



National Audit Office

# HM REVENUE & CUSTOMS

## Managing variations in workload

LONDON: The Stationery Office  
£14.35

Ordered by the  
House of Commons  
to be printed on 14 May 2009



# SUMMARY

## Introduction

**1** In 2007-08 HM Revenue & Customs (the Department) employed 86,000 staff and cost £4.3 billion to run, of which £2.7 billion was on staff. Over a quarter of the Department's staff are involved in administering Income Tax and Tax Credits at a total cost of £1.4 billion a year including overheads. The Department faces increasing peaks in its processing workload linked to various deadlines for submitting Income Tax Self Assessment returns and Tax Credit claims (**Figures 1 and 2 on pages 8 and 9** show the deadlines). Peaks can lead to additional costs, backlogs of work and associated peaks in calls to the Department's contact centres.

**2** This report examines:

- the causes, extent and impact of variations in workload (Part 1);
- how the Department manages its resources to deal with peaks in workload (Part 2); and
- what the Department has done to smooth peaks in workload (Part 3).

**3** It focuses on the Department's processing work on Income Tax Self Assessment and Tax Credits forms dealt with by the Tax Credit Office, though not on telephone Tax Credit renewals which are handled by the Department's contact centres. We identified these areas as having significant variations in workload and illustrative of the challenges the Department faces in managing variations in workload. It also considers the knock-on effects of variations on the workload of contact centres. Our methodology is at Appendix 2.

## Key Findings

### On the impact of variations in workload

**4** The Department experiences significant variations in processing workload because of statutory deadlines for submitting Income Tax Self Assessment returns and Tax Credit renewal claims. In 2007-08 it received more than a quarter of the annual caseload of four million Tax Credit renewals forms in July as the renewal deadline approached, and it processed half of the 8.2 million Income Tax Self Assessment returns during January to March. Its contact centres also experience significant peaks in work from dealing with customer queries about their Income Tax and Tax Credit forms. As a result, callers may experience delays during peak periods when the Department cannot deal with all call attempts. In January 2008 before the Income Tax Self Assessment return deadline, it answered two-thirds of the seven million call attempts.

**5** During peaks in workload, the Department postpones less urgent Income Tax work, which builds up a stock of work and reduces its ability to provide a consistent service. The accuracy of the Department's processing does not appear to be affected by peaks in workload but it tends to process simpler cases at peak times, postponing resolution of queries, more complex checks and other types of work until later. The accuracy of returns submitted by taxpayers does decline nearer to the tax return deadline. During peak periods the Department experiences increased staff sickness absence.

### On deploying staff

**6** The Department varies the staff it deploys within Tax Credits and Self Assessment processing areas during the year. For example, the number of staff directly involved in processing Self Assessment forms each month varies between 1,400 and 3,200 and the number working on Tax Credit renewal forms varies between 100 in the quieter months and 600 at the peak in July. Productivity varies over the year. For example, Self Assessment returns processed per staff day ranged from an average of 10 in April 2007 to 18 in March 2008. The number of Tax Credit renewal forms processed per staff day ranged from an average of 19 in July 2008 to four in February 2009. The average staff cost of processing a Self Assessment return varied between £6 and £11 during 2007-08 and between £5 and £7 during 2008-09. The cost of processing a Tax Credit renewal form varied between £5 and £18 during 2008-09. These costs do not take account of the work done in the quieter periods to resolve queries and exceptions that were deferred during the peak. The average costs in part reflect the complexity of cases and the lower volumes of returns and renewals the Department processes outside the peak periods.

**7** The Department moves staff within Income Tax Self Assessment work using processing staff to clear post on hand. It does not move staff between Income Tax and Tax Credit activities because of the need to train staff and limitations in its IT systems. While the Tax Credit processing peak coincides with the trough in Income Tax processing work, the amount of other Income Tax work such as post which has built up limits the number of staff which can be redeployed. The Department is implementing a new Pay As You Earn Service which is planned to go live in 2009 and should enable it to prioritise and deploy Income Tax work more widely between offices.

**8** Tax Credits and Income Tax processing staff are mostly on full time permanent contracts, but some are on temporary fixed term contracts for up to 11 months. These areas spent £44 million in 2007-08 on overtime and temporary working to deal with peaks in work. The experience of other organisations we consulted and that of the Department's contact centres is that improved training, overtime and evening shifts can increase staff flexibility to meet variations in workload. Other organisations make more use of short term and temporary staff on permanent contracts. For example, the Identity and Passport Service employs people on part-year permanent contracts to meet peaks in workload.

### On smoothing variations in workload

**9** By introducing different filing deadlines for paper and online Income Tax Self Assessment returns, the Department has smoothed the peaks in workload. In contrast, the peak in Tax Credits work has increased as the renewal deadline has progressively been brought forward to reduce overpayments. To reduce contact centre workload at peak periods, the Department has used standard pre-recorded messages to deal with common questions and referred callers to information on the Department's website.

**10** The Department has also reduced workload by removing the need for some taxpayers to file an Income Tax return, which saved an estimated £2 million in 2007-08. It has encouraged online filing which has saved an estimated £5 million in processing costs in 2007-08. It has extended the period when it sends out PAYE tax code notices to relieve the pressure on contact centres from related taxpayer enquiries. To reduce overpayments on Tax Credits, it calls claimants to check that their circumstances are up to date and reminds them to renew on time, thereby reducing the amount of follow up work.

**11** The experience of other organisations and the Department's pilot work suggests that between 15 and 40 per cent of contacts with customers are avoidable. The Department could reduce demand by making more use of pre-recorded messages as it has for Tax Credits, greater use of outbound telephony, joining up services with other departments, using automation to sort post and contracting out high volume, less sensitive data capture work as it has for Tax Credits.

**12** The Department has encouraged taxpayers to file Income Tax Self Assessment returns online as it saves processing costs and reduces the level of errors made by taxpayers. It had an online Tax Credit facility, but closed it because of organised fraud. It is seeking to reopen the facility once it has successfully piloted a new secure service and identified the necessary funding. Expanding online services would reduce the volume of processing of paper forms at peak times. Using different processing targets through the year combined with providing more information to its customers about expected processing times in peak periods could help to spread the work.

## Conclusion on Value for Money

**13** The Department spends £433 million a year in staff costs on processing Income Tax and Tax Credits including £44 million (10 per cent) on overtime and temporary staff to deal with peaks in work. While work volumes vary significantly during the year, it is hard to identify the additional costs involved because of the ebb and flow in different elements of work such as processing returns and claims, dealing with customer correspondence and updating customer records. There is also a changing mix of paper and online forms and phone contact with customers, and the Department tends to defer processing of more complex cases to quieter periods. By introducing different filing deadlines for online and paper Income Tax Self Assessment returns and removing the need for some returns the Department has released resources estimated at £7 million a year. The Department and other organisations' experience suggest between 15 and 40 per cent of all contact with customers is avoidable. In the Department's contact centres the cost of 15 per cent of contact is some £23 million, equating to 11 per cent of the annual spending on contact centres.

**14** Peaks do not appear to affect the accuracy of the Department's processing work and staff productivity is higher during peak periods, partly because of the volume of work and because more complex cases are deferred until quieter periods. Customers do experience delays in dealing with their correspondence and receive a less responsive service from contact centres during peak periods, and the Department experiences higher levels of sickness absence.

**15** The Department's methods of managing variations in workload are generally consistent with approaches adopted by other organisations. There is scope for further automation and development of online services to reduce workload and costs. The Department's flexibility to move staff between major business areas to deal with peaks in work is reduced by the need to clear other work that has built up, limitations in IT systems and the additional training staff would need. Other organisations make wider use of employing staff on part-year permanent contracts as a way of meeting peaks in workload.

## Recommendations

**16** Our key recommendations are set out below. Appendix 1 provides more detailed recommendations aimed at improving efficiency from more flexible use of staff to deal with peaks and by smoothing demand.

### Smoothing peaks in workload

**1** **The Department faces increasing peaks in workload at the same time as making staff reductions to meet efficiency saving targets. Peaks in work increase costs and can reduce the quality of service provided. Influencing customer demand for the Department's services can help reduce costs and improve the service provided.**

The Department should provide more information to customers about expected processing times and call answering times during peak periods to encourage customers to submit tax returns and Tax Credit renewals early to avoid the busy periods. Building on existing advertising, it should also raise customer awareness through increased contact with customers outside the peak period to get more claimants to update their circumstances at the point they change, rather than when they renew their claims (paragraphs 1.16, 3.10 to 3.12 and 3.16).

### Reducing avoidable contacts

**2** **Contacts with customers that are avoidable increase the costs of the Department and waste customers' time.** Building on the examples identified in this report, the Department should identify and improve or remove from use those forms and information it routinely requests but for which there is no longer an operational need. It should take further steps to use where appropriate standard telephone messages. It should extend the work it has started to target specific groups of customers who have higher error rates in forms submitted to encourage them to provide accurate and complete information on time (paragraphs 3.11 to 3.18).

## Staff flexibility

**3** While the trough in processing work on Self Assessment returns coincides with the Tax Credits processing peak, the Department tends not to deploy staff flexibly across the two processing areas. Contact centres have used staff on both business streams. Backlogs in other Self Assessment work, training and IT limit the numbers of staff that can be redeployed and the work that can be transferred between offices. Other organisations make wider use of staff on part-year permanent contracts. The Department should employ more modern employment and flexible working practices to better match the annual peaks in work and to tackle the backlogs of other work (paragraphs 1.18 to 1.20 and 2.6 to 2.9).

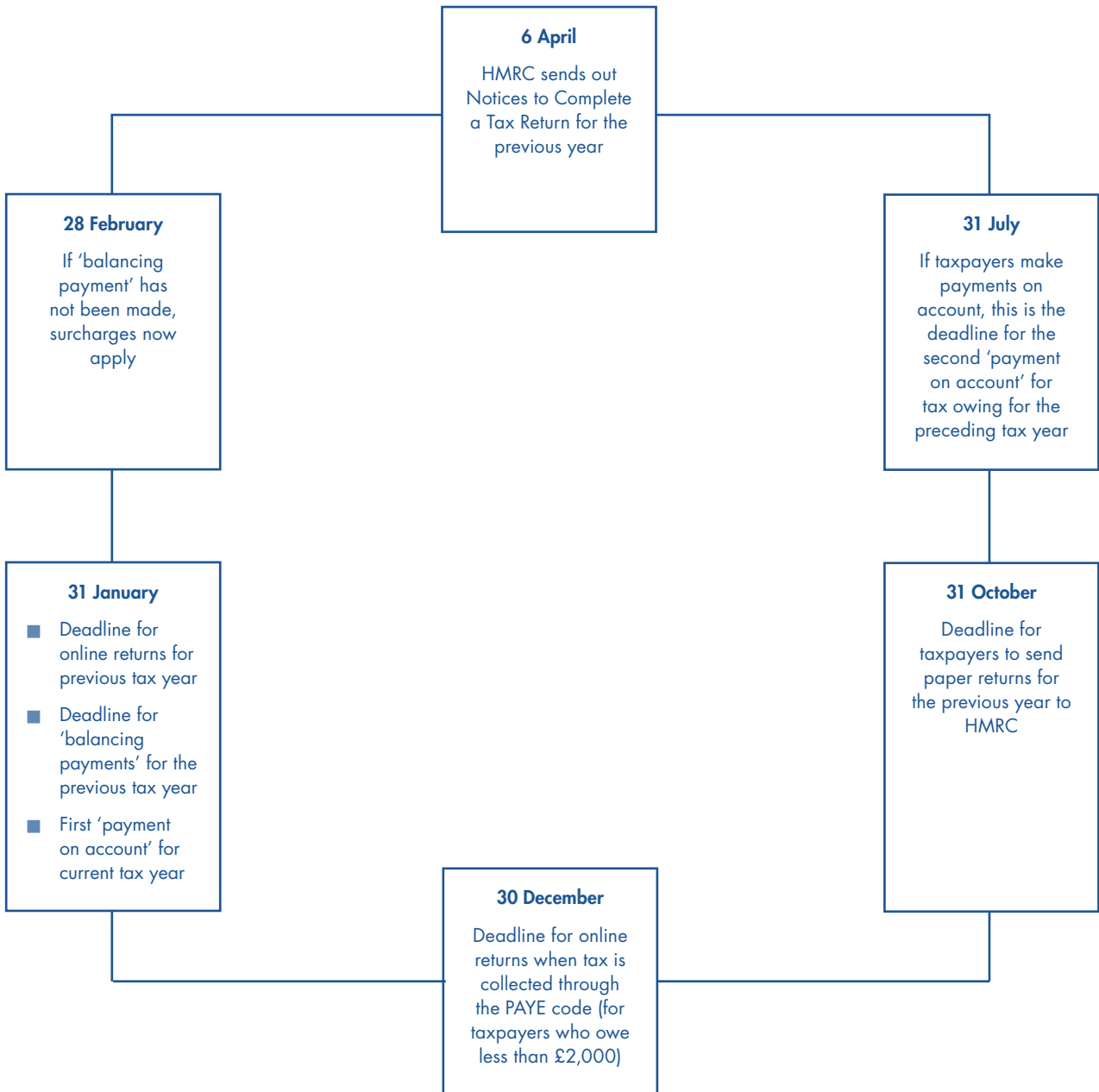
## Processing productivity

**4** Productivity in processing varies, in part because the complexity of cases handled varies and the higher volume of cases at busy times tends to reduce unit costs, but the reasons for the variations cannot be fully explained and the Department does not have comparative information on Income Tax Self Assessment processing productivity across offices. The Department should develop its information on productivity levels and the unit costs of complex and more straightforward cases, and analyse this information by office to identify good performance and practices. The Department should look to maintain more consistent productivity levels in processing Tax Credit forms and Income Tax Self Assessment returns. We estimate, for example, that increasing monthly levels of processing to that achieved in the third most productive month could release resources of around £12 million a year (paragraphs 2.17 to 2.21).

## Online services

**5** It costs the Department more to process paper, rather than online, forms and information, and online services can also reduce levels of errors through validation checks. The Department has increased online filing of Income Tax returns and it is seeking to reinstate the online service for Tax Credit claimants once it has successfully piloted a new secure service and identified the necessary funding. Encouraging more customers to use online services reduces processing costs and releases staff for other work. The Department should widen the provision of online services by e-mailing rather than posting PAYE tax coding notices to those who have filed their Income Tax Self Assessment returns online and by offering a secure online service for Tax Credit claimants, after having resolved the security issues and identified the necessary funding. In doing so, it should draw on its experience of increasing the use of online filing of Income Tax Self Assessment returns. The Department should explore the benefits and costs of contracting out more high volume, less sensitive, automated data capture work, as it has for Tax Credit new claims (paragraphs 1.4, 2.9 to 2.11 and 3.5 to 3.8).

**1** Income Tax Self-Assessment deadlines in 2008-09

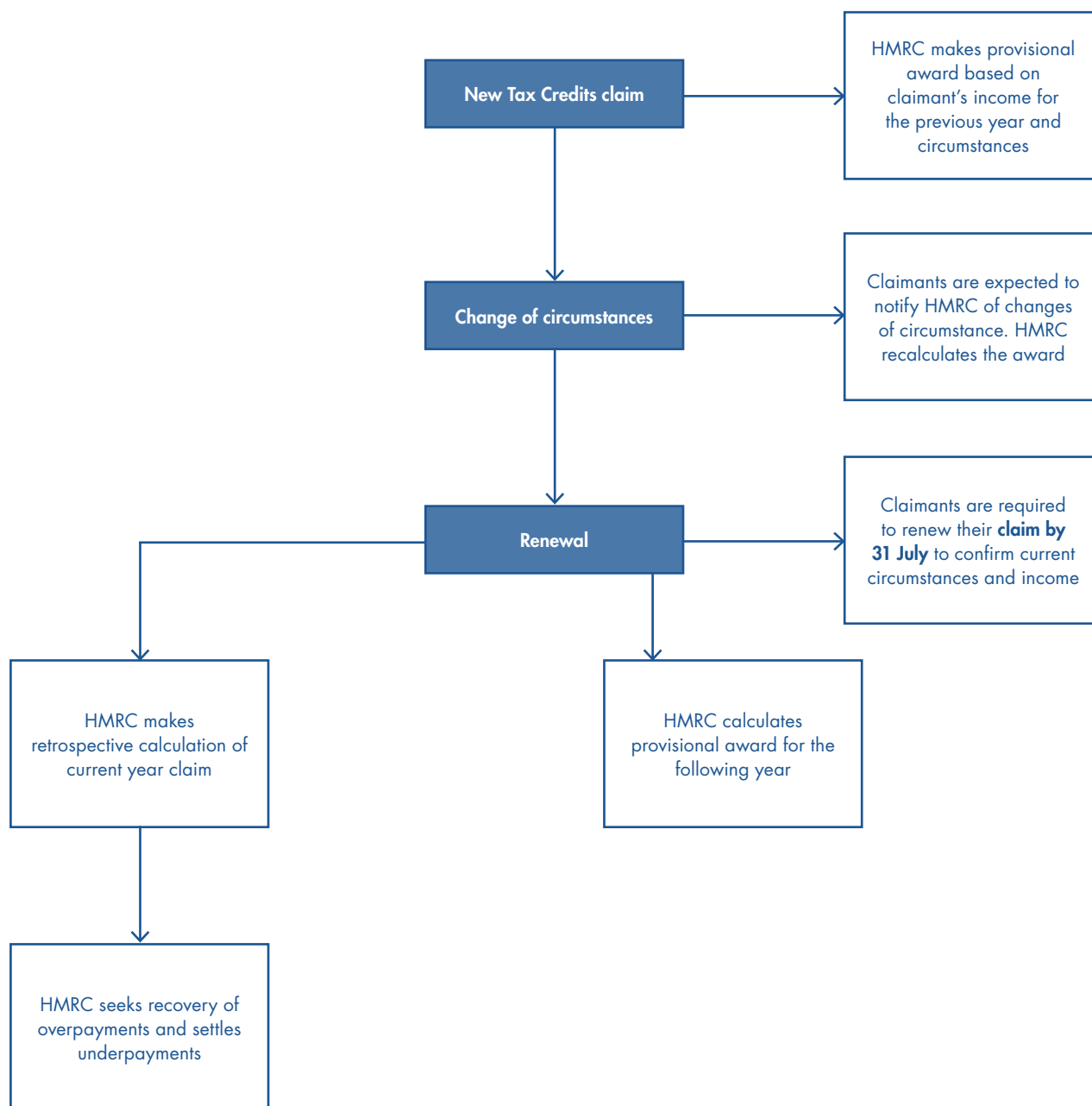


Source: National Audit Office analysis of HM Revenue & Customs' data

**NOTE**

Appendix 3 gives further details of the Income Tax Self Assessment process.

## 2 Stages in the Tax Credit Process



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

### NOTE

Appendix 3 gives further details of the Tax Credit process.