it is not easy to phone us, but leaving people in real need in difficulties. Quite a large proportion of our telephone calls are from people whom we have actually asked not to contact us, they have no need, we have simply told them, "This is what we are required to tell you," but they prefer to phone up just to check, so there is a trust issue there that we have to work on.

Mr Hopson: We have shamelessly stolen from the private sector in terms of identifying people who are best at reducing demand, and what we have done is put in place a call classification system that enables us to identify which calls are avoidable and which calls therefore, if we focused on changing things, we could eliminate. We have then used our most important resource, which is our staff, and we have asked them to identify every time they come across a call that they think might be avoidable to send us a postcard that says, "This is an example of a call that is avoidable," and then we are working through all of the changes that need to be made. I can give you a very specific example. We send out a letter every year to those people who are joining self-assessment for the first time. We send out 622,000 of those letters and it was very clear from our advisers' feedback that there was one particular element of the letter that was confusing people, so we have now changed that letter on the basis of our advisers' feedback and we have eliminated 80,000 phone calls, which will save us £447,200 a year, so it is a combination of call classification but also using our advisers' expertise.

Q15 Angela Browning: Thank you. Do you think the fact that you have 139 customer facing 0845 numbers, half of which I understand relate to taxation alone, are really necessary?

Mr Hopson: No it is not, and it is partly an accident of history. The way that our previous PAYE computer system worked is that we were linking each number to each tax district so, in other words, if you were a customer of a particular tax district

³ Note by witness: Figures corrected to six million

⁴ Ev 11

you had to ring a particular number which then went through to a particular contact centre to be able to answer that particular question. We now have a new computer system that we introduced last year which means that any one of our tax advisers can take any PAYE phone call, and later on this year we will be eliminating 70 of those phone numbers, all of the multiple tax district phone numbers, to come down to a single number. We will be doing that this year but we were only able to do so as a result of introducing the new national PAYE Service computer service last year.

Q16 Angela Browning: We have had a very helpful analysis of the NAO Report from the Chartered Institute of Taxation from their Low Incomes Tax Reform Group. I expect you have seen the paper. I wondered why you had not followed the example of the DWP with whom we have often, Chairman, had some quite robust discussions in this Committee, as you can imagine. They seem to be working in the right direction by introducing 0800 numbers, by having people ring back at a set time rather than just leaving people high and dry wondering whether they are going to get a call back, in order to minimise the cost, particularly for people who are on low incomes?

Ms Strathie: I am very familiar with the DWP journey and where they are on it. Indeed, I have spent a lot of time talking to John Andrews and I agree with the gist of his report and analysis to the Committee. I think the challenge for us is the scale and the level of investment to make that move. We have a number of quite complex commercial relationships in our various telephone channels, as part of the legacy, and as they come up for review later on this year, we are already working through the business imperatives that we want to put through the telephone channel, and what that means for the commercial deal that we strike with our suppliers, because it depends very much on where you are paying for the service and at what point what you have scope to do. Given that everybody is a customer at least once, sometimes twice or three times over, and the scale of our operation, we will always have to strike a balance between giving a service that is completely free at the point of contact on free call to one set of customers versus trying to spread that cost across the business, when it is proportionate and when it is not, so I absolutely agree with what CIT and LITRG are saying. I just think for us it is quite a challenge to get there yet.

Q17 Angela Browning: Thank you. I can see that that is quite an issue but perhaps people on low incomes who get totally frustrated by this then ring or write to their MP so that our caseloads are growing, because of course we do have access to the MPs' helpline, particularly on things like tax credits. I find that one of the reasons they come to me is, frankly, they cannot afford to use their mobile phone any more trying to contact you by phone.

Mr Hopson: I think, as you said Lesley, there are a set of different issues that need to be balanced here. Let me give you an example about the DWP. What the DWP have done is moved their longest calls, which are those when you first come into Jobseeker's Allowance you need to go through a structured telephone interview, and that takes quite often between half an hour and an hour and that is the gateway entitlement to that benefit, they have transferred those calls, and those calls alone, to 0800 numbers because they recognise that they are very long calls. If you look at HMRC's calls, 96% of our child benefit calls and 92% of our tax credit calls are less than ten minutes—

Q18 Mr Curry: Once you get through.

Mr Hopson: So we have a completely different call profile to DWP. What we are saying is we recognise there are some particular needs for people on low incomes, but the call profile is very different to DWP, and the solution that they may use for those particularly long calls may suit them, but there is a different set of issues for us. Lesley put it very well in terms of we have to balance the cost to all taxpayers of providing all calls free to all of our customers versus the fact that at the moment some of our customers do pay via 0845 numbers. There is a balance to strike between the two different things.

Angela Browning: The NAO Report shows that 11 out of every 100 calls made can result in the caller being given inaccurate advice, particularly in more complex areas that result in longer phone calls, for example child care or disability tax credits or age allowances on the pension computation. Would it surprise you to know that even as a Member of Parliament dealing with tax credit casework all the time, in respect of a personal case of a member of my own family on a disability tax credit case, I have struggled for the last 18 months? The person concerned was awarded disability tax credits on getting employment and then had it arbitrarily taken away. I went through the MPs' helpline. It was reinstated as a result of a ministerial investigation. There was a change of circumstance which should not have affected the tax credit. The tax credit was taken away. It was then reinstated at the end of last year, £4,000 extra was paid, and I have just heard in the last fortnight that it has been taken away again and the money has to be repaid. I am an MP, I am used to dealing with these things, and we are talking about somebody who is not able to deal with their tax credit queries themselves. They have a lifelong disability and therefore they are not able to handle them. I have to say that the telephone conversations I have had, if I was somebody outside of Parliament, I would have been tearing my hair out by now, not to mention the financial implications this has when inaccurate information and information at such variance is given. It totally upsets people's lives.

Chairman: It is a very long story, Mrs Browning.

Angela Browning: I just wanted to get it on the record, Chairman, because this is probably the only chance I shall get because I am retiring in, I hope, about a month's time!

22 February 2010 HM Revenue & Customs

Chairman: Just show some sympathy, give a quick answer and let us move on.

Q19 Angela Browning: If you would, Ms Strathie,
Ms Strathie: I apologise first and foremost for the customer's experience. Obviously it is difficult to comment on a particular case—

Q20 Angela Browning: And my experience.

Ms Strathie: But it is a prime example of taking something that is very complex and putting it on a channel that is designed for very simple signposting advice, so I would accept the difficulty of dealing with that.

Angela Browning: The House of Commons paid for the phone calls. I would hate to think what it would have cost somebody if they had been on a mobile.

Chairman: Don Touhig. Let us move briskly and show an example of efficiency by keeping on time.

Q21 Mr Touhig: Ms Strathie, we have been corresponding on behalf of one of my constituents who required urgent dental care and had asked for a tax exemption certificate. He was told he could not receive one because he lived in Holland. Earlier when he applied for child tax credits he was told that he could not receive them because he lived in Holland. He has never lived in Holland, although he did admit to me in a letter, "I have passed through Schiphol Airport"! As I said, we have corresponded on behalf of my constituent. You wrote to me on 11 February saying that your records were inaccurate, you have amended them and they now show that he has never, ever lived in Holland, and then your letter gave him a telephone number that he should ring in order to obtain his certificate. The number is unobtainable.

Ms Strathie: I apologise if that is the case, Mr Touhig.

Q22 Mr Touhig: Should one not be able to rely on the Chief Executive to give out information with a telephone number for a constituent to ring that is accurate? The number has been discontinued for some time.

Ms Strathie: I am saying I apologise if that is the case. I read that letter and I sent it and I assumed that the number on it was one of our 139 that has just been quoted here, and I apologise if it is not. Presumably, you will be writing to me again?

Mr Touhig: No, I will not be writing to you again. I have to say that Hannah Parker, your Complaints Officer, has been superb. She has sorted it. She is somebody to watch there, Mrs Strathie, somebody who perhaps deserves promotion because the issue has now been sorted.

Chairman: Perhaps she is in this room. A lot of them are!

Q23 Mr Touhig: I just think one ought to be able to rely on letters from the Chief Executive to give accurate numbers and I am disappointed that I did not get it. At present 89% of calls meet your Department's targets for accuracy of advice, but of course people have to get through to get the advice that is accurate in the first place. On page 6, point 8 of the Report we are told that your Department has

measures to improve its accuracy. Could you tell us what these measures are and how successful they have been?

Ms Strathie: We have a whole range of accuracy measures in the Department. It is something we have been looking at business by business because they are at the moment a mix of quality measures and measures that are internal for our staff's competence when they have been trained in something and the stage that they are at as to whether their work can progress unchecked. If I start with the largest business in personal tax, we have seen a considerable dip in accuracy performance since the introduction of the new PAYE/National Insurance service, not in the accuracy of what actually goes to the customer in this particular case but where our staff struggle to work with a system that is designed in a very different way to the previous system. What we are looking at right across the board are the accuracy measures that we want to improve the overall outcome for the customer, particularly in relation to error, both official error and customer error, and how we can design that out of the system.

Q24 Mr Touhig: You have certain targets that you are aiming for. How are you constantly measuring that you are achieving these targets?

Ms Strathie: To start with, we have departmental strategic objectives, as agreed, that that is what the Department is there for and that is what it needs to deliver. We then have a range, another four objectives that drive the transformation of the Department and its delivery, and then those come down to an overall performance framework, which has been developed bottom up and top down. The executive committee, under my chairmanship, meets every month to review the totality of our performance, and each of the directors general and their directors are managing their performance up and down. We agree the action that needs to be taken to address under-performance.

Q25 Mr Touhig: The Chairman touched on a point earlier and so did Mrs Browning, where the Chartered Institute of Taxation said that 6.8 million callers do not receive advice that meets your own internal accuracy targets.?

Ms Strathie: I answered that question to the Chairman. The accuracy standards are not necessarily our own internal standards; they are actually driven by external quality standards. We would accept that some of those are inaccuracy that leads to inaccurate information, and that is not good enough, but there is also inaccuracy because people did not follow the standard process and standard scripts so they did not meet the quality standard. It does not necessarily mean that the customer got any inaccurate outcome as a result.

Q26 Mr Touhig: That is not the view of the Chartered Institute, is it? What happens when a customer relies, to their detriment, on advice that your staff give if that information is inaccurate?

Mr Hopson: We record our calls. Any customer has the ability to request a recording of the call. We provide a number of those every year. The customer

can then ask us to review the call and the information that was given if they believe there has been a case of misadvice.

Q27 Mr Touhig: What scheme do you have to compensate people who are taking your advice and your advice is inaccurate?⁵

Ms Strathie: We do have a compensation scheme and, indeed, we try very hard to be proactive. Where we identify that someone has been given wrong information, we make a small payment as a goodwill gesture.

Q28 Mr Touhig: How do you publicise that?

Ms Strathie: I do not know the answer to that actually. In our accounts it will show how much we spend on such activity.

Q29 Mr Touhig: Repeating what the Chartered Institute say, they say 6.8 million callers did not receive advice which met your internal accuracy standards. Surely that is a huge number and you must have a scheme to compensate people for your errors?

Ms Strathie: That did not say that there was an error. I think we need to be really, really careful here.

Q30 Mr Touhig: It says it does not meet your accuracy standards.

Ms Strathie: Yes, because we are actually trying to drive up standards and we are asking people to follow a script in the process—

Q31 Mr Touhig: With respect, Ms Strathie, being accurate or inaccurate is like being pregnant; either you are or you are not. There is no grey area. You are either accurate or you are not inaccurate.

Ms Strathie: I have explained it twice, Mr Touhig. I explained there were no errors in the outcome but on what we are trying to train our staff to do and use it to feed back into the system so that our staff improve, because we have defined those scripts for very good reason.

Q32 Mr Touhig: Yes, but what I am trying to get at is the compensation scheme for giving inaccurate information.

Ms Strathie: Why would I use taxpayers' money to compensate somebody if they have not lost in any way at all? Why would I do that?

Q33 Mr Touhig: There are all sorts of ways people can lose. You are ruthless, are you not, in imposing sanctions against people who have made mistakes? You and I have corresponded about tax credits. Your Department is utterly ruthless in pursuing people who are very vulnerable and yet you say you should not be using taxpayers' money to compensate people when you foul up on your own part.

Ms Strathie: I do not accept that we have fouled up. I think that is the basis of the argument here. What I would say is if you looked at the outstanding debt in tax credits, if you looked at how much people

through their own errors have been overpaid, and if you look at what we have written off and just how lenient we are, and how long we give people to pay back, I do not think that what you say about us and tax credits stands much scrutiny.

Q34 Mr Touhig: Indeed it does, Ms Strathie. You and I have had extensive correspondence on one particular case where there is only one particular line that supports you and yet you are ruthlessly pursuing somebody in order to return money and it is your fault that they got it in the first place.

Ms Strathie: As you say, we have corresponded on it.

Q35 Mr Touhig: We have indeed. Can you assure the Committee that you do not impose sanctions on people who have received inaccurate advice and acted upon it?

Ms Strathie: That we do not impose any sanction?

Q36 Mr Touhig: If you have given inaccurate advice, and people have acted upon it, can you assure us that you do not take any steps against those people if it is your fault?

Ms Strathie: No, I cannot give you that assurance.

Q37 Mr Touhig: Why not?

Ms Strathie: Because I am not qualified to give you it. We would apply the basic principles of law and any principles that had to be balanced. At the end of the day, what we would generally look at in any case, first and foremost, is whether the customer has taken reasonable care and whether we have evidence that we have given wrong information or we have misled in any way. We have a whole process, do we not, through complaints?

Q38 Mr Touhig: My question, Ms Strathie, with respect is fairly narrow: can you tell us that you do not impose sanctions against people who act upon inaccurate advice that you give them?

Ms Strathie: And I said I cannot give you that assurance because I do not feel qualified to answer that.

Mr Touhig: Time to give up, Chairman.

Q39 Chairman: Ms Strathie, I have never heard that answer from a Permanent Secretary before. It is a fairly direct question. "I do not feel qualified." What does that mean? Normally not being qualified means not having the expertise but you are the head of this Department and you can say either yes or no to Mr Touhig. What do you mean by that answer "I am not qualified"?

Ms Strathie: I am very happy to write to you. It is a very narrow question that has been put to me and there is enormous law versus perhaps somebody who was given or alleges they were given one piece of wrong information. Given the penalties and sanctions regime, given that this could be someone who simply claimed a few hundred pounds of tax credits versus somebody who has potentially avoided or evaded millions in taxation, it is very

⁵ Ev 12

22 February 2010 HM Revenue & Customs

hard for me to say if we have ever given somebody any wrong information, there will never be any penalty or sanction.

Q40 Chairman: If he had asked you generally, Ms Strathie, as a matter of natural justice whether you seek to impose sanctions on people to whom you have given wrong advice, you would presumably answer differently?

Ms Strathie: I would absolutely answer that that is absolutely the case; we would not seek to do that and, as I have said already, we actually try to be proactive in compensating people for their inconvenience.⁶

Chairman: Thank you very much. David Curry?

Q41 Mr Curry: Can I just look down the other end of the telescope for a minute. Can you remind me about the Workforce Change programme. How many jobs did you set out to get rid of at the beginning of this programme?

Ms Strathie: I was not there at the beginning of the programme but if you go back to the Spending Review 2004 announcement, I believe the announcement for HMRC for that period was a 25,000 reduction.

Q42 Mr Curry: We have now had the latest stage of that, have we not?

Ms Strathie: Yes, we are in another phase, 13 January we announced.

Q43 Mr Curry: That is right because I have a written answer here from Stephen Timms which said that 130 offices would be vacated and 1,700 surplus staff and there is this rather charming phrase “those who have not yet found alternative posts are now eligible to be considered for voluntary redundancy on compulsory terms”.

Ms Strathie: Cabinet Office rules.

Q44 Mr Curry: I am aware of what it is intended to mean. How much money have you put aside for this programme? What is your budget from the Treasury to pay for redundancies for this latest tranche?

Ms Strathie: It is not a specific budget. We will exit people as we can afford to do so and in a way that we take advantage of technology. I would expect—

Q45 Mr Curry: Sorry to interrupt, could I just stop you.

Ms Strathie: I can give you a figure of what I am expecting.

Q46 Mr Curry: Tell me that.

Ms Strathie: I would expect that if everyone who was eligible for this particular package took it, alongside those who were eligible for a less favourable package, which goes up to December, it will be in the region of about £75 million.

Q47 Mr Curry: And you have provision for that?

Ms Strathie: Yes.

Q48 Mr Curry: You have just used the phrase you “would exit people as we can afford to do so.” I am slightly curious. You just said you can afford to do so because you have made some assumptions and you have £75 million to do it.

Ms Strathie: We made a very strong business case that we do not need to maintain the cost of those buildings and the workforce will continue to change over a number of years, and therefore for those people who are genuinely stranded, they cannot get to another site or take advantage, or there is not another job for the use of their skills, then we are entitled to offer them that package to leave the organisation, yes.

Q49 Mr Curry: What caught me was the expression “exit people as we can afford to do so” when you have said that you can afford it. When do you expect this process to be complete then? When will you know how many people are going, when are people going to be relocated or have been relocated?

Ms Strathie: People were asked to volunteer by 8 February and then we will make offers by 26 February to those people and then they have the opportunity to firm that up. Sorry, we made the offers by 8 February and right up until the point at which somebody actually exited the organisation, if we found another job for them that they could do (somebody else might leave that job in the meantime) then we would seek to redeploy them. We will only seek to exit people on any kind of package if we absolutely cannot redeploy them and we cannot absorb them.

Q50 Mr Curry: I can understand that you are under the cosh in financial terms because you have got to make savings. I can remember sitting in the Treasury and having this lecture read out to us about the budgetary implications of what had to happen. Then you proposed office closures and there was a consultation on it. I am sure that we all get staff who come to see us and we all know that, quite frankly, it is a total waste of time because they have no choice; you are going to close those offices. How many offices which were slated for closure have you decided not to close as a result of consultation? What have been the principal grounds for it?

Ms Strathie: At the end of the day we do not start with the savings; we start with the shape of the business and the business need. I think that is the first important thing to say. We are a vast organisation that is going to shrink incrementally because as more people self-serve, as more people use other channels and we become more efficient, inevitably, we will need fewer people in low-grade, heavily manual work than at the moment. So I cannot actually see a point where we come to an end. I believe this process—

⁶ Ev 12

Q51 Mr Curry: That was my next question.

Ms Strathie: —Because we are already planning our plans for the next three years after the end of the next one.

Q52 Mr Curry: Can you tell us a little bit about that then?

Ms Strathie: Given where our resources are, it is very clear that we need to be more efficient in our back office. We have an estate, we have IT and we have people. They are the big cost burners in HMRC. So any efficiency and any reduction in cost comes from those three things.

Q53 Mr Curry: I can appreciate that but you said, in a sense, it was driven by the changing shape of the business. I have photographic recollections of a meeting in the Treasury where that was not what was told at all. There was a large figure with lots of notes put in front of us and we were told that is the amount of money we have got to save and that is what this means in terms of recruitment and retention of staff.

Ms Strathie: Maybe the Treasury has come a long way since then.

Q54 Mr Curry: It may be that the Treasury has changed its terminology but I am not quite sure it has not changed its motivation.

Ms Strathie: But you would not expect me to do anything as a Chief Executive other than look for best value for the taxpayer and to drive an efficient organisation.

Q55 Mr Curry: Well, we will not debate that just at the moment. Whenever people start invoking the taxpayer I always get slightly suspicious, I have to say.

Ms Strathie: I am one and that is what drives me.

Q56 Mr Curry: We all are. Ms Strathie, you mentioned the next phase. Tell me about the next phase then? We have just had the next stage of the Workforce Change programme and there is another stage to come, is there, or a new phase? How do you envisage the shape of the business in five years and what are the implications for the number of people who work there?

Ms Strathie: It is in broad terms because, for a start, we will have a Budget before that and we will have an Election, and some of those things might impact on what we are asked to do or how we are asked to do them. Essentially, when we issue our business plan for 2010-11, which we will do by the end March/beginning of April, we will be very clear in that about what we see as the shape of the workforce and the reductions over that period. Before we are well into that year, we will be publishing our efficiency plans for the next three to four years and we will be very clear then on the numbers, so you will not have long to wait.

Q57 Mr Curry: I think it is probably a fair assumption that the General Election is unlikely to bring in a Government who thinks you ought to have more resources. Do you think that is likely to be the case, given the state of the public finances?

Ms Strathie: I have no idea, but I have managed through many elections the transition phase, and priorities can change, can they not?

Q58 Mr Curry: You are still here. Yes, they can indeed. The availability of money may just be an issue. When we talk about the Change programme, in this area in particular, am I right in thinking that a significant number of people affected who work for you are likely to be middle-aged ladies?

Ms Strathie: I think the average age of my workforce is around 43 and the average length of service is around 16 years and we have a high proportion of female staff.

Q59 Mr Curry: The reason I ask the question is because for many, just based on my constituency experience, redeployment is not a real choice. They have commitments to do with family, they have young children or they may be carers. If they work in the Skipton office, they may have quite a journey to get to Skipton in the first place and therefore the redeployment to Keighley or Bradford is not a realistic option, particularly as I have profound suspicions as to how you calculate the ease of getting to Bradford. I do not know quite which piece of kit tells you how you get there but those who actually do the journey sometimes find that it is not quite the same as in theory. In practice, redeployment is quite difficult, is it not? Given that demography and profile of the workforce, redeployment is not an easy one for them?

Ms Strathie: For some people that is true. For a start, our most junior employees have restrictions in their mobility, so we would not compulsorily transfer them, whereas more senior people we would. First, that is the kind of segmented workforce. Second, there is a difference between where I would ask someone to move and compel them to move versus what people are prepared to do voluntarily. Given the choice of offices closing, business ceasing, then that is part of the choice that some people have. Although I will not compel them to leave, and I would be obliged to compensate them for leaving because they cannot move, there are other people who then choose to get in their cars and do that drive, not that I am quoting the specific one that you mentioned. The reality is we will try to redeploy within their line of business, then we will try to redeploy right across HMRC and then we will seek every other government department and any others to help our people find work. My old business, Jobcentre Plus, has been very helpful to people in helping them to build their CVs and make that move into the wider labour market. Indeed, over 2,000 of our people now have been redeployed to other government departments, which is a win for everybody, especially the taxpayer.

22 February 2010 HM Revenue & Customs

Q60 Mr Mitchell: I must say it is a kind of unhappy position, this impersonal service you are going to provide. Here you are, you are cutting down on staff, cutting down on offices, you are withdrawing 45 telephones and dealing with the customer on a very emotional issue—tax—an upsetting issue for many people, particularly me, on the telephone, and you are doing it badly.

Ms Strathie: Thank you for that feedback, Mr Mitchell! On any given day I know we will be doing it badly for somebody somewhere in the organisation because of the scale of it, but actually we could counter many of those arguments with the customer feedback we have got.

Q61 Mr Mitchell: Are you really doing it because it is cheaper to do it on the telephone than to have human contact? Yes or no?

Ms Strathie: I do not think I can answer it as “yes” or “no”. This is about what do we want the UK tax authority to be, what is HMRC here for? Is it going to be a publicly funded body that is going to provide—

Q62 Mr Mitchell: It is there to deal sensitively with the public.

Ms Strathie: Yes, but is it going to do face-to-face advice for everyone—

Q63 Mr Mitchell: Yes.

Ms Strathie: —or is it going to move with the times and with the customers and what they tell us they need? My job is to get taxes in and pay benefits and credits and health and pregnancy benefits.

Q64 Mr Mitchell: That creates a situation which is all right for the middle class, or the better off, who all employ accountants to deal with you at some distance, but not for the poor and vulnerable, the deaf and the lame and the old who have to go on a telephone.

Ms Strathie: As I said earlier, in excess of 60%⁷ of our customers say the telephone is their preferred channel. When we had everybody being dragged face-to-face people were complaining bitterly about the fact that they had to come into a tax office. Now people who do not like the phone are more likely to be saying to me, “Why can’t I do this on the internet? Why do I have to get on the phone?”

Q65 Mr Mitchell: I am sure it is better dealing with a real person than a disembodied voice. The simplest would be, although it would make it more expensive, why do you not call folk back on the telephone?

Ms Strathie: Do you want to say something about the technology on that?

Mr Hopson: That is something that we will look at because we recognise—

Q66 Mr Mitchell: Do not look at it. Bristol Council have told the Chartered Institute of Taxation’s Lower Incomes Tax Reform Group that they tell you there is a queue, “It will be ten minutes before we can deal with you, or we will call you back at a set time”. Why can you not do that?

Mr Hopson: We are already trialling a callback service for customers on our child benefit line so that if they are in the queue we will offer them the option of us calling them back at a specified time.

Q67 Mr Mitchell: Only for them?

Mr Hopson: We have just started that pilot. Obviously we will evaluate whether that works effectively and then see if we should roll it out further.

Q68 Mr Mitchell: At the moment, if ‘Worried of Grimsby’ rings you up you do not call them back?

Mr Hopson: The pilot we are talking about is specifically on the child benefit line.

Ms Strathie: Mr Mitchell, we agree with you. The point is we agree that is a good way of handling this matter.

Q69 Mr Mitchell: Another problem, and I have not had experience of you on the telephone—I am sure it is a very charming experience with you personally on the telephone—is with banks. By the way, is the Department in any way contemplating transferring this kind of service overseas?

Ms Strathie: No.

Q70 Mr Mitchell: There is no discussion on that?

Ms Strathie: No.

Q71 Mr Mitchell: I find when I deal with banks and you have got a complex problem, the person in Bangalore or Birmingham cannot deal with it but when you ring back you get another person and you have to explain it all over again. If you called people back you would avoid that.

Ms Strathie: I think we would avoid it. Now that our customer contact agents have got access to much, much more information about the customer, there is much more opportunity when a customer comes on-line that they can get the right answer. That is what we would strive for, getting it right first time. The other big challenge is the peaks in our business. Tax credits are renewed on the telephone for the vast majority of customers and this summer that went incredibly smoothly. We need to keep moving our workforce on to different areas of business according to the time of year, but it is a pretty packed year for HMRC.

Q72 Mr Mitchell: This submission we have had from the PCS really worries me. It says that by 2011 you are going to close 200 offices. Perhaps you might give us a note on how that affects north-east Lincolnshire and the Grimsby area. The Chairman said his Gainsborough tax office is closing.

⁷ Note by witness: While the overall customer preference for the telephone lies between 59%-65%, for some customer groups, particularly those receiving benefits and credits, the preference for the telephone is significantly higher.

Ms Strathie: It is 130.

Q73 Mr Mitchell: I would like a note on how it is going to affect my area.

Ms Strathie: I think I have already written to you.⁸

Q74 Mr Mitchell: You are going to fire 25,000 staff, cut jobs by 25,000, and therefore you are going to be driving more and more people onto the phone but the PCS says that there is also going to be a 50% cut in the workforce managing calls. How is that possible?

Ms Strathie: First of all can we say that there are not 200 offices, there are 130,⁹ and some of those are partial buildings, not whole buildings. Second, 25,000 was from the SR04 baseline and we are actually well on target to deliver that. That is not 25,000 from now. I just want to clear that up. Lastly, as we move on productivity and systems get better and there is an inevitable trade-off, and that is the balance for me, the affordability and the change in the workforce, between the people we have who are permanent members of staff and the needs of the business.

Q75 Mr Mitchell: The PCS says by channelling things into calls you are going to deal with three million extra calls but you have only employed three extra staff.

Mr Hopson: We have actually cut the number of calls we received this year by 27%.

Q76 Mr Mitchell: Was that by not answering them?

Mr Hopson: No, that was not by not answering because we have answered 77% of our calls this year compared to 55% last year. We have also introduced IVR messages so that if people want basic information they can get that when they ring and they get a message. Let me give you a very simple example. Lesley has talked about tax credit renewals: if you want to renew your tax credits you need to have last year's income information, so we put that on the message and 350,000 people between April and July rang off when they heard that message because they had not got last year's income information. I am not saying that every call or anything like every call, but 10% of our calls are being answered by those IVR messages now.

Q77 Mr Mitchell: You are trying to put them off.

Mr Hopson: Not trying to put them off.

Q78 Mr Mitchell: If I ring you to snitch on my neighbour and say, "This man is making millions of pounds by running a drive-in brothel and it is not taxed"—not that my neighbour is—I can do it free on an 0800 number. Why can I not ring you for advice

and help on an 0800 number? The Department for Work and Pensions does that. You insist that I go through an 0845 number and pay through the nose.

Ms Strathie: We actually have an 0800 number, as you said, for the hotline and we have a process of gathering human intelligence in that way. Mr Mitchell, I would actually like to be able to offer all my customers a freephone service.

Q79 Mr Mitchell: Why not?

Ms Strathie: Because we have 45 million¹⁰ of them and if everybody decides to phone that is a huge cost in the organisation.

Q80 Mr Mitchell: You are there to provide a service.

Ms Strathie: Yes, I am there to provide a service within the resources available. If we were giving the kind of service that I would like to be giving, most of our customers would have no need to contact us, other than those that we prescribe as part of the process, like tax credit renewals. A sign of the amount of calls that we get that are particularly unavoidable is because we have not made it easy for people to understand the process, engage with the process and then trust us to do our job. My job is to drive down telephone calls by improving the services we give.

Q81 Mr Mitchell: I think the vulnerable, the deaf, those who do not speak English very well, like me, and people with difficulties are going to find it very difficult to deal with this kind of situation.

Ms Strathie: The customer segmentation we have done, and this is working with all of the stakeholders for various customer groups, shows us that we do have a proportion of people who are vulnerable, they will probably remain vulnerable, and what we do in designing the services—

Q82 Mr Mitchell: And you will retreat from it.

Ms Strathie: Sorry?

Q83 Mr Mitchell: They will remain vulnerable and you will retreat from it by at least 45 telephones.

Ms Strathie: No, we will not retreat from them. We will work very hard with third parties to make sure that we engage in the right kind of service for them. We are not designing for 100% of the population. What we aim to do is make things really easy for those who are willing and able, those who need a bit of help to try and help them move into the willing and able category, and then be able to focus our services on those who need a lot of help and to try and improve that. That is our aspiration.

Q84 Mr Mitchell: Okay. One final question. You say you do not make money from these calls, so you have not had the astuteness that ITV had with its calls, but the PCS says that this is factually incorrect because incomes are received both directly and also through VAT receipts from the telecoms providers. Are you making any money from these calls?

⁸ Ev 13

⁹ In phase 2 of our Workforce Change Programme. HMRC remains committed to maintaining a 'face to face' advice service at or near to current Enquiry Centre locations. The current review of opening hours does not alter that commitment but may change the way HMRC delivers its service.

¹⁰ Note by witness: Figure corrected to 64 Million

22 February 2010 HM Revenue & Customs

Ms Strathie: I can categorically say we are not making any money. We are not in the business of making money. What I can say, without getting into the commercial in confidence aspects of any of our contracts, is the 0845 numbers are actually configured in a way that over a period of time we are paying for that investment in the system. It is actually quite a complex arrangement and we do not have a single telephone provider for all of our telephone services at the moment. I do know what you are alluding to and I did go through this journey in DWP and Jobcentre Plus and, as I said earlier, we are in the process of reviewing our current suppliers and contracts on telephones at the moment.

Q85 Chairman: You have this target of answering 90% of calls at around 30% less cost by March 2012. That will be for our successor committee to hold you to account, but what are you going to achieve by the end of this month?

Mr Hopson: At the end of the financial year we reckon we will have answered 77% of our phone calls and the cost reduction, we will have reduced the number of advisers by around 18%, so we are on the way.

Q86 Chairman: Thank you, Ms Strathie. That concludes our hearing. I think you can expect a critical Report because as you are closing your tax offices you are retreating to this fortress call centre and, frankly, as Mr Mitchell described it, the performance is simply not good enough. For instance, in this period 2008–09, 44 million calls, that is 43% of the total, from members of the public went entirely unanswered. During the tax credit renewals peak of July 2008—we are talking about an Inland Revenue that used to be very efficient dealing effectively with middle-class people, now dealing

with many more vulnerable people with their tax credit problems—you only managed to answer a third of calls. These are vulnerable people with desperate problems and you are only answering a third of their calls. This may be because, frankly, your workforce is only spending around 38% of their time dealing with customers and this compares with 60% in the private sector. You are not running an efficient organisation. In addition, on average people contacting HMRC had to wait almost two minutes for their calls to be answered, four minutes during peak time, and the best practice in the private sector is that 90% of calls are answered in ten seconds. Frankly, you are not running an efficient organisation. Do you want to have one final comment before we break?

Ms Strathie: Yes, Chairman. I think that summary is slightly unfair given that we are talking about a period of scrutiny of April 2008 to March 2009 and given how much our performance has improved over that period. The target of 90% is my own target that is the industry standard and that is the benchmark that I have set HMRC and we are striving towards. I also think you cannot make the assumption that vulnerable customers were those customers who did not get their calls answered because when you run telephone operations it is very clear why you want to answer the phone in ten seconds, 20 or 30 seconds, depending on the type of business, because the behaviour that runs from that with people putting the phone on automatic redial immediately swells your calls by anything up to 200%. You cannot assume that those unanswered calls were all people, but I would accept it is not the kind of operation that we want to run and I am very, very pleased with the improvements that we have made, particularly the tax credits renewal last summer.

Chairman: Thank you, Ms Strathie.

Supplementary memorandum from HM Revenue and Customs

Question 13: (Angela Browning): *How carefully have you looked at the software (SA online filing) because that would have avoided the phone call in the first place? I think there is an issue there which would avoid a few phone calls on self-assessment?*

We believe this question refers to use of HMRC's Self Assessment (SA) Online service to file a return rather than the use of a commercial software package.

We tested our software extensively before launch. In 2008–09 we held workshops for around 12,000 tax agents where we gathered their views and suggestions on how we could improve the online service for Self Assessment and fed these suggestions into service design and development. We also undertook extensive usability testing with a wide range of customers during the build stage of the project.

There were no known IT problems with HMRC's SA Online service in January 2010 that would have prevented customers who can file online from filing their returns by the deadline.

However, this case could relate to one of the known "exclusions" where in certain circumstances customers are unable to use the Online service to file their 2008–09 returns and would need to either apply a workaround or file on paper. For example, a few pages of the SA return used by specific customers are not available online. Where one of these "exclusions" applies HMRC accept claims for reasonable excuse from customers who file on paper after the 31 October deadline for paper returns. Exclusions can apply to both HMRC and commercial software and are listed on the HMRC website <http://www.hmrc.gov.uk/e bu/2009-exc-indi.pdf>.

We publish details of service problems affecting significant numbers of customers on the HMRC website on the “Service Issues” page. We also provide detailed guidance for the Online Service Helpdesk advisers to help them to deal with customer calls about these known issues.

The vast majority of the SA population successfully filed their returns online by the 31 January deadline. We received a record number of 6.4 million, an increase of 11.6% on the previous year, over 3 million of which were filed within the peak month of January, an increase of 7.9% on the previous year.

Question 27: (Mr Touhig): *What scheme do you have to compensate people who are taking your advice and your advice is inaccurate?*

Except where specifically provided for by statute, customers have no legal entitlement to financial redress for mistakes made by HMRC. Nevertheless, HMRC operates an *ex-gratia* policy which offers financial redress in some circumstances. In devising and operating that policy we follow Cabinet Office guidance on redress and Treasury guidance on financial accounting.

Where a customer complains that HMRC has made a mistake (for example, by giving misleading advice), and can show that they have incurred an actual financial loss as a direct result of that mistake, we will consider offering redress for that loss.

In addition, we may also consider making a small payment where it is clear that our mistake has affected someone particularly badly. These payments are not akin to damages and payment does not, in any way, amount to an admission of any legal liability. They are not open to negotiation, as they are simply a token acknowledgement of the worry and distress that our mistake has caused.

Our website explains how to complain (at <http://www.hmrc.gov.uk/complaints-appeals/how-to-complain.htm>). The paragraph about “putting things right” mentions financial redress.

Questions 35–40: (Mr Touhig): *Can you tell us that you do not impose sanctions against people who act upon inaccurate advice that you give them?*

Our website explains about relying on information or advice given by HMRC (at <http://www.hmrc.gov.uk/pdfs/info-hmrc.htm>). The following is an extract from the website:

“General principles

We aim to provide information and advice that will give certainty to our customers as to the tax consequences of their transactions, their obligations or liabilities and entitlements. Our starting point is therefore that you should be able to rely on any information or advice we provide. However for information or advice you have received to be considered binding on HMRC, when contacting HMRC you must set out all the relevant facts and draw attention to all the issues. This has been described by the courts as the need for the applicant to place all his cards face up on the table. We expect you to interpret this relatively broadly, for example, by providing information on related transactions where relevant.

Under our existing powers of “collection and management” (Section 5 of the Commissioners for Revenue and Customs Act 2005), the principles of administrative law and the Courts will ultimately determine if we are bound by advice we have given. The underlying principle is that HMRC has a duty to collect the correct amount of tax as required by statute. In the vast majority of cases advice we give will be correct in law and therefore binding on HMRC. However there are some circumstances in which our primary duty to collect tax according to the statute may mean that we can no longer be bound by advice we have given.

For example, this may occur in the following circumstances:

- for pre-transaction advice, where the nature of the transaction changes in a way that has a material impact on the transaction as a whole;
- where you provided incorrect or incomplete information when you requested advice from HMRC;
- when a Court or Tribunal judgment changes the prevailing interpretation of the law on which the advice was based and your liability to tax for that period has not been finalised, for example, where you have not yet submitted your return or, if you have submitted your return, where the opportunity to amend that return remains. Advice will be based on the prevailing understanding of the law at the time it is given. Where the Courts change the prevailing interpretation of the law, subject to the principle of legitimate expectation, we are required to collect the correct amount of tax as required by the new interpretation of the law; and
- when the statutory law relevant to the transaction for which the advice was given changes. If this change is retrospective, we will not be bound by any advice we have previously given. This situation occurs very infrequently. If the new statute is enacted pre-transaction and is prospective, any earlier advice relating to the transaction will not be considered to be binding. HMRC has a duty to collect the correct amount of tax as required by statute at the time the transaction takes place. It remains your responsibility to take account of changes in the law.

WHERE HMRC PROVIDES INCORRECT INFORMATION OR ADVICE

There may be a small number of cases where we provide information or advice that is incorrect in law. Where this happens, we will be bound by such advice provided that it is clear, unequivocal and explicit and you can demonstrate that:

- you reasonably relied on the advice;
- where appropriate, you made full disclosure of all the relevant facts; and
- the application of the statute would result in your financial detriment.

Where this is the case, to apply the statute may be so unfair that it could amount to an abuse of power. But, where we have given incorrect information or advice, our primary duty will always remain to collect the correct amount of tax as required by the law and therefore there will be some circumstances where we will not be bound by the advice we have given.

Where we provide you with erroneous advice that is binding on us and subsequently notify you that it is incorrect, the established legal position is that you will only be required to start accounting for tax on the correct basis from the date of notification. All cases will be subject to any statutory time limits.”

Question 73: (Mr Mitchell): *I would like a note on how it is going to affect my area.*

Please find enclosed a copy of the letter sent by Lesley Strathie to the Committee on 13 January 2010 about effects on Members’ constituencies.¹

4 March 2010

Memorandum from The Chartered Institute of Taxation Low Incomes Tax Reform Group (LITRG)
HANDLING TELEPHONE ENQUIRIES TO HMRC:

SUMMARY AND LIST OF RECOMMENDATIONS

1. The Report by the NAO has identified the main failings of the telephone service offered by HMRC to the public:

- 43% of calls were not answered;
- 6.8 million callers did not receive advice which met internal accuracy standards; and
- The staff utilisation rate was only 38%.

2. In this submission we draw the attention of the Committee to simple things HMRC could do, at no or negligible expense, to make the experience of telephoning HMRC less costly and frustrating for the customer.

The customer needs to know whom to phone to deal with their problem.

3. There is an alphabetical list of 50 helplines on a page on the HMRC website. This page needs to be re-designed around the priority needs of customers as identified in the NAO Report (p 15, fig 1).

The customer needs to know how to find the number

4. Most HMRC factsheets and forms refer customers to their “local tax office”, even though most customers no longer have a “local tax office” and the nearest enquiry centre cannot be telephoned directly (a call-back option is offered).

5. The list of HMRC helplines does not state what issues are dealt with by each. So if a Self Assessment taxpayer rang the Self Assessment helpline to ask for time to pay a bill, they would be directed to ring the Self Assessment payment helpline instead—but only after having gone through all the options and waited to speak to the operator. This information needs to be clearly identified in all appropriate places.

The cost of calling HMRC falls disproportionately on people with low incomes

6. HMRC’s policy of using 0845 numbers makes calling the Department particularly expensive for users of pay-as-you-go mobile phones. Those who rely on such phones—predominantly those on the lowest incomes—are consequently the most disadvantaged by HMRC’s policy.

7. By contrast, the DWP have introduced 0800 helpline numbers and ensure that mobile phone users get free calls too.

8. HMRC do sometimes use call-back systems, yet people are often refused a call back even though the credit on their mobile phone has been exhausted by making contact in the first place.

¹ Not printed here.

9. HMRC should learn from a body such as Bristol City Council which offers the option of waiting in a queue or receiving an automatic call-back within a stated time.

10. If all lines are busy, the message should be given out at the start of the call. At present, callers' costs are increased by having to listen to all recorded messages and call options before they are either put on hold for an operator, or told that the lines are busy.

The "contact us" page on HMRC's website

11. If you follow directions to "contact us" on HMRC's website, you will normally be given a variety of options, all of which take time to follow up, but all lead ultimately to the centralised Contact Centre Service. This is a circuitous route which is unnecessarily frustrating for the customer.

HMRC should give the Contact Centre Service number in the first place.

12. If however your call is about tax credits or child benefit, you are directed straight away to the appropriate helpline and even, for child benefit, an email facility.

Inaccurate information at point of delivery

13. The NAO Report confirms that 11% of calls may result in the caller being given inaccurate advice. But our mystery shopping shows that error levels are almost certainly much higher in the more difficult areas of advice, such as childcare or disability in tax credits or age allowances or pension commutation for pensioners.

14. We recommend that HMRC separate out those difficult questions and route them to specialist staff as soon as the call is received.

15. We also recommend that a new system of call guidance and retrieval is trialled.

1. ABOUT THE LOW INCOMES TAX REFORM GROUP (LITRG)

1.1 LITRG is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.

1.2 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it—taxpayers, advisers and the authorities.

2. THE NAO REPORT

2.1 The NAO Report analyses the difficulties that HMRC face in operating their telephone systems at acceptable levels for the general public. The Report clearly sets out the deficiencies in stark terms:

- 43% of calls were not answered;
- 6.8 million callers did not receive advice which met internal accuracy standards; and
- the staff utilisation rate was only 38%.

2.2 What perhaps the Report cannot do is to translate some of the frustration, cost and feelings of powerlessness which these failures visit upon the most vulnerable of HMRC's customers.

2.3 Ever since the formation of LITRG we have pressed for better telephone services and indeed previous NAO reports have highlighted the same issues. There is always a promise of better things tomorrow.

2.4 Undoubtedly the Committee's examination of the senior HMRC officials who "own" the Contact Centres will focus, in the limited time available, upon the remedial action to be taken at a strategic level. However, we want to draw the attention of the PAC to simple things with no (or negligible) cost implications that should be done to make people's lives easier, but due to structural barriers within HMRC seem impossible to achieve. In our view this arises for two reasons:

- lack of a complete view of the customer perspective, and
- lack of ownership of a problem which crosses two or more HMRC "organisational silos".

3. LITRG'S "SIMPLE THINGS LIST"

Who do I phone?

3.1 The vulnerable customer does not recognise the silos of HMRC (tax credits, PAYE, Self Assessment, Child Trust Fund, National Insurance etc.) and when they have an issue, they need to know who to speak to.

It took the voluntary sector nearly six years to persuade tax credits officials involved in tax credit overpayment disputes to put a name and telephone number on letters, so that customers could avoid making fruitless calls to the Contact Centre Helpline.

3.2 HMRC themselves estimate they have 139 “customer facing” 0845 numbers. Nearly half relate to income tax alone. This is not necessarily a bad thing if it means the people answering the phone are more expert about what people are calling to discuss.

3.3 But the signposting and the explanations, whether on forms, leaflets or the web, are inconsistent, vague and generally very poor. This in itself creates avoidable traffic as people go from pillar to post.

3.4 Why have a confusing alphabetical listing of around 50 Helplines on the HMRC website: <http://tiny.cc/zwthf>? The page needs to be designed around the priority needs of customers contacting HMRC by phone, which is clearly identified in the NAO Report (Figure 1 on page 15). The listing also needs to show the opening hours of the various Helplines, which vary enormously.

3.5 Many HMRC communications do not refer to the Helplines, they just refer to the HMRC website and leave the customer to navigate unaided to the appropriate Helpline.

How do I find the number?

3.6 Most HMRC factsheets, forms etc suggest that customers should ‘contact your local tax office’ by telephone, using the Phone Book. This is becoming impossible, because individuals no longer have a “local tax office” and progressively fewer people have a Phone Book with the growth of mobile phones.

3.7 When you have found the HMRC page it will typically list a range of Helplines by name and say when they are open, but will not indicate what types of issues are covered by each. This makes the customer journey needlessly long. For example, you might assume that you should ring the Self Assessment helpline to ask about Self Assessment. However, if you telephone that number to arrange extra time to pay your Self Assessment bill, you will not know it is the wrong number until you have listened to five options and waited to speak to an operator. You will then be directed to the Self Assessment payment helpline and as there is no facility available for the advisor to transfer the call, you must go through the whole process again.

3.8 Additionally, although the Phone Book lists a number against each office, if you ring the number of the office nearest to you, you will not be put through to that office, nor are you given an option to speak to the nearest Enquiry Centre. If you persist you will be told to provide your details, including a call-back telephone number. This is needed so that the local Enquiry Centre can ring you, at their convenience, to arrange an appointment. You will be advised not to visit the Enquiry Centre unannounced. Is it any wonder the footfall in Enquiry Centres has dropped?

3.9 Furthermore, not one typetalk/textphone number is listed in these Phone Book pages, even though the standard HMRC dedicated page carries the message “Positive about disabled people”. HMRC have 14 dedicated numbers for deaf or hearing/speech impaired customers, none of which are mentioned.

Cost of calls

3.10 You may note that the only 0800 numbers on the Phone Book page are for when you want to inform on your neighbours and friends.

3.11 Unfortunately, HMRC have not taken the initiative for their low income customers, as have the Department for Work & Pensions, not only to introduce 0800 Helpline numbers but also to ensure that mobile phones users get free calls. A recent CAB survey showed that of 82 clients questioned, 56 had been unable at some point to call Government because they had no money on their mobile phone.²

3.12 There are now more mobile phones than people in the UK.³ The poorest people are the most likely to rely exclusively on their mobile phone with restricted contracts such as Pay as You Go, and are therefore the most disadvantaged by the current HMRC policy of using 0845 numbers.

3.13 With no geographical number option provided by HMRC alongside the 0845 number option, the caller is unable to choose the most cost effective route for themselves. A report⁴ from the Social Security Advisory Committee found that a 45 minute call to an 0845 number can cost as much as £18 (equivalent to one-third of someone’s weekly income if they are on Income Support).

3.14 Many will incur charges simply to listen to a range of recorded messages and call options, and only when they have chosen a call option will they be advised whether the lines are engaged, whether they need to call back or whether they are in a queue of an indefinite length. Towards the busiest peaks, the HMRC automated system will tell you that everyone is very busy and will then cut you off.

3.15 Without a clear HMRC call-back policy customers will often be refused such a call-back, even though the little credit they may have had on their mobile telephone has been exhausted in establishing contact in the first place.

3.16 We recommend HMRC consider an innovative use of call back facilities, such as set by Bristol City Council (and the Australian tax authorities), which offers the option of waiting on the line in a queue or receiving an automatic call back in a stated time. This call back is free of charge, and the caller can ask to be rung back on another day or time convenient to them.

² Hungup report Leeds CAB.

³ Research report by OFCOM: The consumer experience 2008 (25 November 2008).

⁴ SSAC (occasional paper no 3): Telephony in DWP and its agencies: call costs and equality of access.

One adviser in TaxHelp for Older People,⁵ the advice charity for low income pensioners, recorded 65 instances of pensioners calling her in January 2010 solely because they could not get through on the telephone to the HMRC Contact Centres.

When HMRC tell me to visit www.hmrc.gov.uk what do I find?

3.17 It is likely that if you are reading an HMRC publication or holding on the phone you will be directed to the HMRC website at www.hmrc.gov.uk. There is undoubtedly good material now on HMRC's website. Your challenge is to find it.

3.18 If you want to communicate with HMRC you are directed from most pages on their website to "Contact Us". The NAO report shows that most contact by far comes from tax credits claimants and PAYE/Self Assessment payers. But HMRC treats different groups very differently under the Contact Us section. If you want to find how to contact HMRC on tax credits or child benefit you are directed to appropriate telephone numbers and even an email facility (for child benefit).

3.19 However, if you are a pensioner with a PAYE question, you are given a complex list of options, the first two being Bereavement and the Deceased Estates Helpline. If you progress further to Income Tax Enquiries you are sent, eventually, to a "find your tax office" page. You will then spend some considerable time putting in postcodes or your pension payer's reference; if you succeed you will be given a number to ring.

3.20 The irony is that this journey through the pages is totally unnecessary. All the pensioner needs to be told at the outset is to ring 0845 3000 627. The miscellany of telephone numbers lead to the same place, the centralised Contact Centre service. HMRC should give the Contact Centre Service number in the first place.

3.21 There are many similar experiences scattered through the HMRC website, but they go unnoticed and untreated because it seems that no-one has the responsibility to follow the customer journey.

Accuracy of information at point of delivery

3.22 The tax charities (LITRG, TaxAid and TaxHelp for Older People) see the fall-out which occurs from inaccurate information given by the Contact Centre Helplines. Sometimes, the effect on a family can be devastating, particularly through receiving inaccurate tax credit information.

3.23 The NAO report confirms that 11 out of every 100 calls made may result in the caller being given inaccurate advice. We believe that the levels of error are almost certainly much higher in the more difficult areas of advice, for example, childcare or disability in tax credits or age allowances or pension commutation for pensioners.

LITRG's mystery shopping of Contact Centres in relation to specific areas of advice consistently shows mistakes well above 11%, sometimes as high as 80%.

3.24 This places the customer in an exceptionally vulnerable position, especially as HMRC will often not accept the taxpayer's word that they have received wrong advice, requiring the taxpayer to produce evidence. The position for tax credit claimants is somewhat better, as the normal practice is to make a recording of all telephone calls, but this only helps with the most confident of HMRC's customers who are prepared to challenge authority.

3.25 We would need a full report to elaborate upon our recommendations for improving HMRC accuracy, but one clear move we would make is to separate out the difficult questions and escalate them to specialist staff as soon as they arrive at the Contact Centre. Tax and tax credits are often complex and need experienced professionals to give accurate and comprehensive advice.

3.26 Retrieving the evidence of the advice the individual receives in a call to HMRC is dependent upon the subject matter of the call. Not all calls are recorded. In addition, where calls are recorded and the evidence needs to be retrieved, the procedures are cumbersome. We recommend that the guidance given to callers be reviewed and that alternative systems of information recording be piloted for the benefit of both HMRC and the customer.

16 February 2010

Memorandum from Public and Commercial Services Union (PCS)

The Public and Commercial Services Union represents 300,000 members in the civil service and related areas including over 80,000 who are employed by HM Revenue and Customs.

PCS welcomes the PAC's timely meeting on "Dealing with Telephone Enquiries" and would be grateful if the committee would consider this memorandum and suggested questions.

⁵ Tax Volunteers, registered charity no 1102276, www.taxvol.org.uk

PCS has concerns over HMRC's increasing reliance on telecommunications as their preferred method of communication. We believe this is having a disproportionately negative impact on their service to vulnerable areas of society for example the elderly; hearing impaired and other disabled people; and people whose first language is not English making communication very difficult.

The initial formation of the telephone communication centres happened prior to HMRC having to take consideration of these groups as would be required today under equality duties. However, PCS believes HMRC must now do more to make better provision for these areas of society. Given the current cost cutting environment we are in, PCS does not envisage this happening.

HMRC are currently undergoing a workforce change programme which could see 25,000 job cuts and over 200 office closures by 2011. We have serious concerns about the effect this is having on our members' ability to continue delivering a quality service to the public, especially as the section responsible for managing calls has informed PCS of a 15% cut in the work force by the end of 2011.

Services are already suffering with 43% of the 103 million calls received going unanswered last year leading to criticism from the National Audit Office⁶. The new MPPA system has also generated additional calls due to system errors. We are concerned that the "channelling strategy" introduced by HMRC to reduce the number of face to face enquiries has resulted in an astonishing increase in the number of calls being received at their contact centres.

HMRC themselves have used the increase of 3 million additional calls into the contact centres as proof that 'channelling' works. However, this has seen an increase in the number of calls going unanswered. To assist with the volume of calls, staffing has been increased by a total of only three. We are concerned that HMRC's priority seems to be the number of calls received rather than the quality of the information provided.

Customers with little or no English struggle with the press button procedures, resorting to family or enquiry centres staff making the call on their behalf to secure a translator to then deal with their query. Our members in contacts centres have reported to us that previously they were unable to go through security questions with a third party assisting the customers. However, due to cost cutting they can now offer this for non-English speaking customers rather than using the translation service.

The elderly and disabled people all too often find the system difficult to use—either in following the verbal instructions, or the physical key strokes required; for many in these categories. PCS believe that face to face would be a better solution but that that this is being considerably reduced due to the programme of office closures.

PCS are extremely concerned at inferences made at recent management road shows that some UK contact centres may close with the possibility that work may transfer overseas.

We are also concerned that staff moving from different businesses, for example personal income tax to tax credits, without the proper training. We question how staff can therefore be expected to deliver the best possible service.

PCS members advise that many customers want to use "lo-cal numbers" as they are free on talk plans rather than 0845 numbers. These are available and classified for International callers only. Members are also being advised to keep customers on the phone whilst dealing with all the work involved in the call. HMRC always states that they do not make money on these calls but this is factually incorrect with income being received both directly and also through VAT receipts from the telecoms providers.

Call Centre staff are being instructed to call tax credit claimants to ask awkward and probing questions on subjects like living together and childcare arrangements. This bypasses the legal requirements to "Open" and Examination of Enquiry and does not give the customer a chance to seek advice if required. We are concerned as to the legality of this practice.

The Union is also concerned at press reports surrounding the newly appointed head of the HMRC East Kilbride contact centre⁷. The position has been filled by Robert Bowering despite him being declared bankrupt only a month previously over £75,000 of unpaid tax debts. We are concerned as to impact this will have on HMRC's public reputation.

SUGGESTED QUESTIONS

1. It appears that HMRC security procedures have been relaxed solely to save the department money—is that the case?
2. Does the increased reliance of service by telephone not unfairly discriminate against customers such as those who are elderly, partially deaf and with other disabilities?
3. What measures are in place to help this section of the public accessing the service and what analysis has been made of the demographics of those accessing these services?
4. Has the off-shoring of contact centre work been a consideration of HMRC management and if so, has this been the subject of discussions with Ministers?

⁶ National Audit Office—HM Revenue and Customs: Handling telephone enquiries, 15 January 2010

⁷ *The Sun*—Tax bosses give £70k job to bankrupt, 10 February 2010

5. How can the performance expect to improve from “unacceptable” if staff levels are to be reduced by 20–30%? How can the Department expect to realise their commitment to answering 90% of calls with 30% less staff by March 2012?

6. What number of calls being received from taxpayers/agents into the various Corporation Tax sites and how many of these calls are being answered?

7. What call waiting systems, if any, are being applied to help customers know when their call will be answered?

8. Is the income generated the reason behind the decision to use 0845 numbers?

9. Is there a methodology used by HMRC to determine the number of calls being abandoned and can they throw light on why calls are being abandoned?

10. Have bonuses been set for management in contact centres and if so, what targets are being set to achieve this?

11. Does HMRC employ staff solely to monitor and/or report on the daily activities of telephone advisors and if so, can they say what percentage of staff undertake this role?

12. What is the procedure for operators when dealing with a call in terms of logging the details and taking ownership for the information provided to the customer?

13. Is it true that call centre staff are cold calling tax credit claimants are asking security questions while it is accepted practice not to give out security information on the phone?

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