



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 211
SESSION 2009–2010**

15 JANUARY 2010

HM Revenue & Customs

Handling telephone enquiries

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National Audit Office

HM Revenue & Customs

Handling telephone enquiries

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

8 January 2010

In 2008-09 HM Revenue & Customs answered over 62 million calls through its 31 contact centres, which provide a range of services from ordering forms to dealing with complex tax and benefit-related queries and transactions.

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The National Audit Office study team consisted of:

Helen Holden, Lee-Anne Murray, James Young, Robin Owen, Matthew Cain, Christopher Grant and Jon de Keyser, under the direction of Jane Wheeler.

This report can be found on the National Audit Office website at www.nao.org.uk/hmrcenquiries2010

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Summary

Introduction

1 In 2008-09 HM Revenue & Customs (the Department) answered over 62 million calls through its 31 contact centres, which provide a range of services from ordering forms to dealing with complex tax and benefit-related queries and transactions. The contact centres deal primarily with inbound calls from customers. The Department wants to direct people to the communication channel that most effectively meets their needs at the lowest cost to them and the Department which, in general, means away from face-to-face and post, and towards telephone and online communications.

2 In our 2007 report, *“HM Revenue & Customs: Helping individuals understand and complete their tax forms”* we examined the information the Department provides through all channels of communication. This report examines in greater depth contact by telephone covering:

- the services provided (Part 1);
- the ease with which taxpayers can access contact centres (Part 2);
- the quality of advice provided (Part 3); and
- whether the Department is running contact centres efficiently (Part 4).

3 We focus primarily on the 19 contact centres within the Department’s Customer Contact Directorate (the Directorate) which handle 95 per cent of calls to contact centres, and seven contact centres managed by two business areas: Charity, Assets and Residence, and Debt Management and Banking. Principally because of limitations in obtaining comparable data, we did not examine calls handled by smaller contact centres, or by other parts of the Department. Appendix 1 summarises our methodology.

Key findings

4 In pursuing its strategy, the Department recognises that people have different needs and that the most effective communication channel will not necessarily be the same for all customers in all circumstances. It aims eventually to move towards the majority of customers using self-service telephone and online communication channels, and it has various programmes in place to achieve this. These include, for example, the Carter Programme to expand online filing of tax returns with the aim of saving £278 million, before deducting costs, between 2007-08 and 2013-14, and an increase in the use of recorded messages on helplines which, early results show, answered over 10 per cent of queries in the first half of 2009-10. The Department has developed plans for each

programme, but does not have an integrated plan that brings together the costs and expected benefits of the different channel programmes, and their interdependencies with overall milestones and targets against which it can track progress.

5 The Department spent £233 million in 2008-09 on staff handling contact centre telephone enquiries, of which £223 million related to the Directorate. Contact centre staff answer queries across the broad range of the Department's business. In 2008-09 the Directorate received 103 million call attempts, 22 per cent more than in 2007-08. The number of calls per month ranged from four million to 17 million. This high degree of variation reflects the flow of work on individual taxes and benefits and associated statutory deadlines. During busy peak times, callers often had to dial several times before their call was answered. The Directorate answered 57 per cent of call attempts in 2008-09 compared with 71 per cent in 2007-08, and an industry benchmark of more than 90 per cent. Its performance ranged from answering 33 per cent of call attempts during the tax credit renewals peak in July 2008 to 85 per cent in December 2008.

6 The Directorate recognised this level of performance was unacceptable, and in 2008 launched various initiatives to improve its management of caller demand. Early indications are encouraging: in the first half of 2009-10 the number of callers reduced by 12 per cent and the number of call attempts by 34 per cent. The Directorate increased the percentage of calls answered to 73 per cent compared with 48 per cent in the first half of 2008-09. It has now introduced a change programme with the aim of answering more than 90 per cent of call attempts whilst maintaining top quartile levels of quality and customer satisfaction and reducing the cost of its telephone operations by around 30 per cent between 2008-09 and March 2012. The Department estimates around 35 per cent of calls to its contact centres are avoidable. We estimate, based on 35 per cent of staff costs, that the cost of avoidable contact could be up to £75 million. It is likely to be lower because avoidable calls are likely to be shorter on average than other calls. The Department has committed to reduce avoidable contact by 50 per cent by 2011. The Directorate is in the early stages of developing a consistent method for capturing the costs and benefits of the individual projects that make up the change programme to enable it to track the progress of the programme overall.

7 In 2008 the Directorate predicted demand would grow by 7.5 per cent a year unless it took action and therefore staffed its contact centres to meet growing demand. As a result of relatively static staffing levels combined with significant fluctuations in demand, the monthly average cost to the Directorate per call answered fluctuated during 2008-09 from around £2.50 to over £5. In 2008-09 38 per cent of contact centre advisors' time was spent on actually handling calls, which is not out of line with other central government agencies, but is below a best practice industry benchmark of 60 per cent. The Directorate's ability to achieve the industry benchmark has been affected by several factors, including significant fluctuations in call volumes, the range and complexity of enquiries received and constraints around deploying staff flexibly. The Directorate is taking action to improve staff utilisation, for example in late 2009 it deployed contact centre staff to work in other areas of the Department during troughs in demand.

8 The Directorate measures the quality of its work against three standards. Eighty-nine per cent of calls met its standard on accuracy of advice and 94 per cent on both appropriate security checks and correctness of follow-up action. The Directorate has introduced measures to improve these scores, particularly on accuracy.

9 In the contact centres in other business areas we examined, the Charity, Assets and Residence contact centre answered 89 per cent of call attempts in 2008-09 and 96 per cent met its quality standard. The Debt Management and Banking Directorate answered 35 per cent of call attempts in 2008-09 and is currently expanding its telephone operation to improve the percentage of call attempts answered. The Debt Management Telephone Centre monitors the quality of calls for coaching purposes, but judges its performance largely on levels of debt collected rather than measures of customer service.

Conclusion on value for money

10 The Department is implementing various programmes to encourage customers to move towards less expensive forms of communication whilst meeting their needs. These programmes have the potential as they are fully rolled out to achieve significant value for money benefits for the Department. For example, the planned expansion of online filing of tax returns is expected to achieve savings, before deducting costs, of £278 million over the seven years to 2013-14. In the absence of an integrated plan for its channel strategy, and associated department-wide targets and milestones, the Department is not well-placed to assess progress, the need for corrective action, or to demonstrate whether it is achieving optimum value for money in pursuing its objectives.

11 In terms of handling telephone enquiries, the Department is not currently achieving value for money, as it recognises. Although the staff cost per call minute fell by around nine per cent between 2006-07 and 2008-09, its performance in answering calls in 2008-09 was well below its own targets and industry best practice benchmarks. There have been signs of significant improvement in the first half of 2009-10. The Directorate has set up a change programme to improve the percentage of call attempts answered from 57 per cent to 90 per cent and reduce costs by around 30 per cent by March 2012. We estimate that, by reducing the 35 per cent of contact that the Department estimates to be avoidable, and by matching resource levels more closely to the demands of the work and achieving staff utilisation levels nearer to best practice, the Directorate could answer 90 per cent of calls and save between £30 million and £50 million. The Directorate met its quality standards on 92 per cent of calls in 2008-09, slightly lower than in the previous year although comparisons are difficult as it introduced more rigorous quality monitoring. While the impact of incorrect advice is hard to quantify, improving its quality is also likely to bring benefits in people getting their tax and benefit affairs right and reducing repeat enquiries.

Recommendations

Improving the strategic management of work programmes

12 The Department does not have sufficient oversight of the overall planned costs, benefits and interdependencies of the various channel migration programmes it has under way to move customers to using the method of contact that most effectively meets their needs at the lowest cost to themselves and the Department. It is therefore not in a strong enough position to ensure efficiencies and benefits are being realised, and gauge progress towards its goal or the need for additional action. The Department should:

- produce an integrated channel strategy plan that brings together the costs, benefits and milestones of its various work programmes relating to customer contact as a basis for tracking progress towards its overall goal (paragraph 1.5);
- develop a consistent method for capturing information on the costs and benefits of the individual projects which make up the Directorate's change programme (paragraph 4.18).

Improving the visibility of contact centre performance

13 The Department does not have clear oversight of the relationship between the work of the business areas and the contact centres. Improvements in customer experience and efficient management will come from greater joining-up of processes between the Directorate and business areas, and greater visibility of service levels achieved in the Department.

14 The Department should:

- develop service level agreements with other helplines similar to those in place between the Directorate and the Benefits and Credits Directorate (paragraph 2.9);
- identify the costs of answering calls for each business area and consider re-charging these to business areas to incentivise business areas to play a role in reducing avoidable contact (paragraph 4.4);
- take a more strategic approach to managing telephone operations across the Department by identifying all telephone operations and considering which might benefit from the performance management framework, technology and expertise which exist within the Directorate (paragraph 1.2).

15 The cross-government Contact Council, chaired by the Cabinet Office, provides oversight and assesses performance across the public sector on customer contact issues. The Contact Council should continue to work with departments and others to improve the accuracy and consistency of the information that feeds into its Performance Management Framework to enable better comparison of contact centre performance across government (paragraph 2.7).

Improving customer experience

16 It is not always easy for customers to make contact with the Department. Some customers struggle to find the correct telephone number, many are required to dial several times or queue to get through to an advisor, and for some the cost of phoning the Department can be expensive. The Department should:

- use the opportunity provided by its new PAYE IT system to rationalise the telephone numbers used for Income Tax enquiries, and publish these and textphone numbers in the Contacts section of its website (paragraph 2.1);
- work with the Contact Council and others to negotiate with mobile phone providers a standard rate for calling public sector contact centres regardless of call package (paragraphs 2.11 – 2.12);
- building on its pilot work, investigate the costs and benefits of offering a call-back service to the most vulnerable customers (paragraph 2.14).

17 The Directorate's customer contact satisfaction survey shows scores above the industry average, but it does not fully capture customer experience. For example, it does not track whether a customer's query was fully resolved, or the number and type of contacts required and how long it took. The Department should:

- build on existing work to develop a method for estimating the average number of contacts per transaction (e.g. total contacts by email, telephone, and face-to-face per transaction) for each main type of transaction, with the aim of reducing the total number of contacts required to resolve a query (paragraph 3.9); and
- use mystery shopping to evaluate customer experience on specific issues such as the experience of particular taxpayer groups and the clarity and accuracy of advice provided, particularly on complex issues. The Department has introduced a range of quality assurance processes and considers that in the context of current resourcing pressures, mystery shopping is a lower priority (paragraph 3.11).

Improving the efficiency with which staff are used

18 Until recently the Directorate aimed to staff its contact centres to capacity to meet growing demand. The Department does not reach industry best practice in terms of call attempts answered and staff utilisation, and performance deteriorates during peaks in demand. The Department should:

- consider different ways of working to manage demand during peaks, including outsourcing and part-year permanent contracts (paragraphs 4.8 and 4.17);
- building on current work to use contact centre staff in other areas of the Department during troughs in demand, match resource levels more closely to the demands of the work (paragraph 4.17);

- use automated information on queue lengths and recorded messages on all lines to encourage customers to call outside peak hours and access information through the Department's website (paragraph 4.4);
- compare the hours actually worked at a local level with those planned by the central resource management team to determine whether plans were adhered to and whether improvements could be made in forecasting and scheduling of staff (paragraph 4.7).

Reducing avoidable contacts

19 The Department estimates that around 35 per cent of contacts to its contact centres are avoidable, and is starting to develop more detailed information on the reasons why people call. It aims to reduce avoidable contact by 50 per cent by 2011 and has work under way that has so far produced good results. The Department should build on its change programme work (paragraphs 4.3-4.5) to:

- improve its information and processes used to capture root causes of why customers call to identify the extent of low-value, potentially avoidable, calls;
- conduct end-to-end reviews of different tax and benefit regimes to determine the contact centre role, where the barriers to reducing avoidable contact lie, and how processes can be changed to reduce the average number of contacts per transaction;
- consider which further elements of the work handled by the contact centres could be automated.

Part One

The provision of services through contact centres

1.1 People and businesses who wish to contact HM Revenue & Customs by telephone can do so through helplines managed by the Department's contact centres or in some cases through other offices. In 2008-09 the Department answered around 62 million calls through its 31 contact centres and 16 million calls in other parts of the Department. The contact centres employed around 10,500 full-time equivalent staff across the UK during 2008-09 at a cost of £233 million. They almost exclusively handle inbound calls, other than in specialist areas such as Debt Management and Banking.

1.2 Ninety-five per cent of calls to contact centres are handled within the Customer Contact Directorate (the Directorate), which operates 15 helplines covering the main taxes, child benefit, and tax credits through 19 contact centres. The Directorate does not systematically measure the total cost of telephone contact because the Department manages overheads centrally, but estimates it to be £405 million of which £223 million is staff cost. Twelve contact centres are managed by individual business areas. **Figure 1** illustrates how calls and business lines are split between the Directorate and other areas.

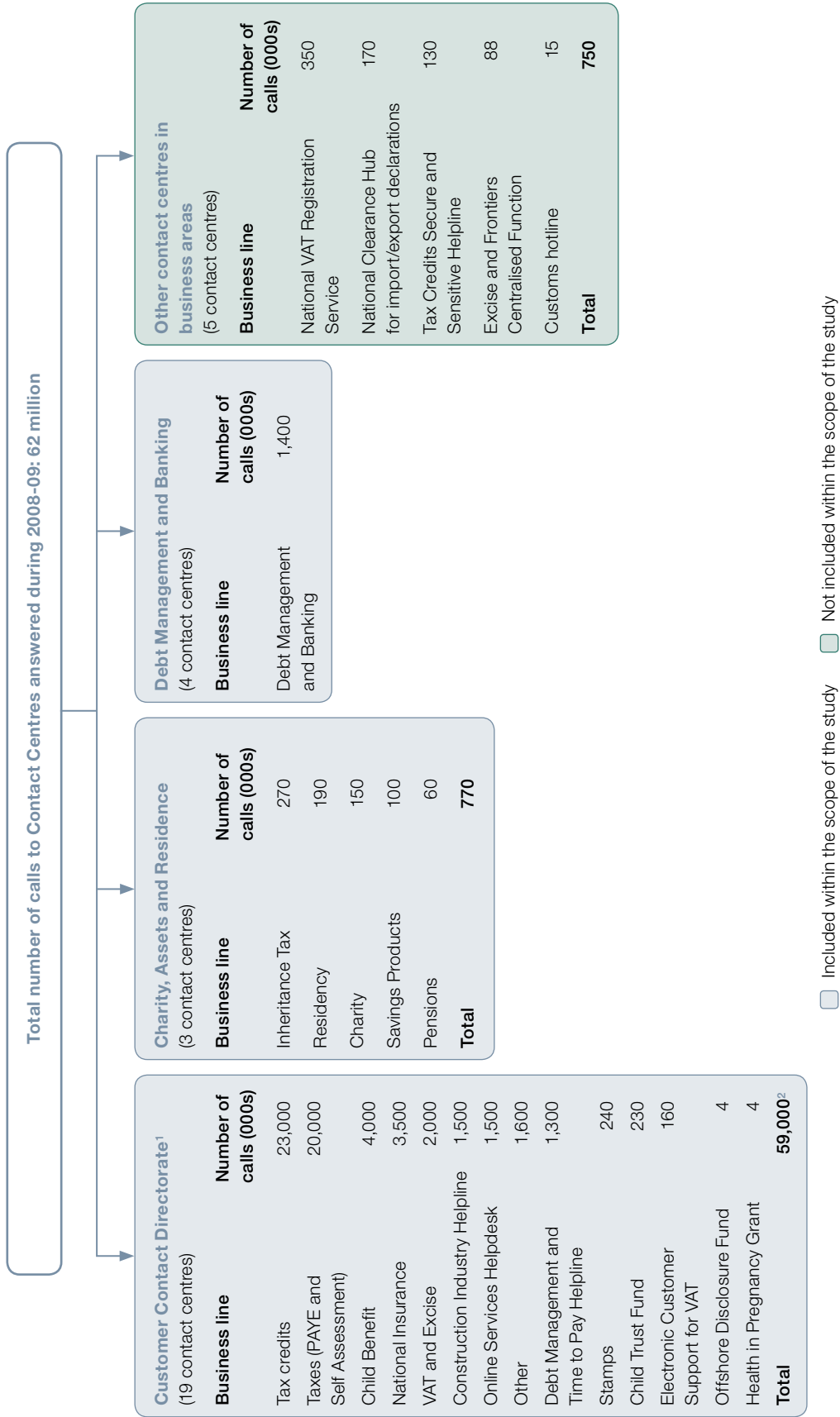
1.3 This report focuses primarily on the Directorate's contact centres. We also examined contact centres run by the Charity, Assets and Residence business area, and by the Debt Management and Banking area which largely exists to pursue debt, to see how large contact centres outside the Directorate are run. We excluded smaller contact centres and calls handled in other offices. Data in this report relate primarily to the Directorate. Comparable information was less readily available in Debt Management and Banking, and Charity, Assets and Residence and we have included such information only where explicitly stated.

The strategic context

1.4 The telephone is one communication channel people use to obtain or provide information to the Department: other channels are the website, post, and face-to-face meetings. We examined in 2007 how the information the Department provides through these four channels enables people to get their tax right.¹ This report examines in greater depth contact by telephone.

Figure 1

Number of calls answered in 2008-09 broken down by line of business



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

NOTES

- 1 VAT and Excise are two helplines, but are reported as one.
- 2 Approximately an additional three million calls were handled by recorded messages in 2008-09.

1.5 The Department's channel strategy is to direct people to the channel that most effectively meets their needs at the lowest cost to them and the Department. It recognises that people have different needs and that the most effective channel will not necessarily be the same for all customers in all circumstances. It aims eventually to have the majority of customers using self-service telephone and online communication channels. It has undertaken research since 2004 to inform this strategy, and has various programmes under way to achieve more cost-effective communications. These include the Carter programme to expand online filing of tax returns, which aims to save £278 million of back office costs, before deducting costs, between 2007-08 and 2013-14, and an increase in the use of recorded messages on helplines which, early results show, are answering over 10 per cent of queries. While the Department has detailed plans for these programmes it does not have an integrated Department-wide plan that brings together the cost, benefits and interdependencies of the different programmes. Nor does it have a clear view of how activity levels and costs across the different channels might change as a result of these programmes which makes it difficult to effectively plan resource requirements, track progress and quantify the overall effects of changes made.

1.6 The contact centres' work contributes to the Department's targets to improve customers' experience, and improve the extent to which individuals and businesses pay the tax due and receive the credits and benefits to which they are entitled. The Directorate has also introduced a change programme to answer at least 90 per cent of call attempts and maintain top quartile levels of quality and customer satisfaction at around 30 per cent less cost by March 2012.

The Department's contact centre operating environment

1.7 The Department opened its first contact centre in 1998 and has since expanded to 31 contact centres covering all main business lines. Each contact centre handles between two and six helplines, and between one million and eight million calls a year, employing between 200 and 1,100 staff. Eighty-five to 90 per cent of staff are telephone advisors and the remainder are in management or support roles.

1.8 The number of calls to the Department has been rising as it has encouraged contact by telephone and enabled customers to complete transactions such as tax credit renewals by telephone. The Department's contact centres operate in an environment which is more complex than many other public and private sector contact centre businesses, for example:

- **Nature of the business:** Contact centres provide information across nearly 30 lines of business. Subject matter and type of customer varies considerably, and enquiries are often very complex.
- **Variation in number of callers throughout the year:** There are very significant peaks and troughs in demand to individual business lines, linked to statutory deadlines.

- **Information technology systems:** Some of the Department's older systems were not designed to support contact centres, limiting the extent to which advisors can access and amend some taxpayer records. The Department is working to address this issue, for example, it is creating a virtualised network to enable it to handle PAYE calls in any taxes contact centre across the UK, as is the case with tax credit calls.
- **Departmental terms and conditions:** Many staff are employed on terms and conditions that have been agreed on a departmental-wide basis, and are sometimes less suitable for a contact centre environment.

Contact centres across government

1.9 In December 2006 the Government report on Service Transformation² made recommendations to improve Government's performance on interacting with citizens and businesses and specifically to halve avoidable contact³ across Government by 2011. The report recommended all contact centres undergo formal accreditation to ensure they meet accepted standards by December 2008. The Directorate's contact centres have been accredited by the Customer Contact Association since 2007 although the Department's other contact centres have not yet sought accreditation. The Department's progress against other recommendations is covered in Parts 2 and 4.

Part Two

Ease of access to contact centres

The number of telephone numbers

2.1 The Committee of Public Accounts⁴ and NAO⁵ previously recommended the Department should review the number of telephone numbers it uses, work towards a “one-stop shop” for businesses, and reduce the number of orderlines. The Department estimates it has 139 customer-facing ‘0845’ numbers, of which 66 relate to Income Tax, 11 to National Insurance, and eight to tax credits. There are also 14 textphone numbers, seven orderlines for forms and five online services numbers for different taxes and benefits. It has multiple numbers for Income Tax because until recently calls had to be directed to the specific site with access to the customer’s information. A new PAYE IT system should now enable it to reduce the number of Income Tax telephone numbers.

2.2 In 2008-09, 93 per cent of those calling the Department said they found it easy to find the right number. Those who found it easiest were generally customers for those helplines with one main number. The large number of telephone numbers makes it difficult for some people to identify the correct number, and for the Department to keep its forms, letters and weblinks and those of third parties, up to date. In its Service Transformation Agreement of October 2007 the Department committed to reducing the number of telephone numbers it uses.⁶ It has yet to finalise the exact scope and timing of the rationalisation programme, which will involve costs in communicating changes to taxpayers and running parallel numbers.

Responding to calls

2.3 Between 2007-08 and 2008-09 the number of callers increased from 59 million to 64 million, and the number of call attempts rose by 22 per cent from 84 million to 103 million. In 2008 the Directorate predicted demand would continue to rise by 7.5 per cent a year unless it took action. However, in the first half of 2009-10 the number of callers reduced by 12 per cent and the number of call attempts fell by 34 per cent as the Directorate took steps to improve performance.

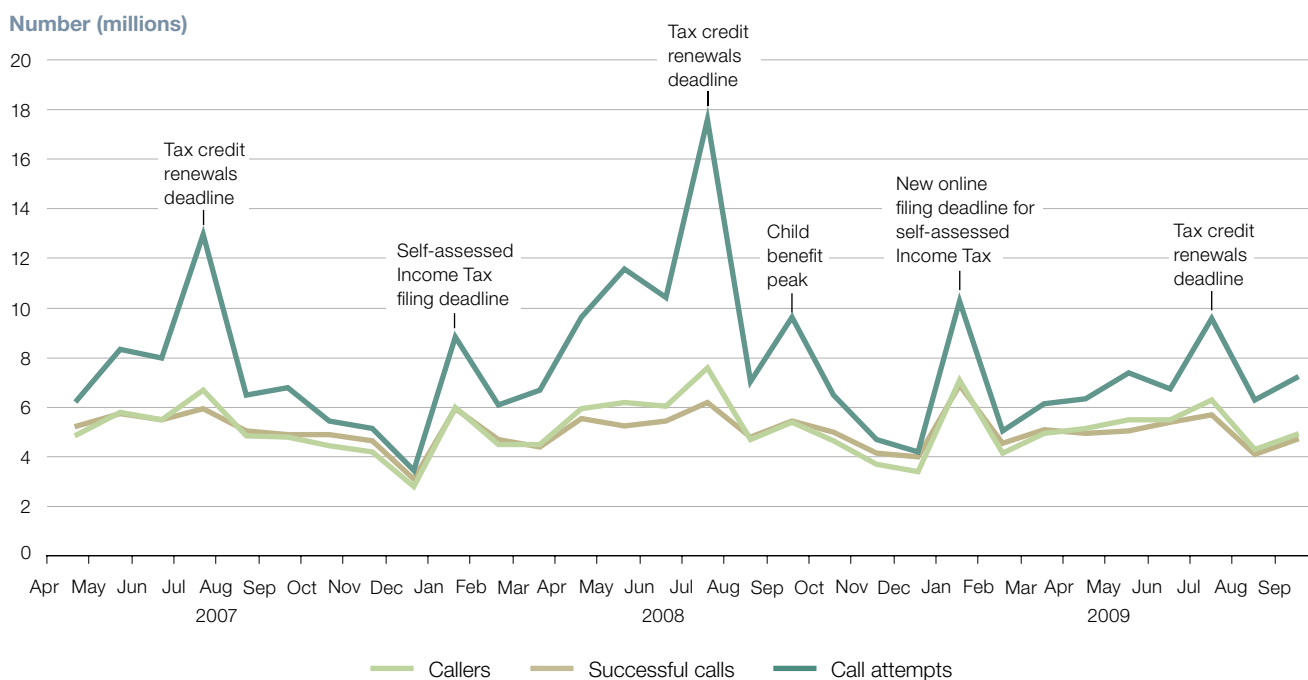
2.4 Demand to contact centres fluctuates reflecting the flow of work on individual taxes and benefits and associated statutory deadlines. The tax credit renewals peak runs from mid-April to August. It accounted for 52 per cent of answered calls in July 2008. Filing of self-assessed Income Tax returns accounted for one third of answered calls in January 2009. **Figure 2** shows the Directorate does not answer a significant proportion of call attempts during peak periods. In 2008-09 the Directorate experienced 14 times

more call attempts during its busiest week than its quietest week, and four times as many call attempts in its busiest month than its quietest month. During peak periods call attempts rise more sharply than the underlying number of individual callers because customers who are unsuccessful often dial several times before they get to speak to an advisor.

2.5 In 2009-10, the Directorate introduced measures to better manage peaks including directing customers to the website for information and automated messages on processing times. **Figure 3** overleaf shows that in the 2009 tax credit renewals peak the number of call attempts reduced significantly, and the percentage of call attempts answered more than doubled from 33 per cent in July 2008 to 68 per cent in July 2009.

2.6 The number of customers complaining about being unable to get through to the Department increased from 231 in 2007-08 to 818 in 2008-09, mainly in relation to the How to Pay helpline (299), taxes helpline (244), and child benefit (174). The number of complaints is very small compared with the number of call attempts. In 2008-09, 86 per cent of customers were satisfied with the amount of time it took them to get through to a member of staff, four per cent less than in 2007-08.

Figure 2
Number of call attempts, successful calls and individual callers to the Customer Contact Directorate, April 2007 to September 2009



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

NOTE

The number of callers is an estimate based on the number of calls made from an individual telephone number in a single day. If a caller rings five times from the same phone on the same day they count as one caller. If they ring more than once in a single day on two different phones, or on the same phone on two different days they count as two callers.

Figure 3

Performance in the tax credits renewal peak in July 2007, 2008 and 2009

Performance	Individual callers (millions)	Call attempts (millions)	Call attempts answered (millions)	Call attempts answered (%)
July 2007	6.7	12.9	6.0	46
July 2008	7.6	17.6	5.9	33
July 2009	6.3	9.6	6.5	68

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

2.7 In 2008, the Committee of Public Accounts recommended the Department measure its performance using accepted industry benchmarks, such as percentage of calls answered within 20 seconds, and improve its performance to industry standards.⁷ The Department now uses an accepted industry benchmark of call attempts answered to measure its performance. The Directorate plans by March 2012 to reach the industry standard of answering more than 90 per cent of call attempts. The cross-government Contact Council, chaired by the Cabinet Office, provides oversight and assesses performance on contact centre issues across the public sector. Currently government contact centres report performance using different measures and definitions. In October 2009, the Contact Council introduced a new Performance Management Framework so that contact centres report performance on a common basis. The Framework includes the percentage of calls answered in one minute as a benchmark, which the Council thinks is more relevant to public sector contact centres.

2.8 The Department tries to strike a balance between speed of response and percentage of calls answered, and minimising the cost of its operations. The cost per call rose by three per cent between 2006-07 and 2008-09, but the cost per call minute, a standard contact centre industry measure, fell by nine per cent to 62 pence from 69 pence. This is because calls have generally got longer, due partly to enhanced security processes, a greater focus on quality, and recorded messages picking up some of the shorter, simpler calls. The percentage of calls answered, and the proportion of these answered within 20 seconds, improved between 2005-06 and 2007-08, following the recruitment of an additional 1,325 staff in 2006-07, but fell significantly in 2008-09 (**Figure 4**). On the percentage of calls answered and speed of response, in 2008-09 the Directorate achieved levels well below industry best practice, partly because of the nature of its work (paragraph 1.8), and below its own targets. The Directorate's performance has improved in the first half of 2009-10 (**Figure 5**).

Figure 4

The Directorate's performance 2005-06 to 2008-09 and industry benchmarks

Performance	Call attempts answered (%)	Call attempts answered within 20 seconds (%)	Callers answered on the day (%)
2005-06	37	45	81
2006-07	68	72	94
2007-08	71	60	95
2008-09	57	55	88
2008-09 (Planned)	63	60	91
2008 Average global performance ¹	86	63.5	Not commonly used as industry benchmark
2008 Best practice industry benchmark ²	95	90 per cent answered within 10 seconds	Not commonly used as industry benchmark

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

NOTES

- 1 Global average from the Dimension Data report being average performance achieved by respondents.
- 2 Best practice benchmark from the Dimension Data Global Benchmarking Report 2008.

Figure 5

The Directorate's performance in the first half of 2008-09 and 2009-10

April-September Performance	Call attempts answered (%)	Call attempts answered within 20 seconds (%)	Callers answered on the day (%)
2008-09	48	38	84
2009-10	73	58	90

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

2.9 The Directorate's performance against the benchmarks above fluctuated throughout the year. It achieved best practice industry benchmarks on speed of response and percentage of call attempts answered during December 2008, the least busy month. However, it answered only a third of calls in July 2008, its busiest month. Performance has improved in 2009-10, with 68 per cent of call attempts answered in July 2009. Performance also varied by helpline, determined in part by the complexity of the line, flexibility of staffing arrangements, and the nature of the supporting IT systems. In 2008-09, the child benefit helpline had the lowest service level (**Figure 6**). Callers to the helpline increased by 17 per cent but because of limited access to the relevant IT system needed to answer customer queries, the Department could not staff the line to meet demand. Performance has improved from 24 per cent of call attempts answered in the first half of 2008-09 to 73 per cent in 2009-10. The Directorate has developed a service level agreement with the Benefits and Credits Directorate, but does not have agreements in place with other parts of the Department.

2.10 Of the contact centres managed by other business areas, in 2008-09 the Debt Management and Banking Directorate Telephone Centre answered 35 per cent of call attempts and 86 per cent of callers on the day. In 2007-08 it answered 54 per cent of call attempts and 92 per cent on the day. Unlike contact centres within the Directorate, the Debt Management Telephone Centre makes many outbound calls and constantly shifts resource between inbound and outbound calls. It judges its performance primarily on levels of debt collected rather than measures of customer service. It is currently expanding its telephone operation to increase capacity following our 2008-09 report on Management of tax debt.⁸ The Charity, Assets and Residence Directorate answered 89 per cent of call attempts in 2008-09.

Figure 6

Performance on the Customer Contact Directorate's major helplines in 2008-09

Business Line	Call attempts answered (%)	Calls answered within 20 seconds (%)	Callers answered on the day (%)
Tax credit debt management ¹	93	91	100
Self-assessment helpline	91	75	94
Excise/VAT	86	87	100
Construction Industry Scheme	77	85	99
PAYE	66	48	87
National Insurance, self employed helpline, national minimum wage	60	57	86
Debt management stage one ¹	56	43	78
Tax credits	54	53	90
Online services	53	61	88
Child benefit	31	32	71

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

NOTE

¹ These helplines are part of the Contact Centre Directorate not the Debt Management and Banking Directorate.

The cost to the customer of calling the Department

2.11 The average length of a call to the Directorate in 2008-09 was almost eight minutes compared with almost seven minutes in 2007-08. The cost to the customer of making an average length call ranges from being free to around £0.50 on a standard landline, and to more than £3 on a mobile telephone. It is not straightforward to calculate the cost of calling the Department on '0845' numbers although it is generally more expensive to call from mobile telephones than landlines, especially for those using "pay as you go" mobiles. More vulnerable customers are less likely to have a landline and are therefore more likely to have to pay for '0845' calls and at a higher cost per minute.⁹

2.12 A Which? survey¹⁰ and OFCOM research¹¹ found consumers were concerned about the cost of calling '08' numbers. In October 2007, OFCOM introduced '03' numbers to make the cost of calling public services and other organisations more transparent and for some customers, cheaper than calling '0845' numbers. The cost of calling '03' numbers still depends on the service provider, but is capped at the same rate as numbers beginning with '01' and '02'. Organisations such as the Driving Standards Agency and Identity and Passport Service now use '03' numbers. The Department has committed in principle to moving any new services to the '03' number range. It is reviewing the financial impacts, to the Department and to customers, of moving existing services to '03' numbers as any such change would involve significant extra cost for some customers and for the Department.

2.13 While the cost of calling the Department is not within its control, it has some control over how long it takes to answer a call. In 2008-09, one quarter of the total time customers spent ringing the Directorate was waiting time, almost two minutes on average. Waiting times ranged between 31 seconds on average in December 2008, to three minutes and 48 seconds in July 2008. The Directorate has a queuing system which limits the number of callers or time spent in the queue to cap the potential costs of waiting.

Calling customers back

2.14 The Department's contact centres only call customers back occasionally because their role is primarily to handle inbound calls. Taxpayer representative groups we consulted said the Department should call back more vulnerable customers who cannot afford the call charge, especially during peak periods. To call customers back on a large scale, the Department would have to define which customers should be called back and when, and have additional processes in place for checking customer identity and recording calls. The Department for Work and Pensions offers a call-back service for vulnerable customers applying for Pension Credit. The Department is piloting technology that would enable customers to schedule call-backs outside contact centres' busiest times.

Telephone services for deaf or hearing/speech-impaired customers and translation services

2.15 In 2007-08, the Committee of Public Accounts recommended the Department advertise more widely the services it provides for those with disabilities or who need information to be translated.⁷ The Department provides 14 textphone numbers for deaf or hearing/speech-impaired customers that are easily found for tax credit, child benefit and VAT enquiries on its Contact Us web page. However, other business lines require customers to navigate through several pages. On Direct.gov textphone numbers are only given for child benefit and tax credits.

2.16 The “Contact Us” page contains a link for Welsh-speaking customers, including a telephone number and translated website. The Directorate currently provides a translation service for customers who prefer to communicate in other languages, which cost £6 million in 2008-09. Less than two per cent of the Directorate’s calls required the use of this service.

Part Three

Quality of advice provided by contact centres

The Department's measures to monitor quality of advice

3.1 To monitor the quality of advice given to customers, the Customer Contact Directorate uses a quality assurance process to check advice given by advisors meets its internal quality standards, runs a monthly customer satisfaction survey, and analyses customer complaints. Other Departmental contact centres use their own quality assurance processes, examine complaints, and use the annual Department-wide customer satisfaction survey.

Quality assurance process

3.2 The Directorate's quality assurance process has two purposes: to measure the quality of advice given and to provide coaching and feedback for advisors.

3.3 In April 2008, the Directorate revised its quality assurance process to focus on accuracy of advice, which involves team leaders checking three equally-weighted elements: whether the advisor used the security process to check the caller's identity; whether the advice given was in accordance with guidance; and whether the advisor completed all necessary actions following the call. Team leaders listen to three randomly-selected recorded calls and three live calls per advisor every four weeks. In 2008-09, 264,000 calls were checked using this process, around 0.5 per cent of calls answered. Our own review and one by Internal Audit concluded the process was robust and reliable.

3.4 The percentage of calls meeting the Directorate's quality standard increased from 94 per cent in 2005-06 when we previously reported¹ to 96 per cent for 2007-08. The average quality score for 2008-09 under the new process was 92 per cent, but has improved throughout the year. The score comprises security checks (94 per cent), accuracy of advice (89 per cent) and correctness of follow-up action (94 per cent). If a call fails on any sub-question, it fails the whole section. Accuracy of advice scores lower than other categories on all the main helplines.

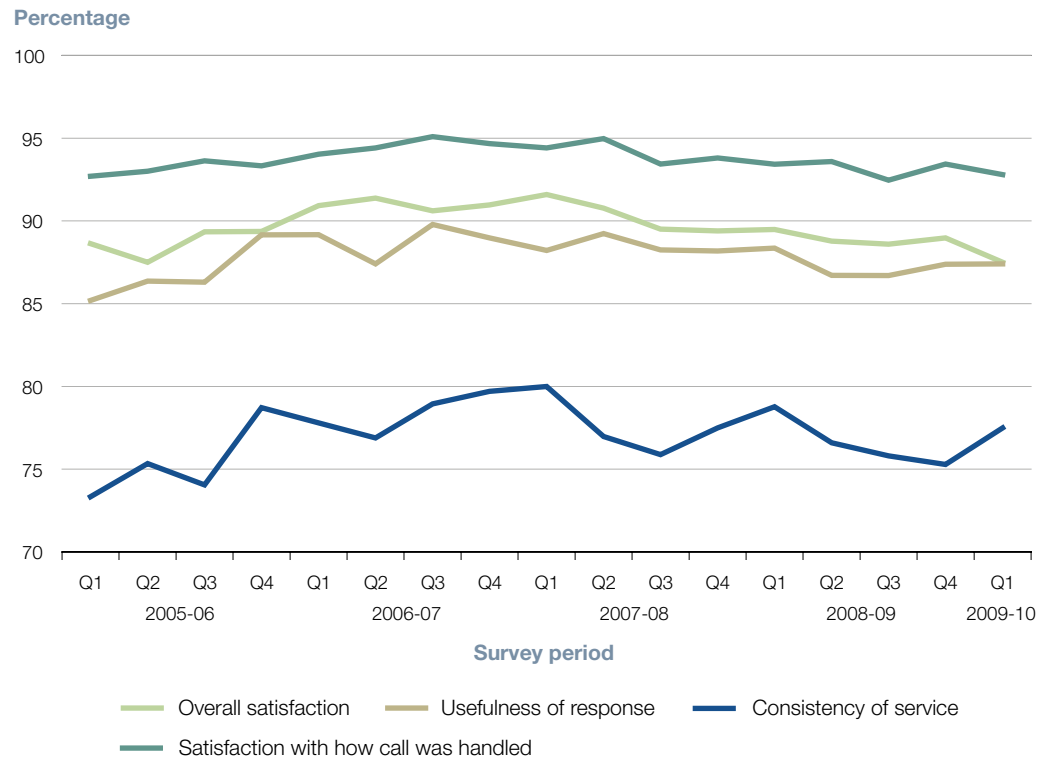
3.5 Other areas of the Department have their own quality assurance processes based on live listening as they do not routinely record calls. The Charity and Residence Directorate set up a contact centre-type telephone operation in January 2009. It has modelled its new quality process on the Directorate’s quality process and assessed quality at 96 per cent. The Debt Management Telephone Centre monitors the quality of calls for coaching purposes, but does not report results on the same basis as other contact centres on the grounds it is collecting debt not giving advice.

Customer satisfaction survey

3.6 The Directorate has employed an independent market research company since 2005 to undertake a customer satisfaction survey. The 10-minute telephone survey uses a random sample of customers and runs on a rolling monthly basis. We consider the overall survey methodology to be sound.

3.7 Customer satisfaction improved across most measures between March 2005 and May 2009. Overall customer satisfaction was 88 per cent in June 2009, above the public sector average of 75 per cent and an industry-wide average of 80 per cent.¹² **Figure 7** shows results have fallen slightly since 2007.

Figure 7
Key customer satisfaction scores, March 2005 to May 2009



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

3.8 The survey has limitations as a complete measure of customer satisfaction. It covers eight of 15 helplines, although they account for 90 per cent of calls. The survey takes place a week after the call so it may not fully capture satisfaction with follow-up actions or whether the guidance given subsequently proved to be correct. The timeframe strikes a balance between the customer having a clear recollection of the call, while allowing time to reflect follow-up action.

3.9 The Service Transformation report² recommended that 80 per cent of customer queries should be resolved at the first point of contact. Many private sector organisations use this as a performance measure for the organisation as a whole, and see it as important to enhancing customer experience, reducing the cost of contacts and removing unnecessary processing costs. The Contact Council is moving away from measuring resolution at first point of contact towards measuring the number of contacts a customer makes across all channels to solve their query, with the aim of minimising this number. The Directorate recognises that in practice information obtained through the survey on resolution at first point of contact is limited. It captures only the most recent telephone call and would not necessarily ascertain whether the query was fully resolved.

Improving quality of advice

3.10 Taxpayer representatives we consulted were concerned that advisors sometimes gave inaccurate advice. Eighty-nine per cent of calls met the Directorate's internal accuracy standard meaning that in 2008-09 around 6.8 million calls failed this check. Failing may not mean a customer received incorrect information: it could, for example, mean a call script was not followed even though the customer received the correct advice. The Directorate received 7,601 complaints in 2008-09, around 0.01 per cent of total calls answered. More than one quarter related to misadvice and one quarter to advisor attitude. More than two-thirds of complaints about misadvice related to tax credits.

3.11 Some organisations use mystery shopping to assess accuracy and quality of information given. In response to the Committee of Public Accounts' 2007-08 report⁷, the Department undertook to consider how it could use mystery shopping more widely and effectively.¹³ The Directorate operates a range of quality procedures and it has decided, for the moment, to prioritise other areas above investment in mystery shopping. Other private and public sector organisations we consulted, including Jobcentre Plus and the Driver and Vehicle Licensing Agency, said mystery shopping was a key element of their quality assurance process. The Department could use mystery shopping to investigate specific issues such as the experience of particular customer groups, the ease with which people understand the information provided, and the accuracy of advice on complex issues.

3.12 Having well-trained, motivated advisors is important to ensuring quality of advice. In the Department's 2009 staff survey, contact centre staff were more positive than other staff across most measures of staff satisfaction, particularly on staff management, but less positive about their ability to work flexibly. Forty-six per cent thought they received the information they needed to do their job well, compared to 43 per cent of staff across the Department.

3.13 The Directorate has introduced several processes to improve quality of advice:

- Nursery or graduation teams to support new staff as they get used to taking live calls.
- Short team meetings to share updates and good practice several times a week.
- Regularly scheduled time for advisors to catch up on changes and updates on their specialist areas or to undertake training.
- Floorwalkers in every contact centre to help advisors with difficult enquiries.
- Asking staff to follow regularly reviewed call scripts and processes especially on the first call of each type every day, to ensure they are familiar with the latest information.

3.14 Since April 2009, each contact centre has had its own quality monitoring team that is responsible for sharing good practice within the centre, analysing centre-specific quality information, suggesting ways to improve advice, and feeding back common issues across the Directorate.

3.15 Since 2002, the Directorate has gradually introduced call scripts and detailed online guidance for advisors to improve consistency and accuracy. Helplines are scripted to varying degrees. For example, 90 per cent of the most common queries on tax credits are scripted. For taxes, online guidance has recently been improved so it is quicker and easier for advisors to use. Due to the complexity of the subject matter, the online guidance runs to around 27,000 pages. One contact centre we visited had established its own intranet page with links to the online guidance because they found it easier to find information that way.

Part Four

Using contact centres efficiently

Fluctuations in demand

4.1 The Directorate experiences significant fluctuations in call attempts (Figure 2). In 2008-09 it experienced 14 times more call attempts during its busiest week than its quietest week, and four times more call attempts in its busiest month than its quietest month. It staffed its contact centres at between 96 and 99 per cent of their physical capacity each month over the same period. **Figures 8 and 9** overleaf illustrate the daily and weekly variations in call attempts.

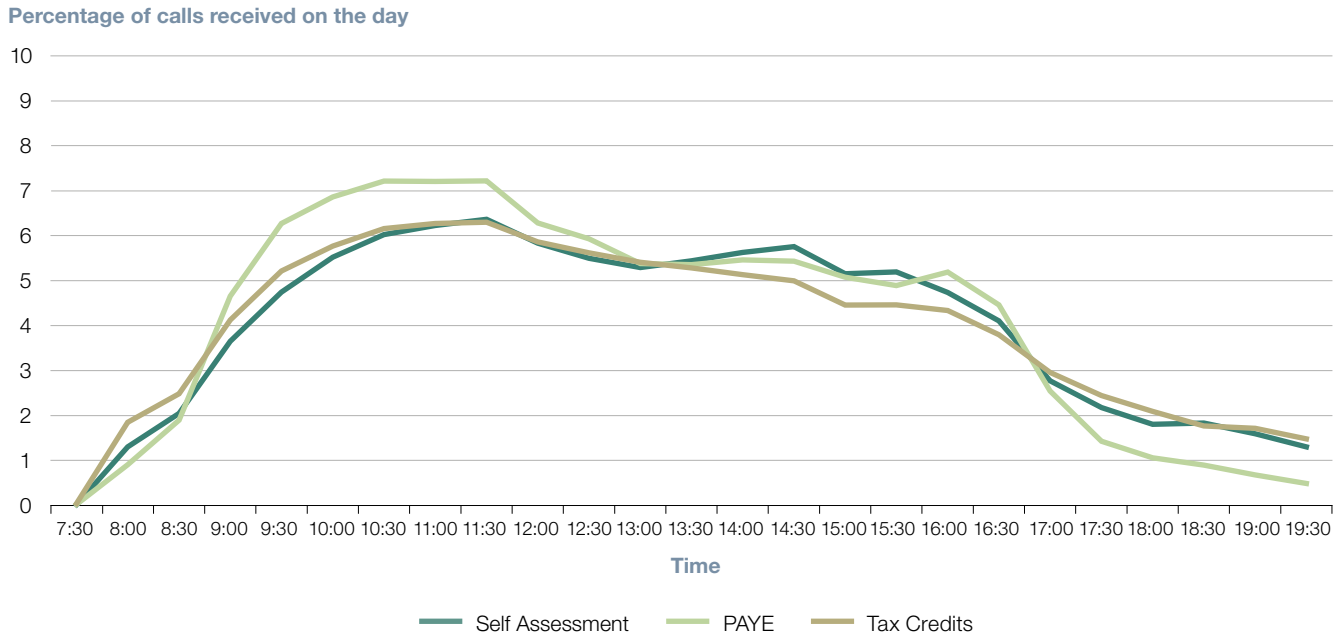
4.2 The Directorate receives more calls than it can answer during peak periods, and during troughs staff are waiting for calls. It recognises that to handle demand more efficiently it must reduce the volume of calls it receives during peaks and improve the flexibility of its staffing arrangements.

Reducing demand

4.3 In 2008 the Department estimated that, without action to reduce it, underlying caller demand to its contact centres would rise by 7.5 per cent a year. It also estimates that around 35 per cent of calls to its contact centres are avoidable, roughly 21 million calls a year. Examples of calls considered avoidable include those seeking information where it is easily available on the website and chasing progress on items being processed by other parts of the Department. The Department has not accurately quantified the cost savings that could be made from reducing avoidable contact. We estimate, based on 35 per cent of staff costs, that the cost of avoidable contact could be up to £75 million. It is likely to be lower because avoidable calls are likely to be shorter on average than other calls.

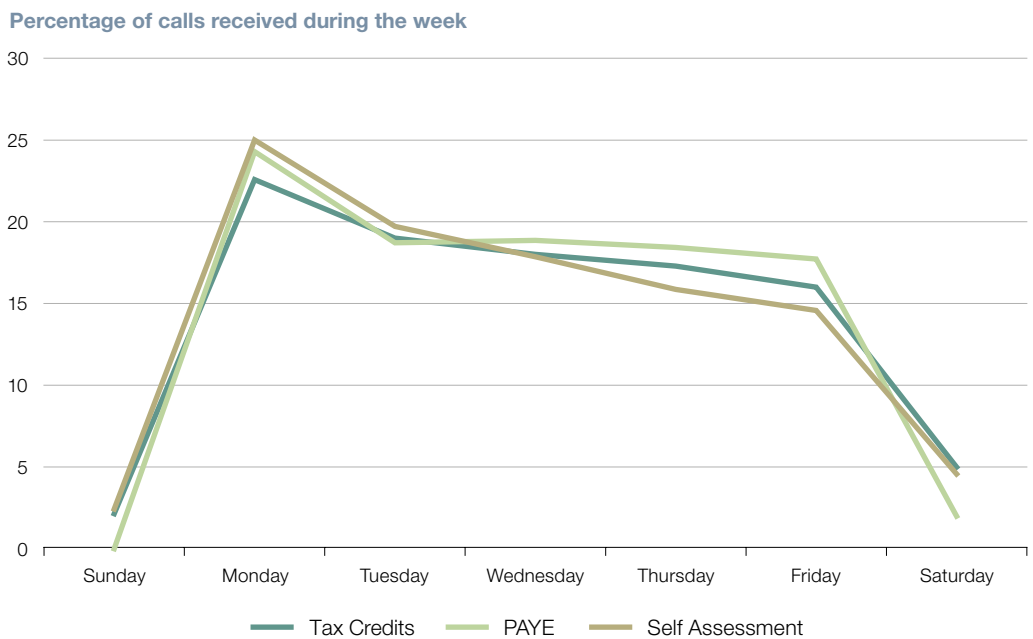
4.4 The Department has committed to reducing avoidable contact by 50 per cent by March 2011, as recommended by the Service Transformation report², and as part of its change programme, established a demand management team in 2008 to help meet this target. Projects include using recorded messages on all business lines, encouraging users of specific lines to switch to online alternatives, and promoting awareness within the Department's other business areas of the impact their action has on contact centre demand. Early indications are encouraging: the number of callers to contact centres in the first half of 2009-10 was 12 per cent lower than in the first half of 2008-09, and call attempts fell by 35 per cent over the same period.

Figure 8
Average daily call distribution on three main business lines in 2008-09



Source: HM Revenue & Customs

Figure 9
Average weekly call distribution on three main business lines in 2008-09



Source: HM Revenue & Customs

4.5 Through its change programme the Directorate aims to answer more than 90 per cent of call attempts whilst maintaining top quartile levels of quality and customer satisfaction and reducing the cost of its telephone operations by around 30 per cent between 2008-09 and March 2012. The programme has four strands: to manage down low value and unnecessary contact; to migrate contact to self-service channels where appropriate; to improve staff productivity; and a programme to provide the underpinning people, leadership and cultural change elements.

The Department's ability to use staff flexibly

4.6 The Department's ability to respond to fluctuating volumes of calls depends on its ability to predict demand, the flexibility of its staffing arrangements, and the physical constraints of office accommodation and IT systems. Overall staffing levels in the Directorate do not fluctuate in line with call volumes. In 2008-09, the Directorate staffed its contact centres at between 96 per cent and 99 per cent of their physical capacity each month. Consequently the average cost of answering calls was £3.77, but ranged from around £2.50 during the online Income Tax Self Assessment peak in January 2009 to over £5.

4.7 The Directorate has a resource management team which forecasts demand and required resources by the day and hour. It can also direct calls between queues in real time to smooth peaks and troughs in demand at individual contact centres. The team does not compare the hours actually worked at a local level with those planned by the central resource management team to determine whether plans were adhered to and whether improvements could be made in forecasting and scheduling of staff.

4.8 Of the Directorate's 10,000 contact centre staff, around 1,500 are on clerical contracts which allow them to work preferred shift patterns and take flexi-time when convenient to them. These staff transferred from elsewhere in the Department when the centres opened and their contracts constrain management's ability to deploy them as flexibly as it would wish, or as is possible in the private sector. All externally-recruited and promoted staff are on contracts which give management more flexibility to deploy them to meet demand. The Department does not make use of part-year contracts, which are used in other areas of government such as the Identity and Passport Service, which require staff to work during the peaks, but allow them to take on employment elsewhere during quieter times.¹⁴

4.9 The Department's requirements can differ from the wishes of staff to have flexibility on the hours they work and when they take annual leave. In April 2009 contact centre staff voted to give the Public and Commercial Services Union a mandate for strike action on issues including an improvement in flexible working hours and ability to book annual leave in advance and during peak periods.¹⁵ The Department reached agreement with the Union on a new set of leave and flexible working arrangements, specific to contact centres, which enable the Directorate to improve staff utilisation whilst giving a higher percentage of staff more flexibility and greater certainty over when they can take leave.

Flexing staff between business lines and directorates

4.10 At current levels of contact, introducing wider flexibility so that staff are more easily able to cover different helplines and move between processing work, online communication and telephone contact, could help improve staff utilisation by ensuring more staff are available to cover peaks in demand and staff can be usefully employed during quieter times. The Department is making more flexible use of staff, for example, by moving over 1,000 staff from other helplines and the back office to the Tax Credit helpline during the summer renewals peak. This was a factor behind the improvement in call attempts answered during the tax credits renewals peak and on child benefit (Figure 3 and paragraph 2.9). During the forecast trough in demand in late 2009, the Directorate loaned around 450 advisors a week to other directorates to help with back office processing work on tax credits and self-assessed Income Tax.

4.11 An important constraint on the Department's ability to move advisors between lines is their inherent complexity and diversity and the training required on each line before advisors can handle calls. IT systems also impose limitations. The Directorate now trains staff on lines outside their "home" lines and has grouped certain lines of business into "blended lines" which enables staff to be trained to flex between lines. The Directorate has successfully used recorded messages to channel low complexity calls to newly trained advisors.

The efficiency with which the Department uses its contact centre staff

4.12 In 2008-09 the Directorate's staff utilisation rate, the percentage of total staff time spent on customer contact or follow-up work, was 38 per cent but varied from 27 per cent in December 2008 to 47 per cent during the Income Tax Self Assessment peak in January 2009. Consequently of the £160 million spent on advisor staffing in 2008-09, around £60 million was spent on dealing directly with customers' enquiries, as opposed to paid leave, training, breaks, time on other work and waiting for calls during quiet periods. It is difficult to get comparable utilisation figures across government because it is measured in different ways but this does not appear to be out of line with other central government agencies. The Driver and Vehicle Licensing Agency achieves higher utilisation rates, ranging from 39 to 63 per cent in 2008-09, in part because of the smaller variation in their workload and because of the extent to which they have been able to match staffing levels to forecast demand.

4.13 The best practice industry benchmark for staff utilisation is 60 per cent.¹² **Figure 10** shows the Directorate's staff utilisation is lower in part due to factors outside its immediate control such as the complexity of the Department's business which involves more extensive training. Better scheduling of staff to demand, which reduces the time advisors are waiting for calls, greater emphasis on reducing unscheduled breaks and on reducing sickness absence, would all contribute towards improving staff utilisation.

Figure 10

Use of contact centre advisors' time

Advisor time spent on:	HMRC (%)	Private sector (%)	Explanation for the difference
Handling calls and follow-up work (staff utilisation rate)	38	60	
Waiting for calls	11		There are no comparator figures available for these individual categories. The difference in the total across the four categories of 12 per cent is likely to be accounted for by the additional time HMRC staff spend waiting for calls, caused by the pronounced peaks and troughs in their workload, the number of low volume lines HMRC has to staff, more non-customer facing work, and taking more unscheduled breaks than is the case in the private sector.
Other non-customer facing work (for example, other administrative tasks)	10	20	
Breaks (scheduled and unscheduled)	9		
Other customer facing work (for example, emails)	2		
Annual leave	13	12	Public sector average leave entitlement is estimated to be between 23 and 25 days with an additional ten and a half bank holidays and privilege days. The private sector average entitlement is estimated to be 24 days with an additional eight bank holidays.
Formal training	11	4	Estimates on the basis of five to six weeks' training per year in HMRC, owing to the complexity of the business, and an average of two weeks' training per year in the private sector.
Sickness	6	4	The Directorate's average sickness absence for 2008-09 was 16 working days per staff member. Best practice in the private sector is below ten days.
Total	100	100	

Source: National Audit Office analysis of HM Revenue & Customs data and web-based research on company websites

Improving efficiency

4.14 In 2006-07 the Directorate recruited 1,325 additional staff to handle peak demand. It considered several resourcing options, including contracting-out peak work, but decided to recruit additional permanent staff primarily because it would be easier to manage security risks. The additional staff enabled the Directorate to meet its planned performance levels in 2006-07 and 2007-08, although performance subsequently fell in 2008-09 as demand increased during peak periods. The cost per call minute fell in real terms by around nine per cent from 69 pence in 2006-07 to 62 pence in 2008-09. The Directorate could have made more efficient use of this additional resource by releasing staff to work in other areas of the Department during troughs in workload, as it originally planned when it recruited the staff and is now doing (paragraph 4.10).

4.15 Using 2008-09 patterns of demand and resource levels, we built a model to estimate the possible range of performance improvements the Directorate could attain if it could improve its management of two key variables: avoidable contact and staff utilisation. The complexity of the Department's operations, the number of changes taking place, and the impact of variables which have not been included in the model, such as news items that generate unexpected call volumes, make it difficult to model precisely potential performance.

4.16 As part of its change programme the Directorate aims by March 2012 to answer at least 90 per cent of calls, in part by reducing avoidable contact by 50 per cent. (We cover the Department's plans for reducing avoidable contact in paragraph 4.4.) The model indicates that, at 2008-09 resource levels, achieving a 50 per cent reduction in avoidable contact, would allow the Directorate to answer around 70 per cent of call attempts.

4.17 While increasing staff utilisation depends on more closely matching the supply of staff with caller demand, our model indicates even small changes in average staff utilisation could make a big difference in performance. Opportunities to improve staff utilisation include more flexibility around moving staff between helplines and between the contact centres and other types of work; considering outsourcing during peak periods; and reducing hours worked during periods of lower demand. We consider that, by improving staff utilisation to nearer best practice levels in addition to reducing avoidable contact, the Directorate could improve performance and achieve cost reductions. For example, assuming the Directorate reduces avoidable contact by 50 per cent as planned, we estimate if it also achieved a ten percentage point increase in staff utilisation, it could answer around 90 per cent of call attempts and achieve an annual saving of approximately £30 million. With a 20 percentage point increase, we estimate it could answer around 90 per cent of calls and achieve an annual saving of around £50 million.

4.18 The Directorate developed its change programme quickly during 2009 to address poor response levels and operate more efficiently. As it developed the Directorate worked to introduce appropriate governance arrangements which are now largely in place. The Directorate is in the early stages of developing a consistent method for capturing the costs and benefits of the individual projects that make up the change programme to track effectively the progress of the programme overall.

Appendix One

Methodology

Further details of our methodology are on our website at www.nao.org.uk

Method	Approach
Analysis of the Department's performance data	We analysed the Department's management information on customer contact by telephone, covering all lines of business within the Customer Contact Directorate and the largest lines of business outside of the Directorate: Debt Management and Banking, and Charity, Assets and Residence. We did not examine other helplines.
Interviews, visits and process familiarisation	<p>We conducted around 40 interviews with frontline, operational and strategic staff.</p> <p>We visited nine contact centres covering different sizes and lines of business.</p> <p>We listened to around 90 calls handled by frontline staff across nine lines of business and nine sites.</p>
Document review	We reviewed internal Departmental documents relating to telephone contact.
Assessing the Department's relative performance	We commissioned contact centre specialist consultants (Calcom) to assess the performance and practice of the Department's telephone operations against a number of comparator organisations.
Consultation with external stakeholders and other Departments	We consulted representatives of around 20 organisations on the issues, methodology and results of our study. Further details are available on our website.
Modelling contact centre performance	Using 2008-09 patterns of demand and resource levels, we built a model to estimate the range of performance improvements the Department might attain if it could improve its management of avoidable contact and staff utilisation.

Appendix Two

Previous PAC recommendations

This appendix summarises recommendations by the Committee of Public Accounts.

Report	Summarised recommendations	Progress reported in
HMRC: Helping individuals understand and complete their tax forms, HC 47, 2007-08.	The report included recommendations on encouraging the Department to aspire to industry standards in contact centre operations, use of mystery shopping, and advertising more widely the range of help available to those with disabilities.	Paragraphs 2.7-2.9, 2.15, 3.11, and 4.12-4.13.
HMRC: Helping newly registered businesses meet their tax obligations, HC 489, 2006-07.	The Department should work towards a one-stop telephone system for businesses, which covers all taxes, provides better access for advisors to taxpayer records, and routes enquiries to the most appropriate advisor.	Paragraphs 2.1-2.2.
HMRC: Filing of Income Tax Self Assessment Returns, HC 681, 2005-06.	The Department should improve call centre staff training and access to specialist advice for complex enquiries. It should also extend the hours of service at peak periods of the year.	Paragraphs 3.13-3.14.
Using Call Centres to Deliver Public Services, HC 373, 2002-03.	The report included recommendations on publishing call centre numbers, performance monitoring, availability of cost information, and use of appropriate software to monitor and manage demand.	Paragraphs 1.2, 2.7-2.9, 3.1 and 4.7.

Endnotes

- 1 National Audit Office, *Helping individuals and businesses understand and complete their tax forms*, HC 452, Session 2006-07.
- 2 Sir David Varney, *Service Transformation: A better service for citizens and businesses, a better deal for taxpayers*, December 2006.
- 3 Avoidable contact refers to contacts with organisations which are low value to customers and/or organisations, for example, checking that a form has been processed, or ringing to do something which could otherwise be done on the internet.
- 4 The Committee of Public Accounts, *Helping newly registered businesses meet their tax obligations*, HC 489, Session 2006-07.
- 5 National Audit Office, *Helping newly registered businesses meet their tax obligations*, HC 98, Session 2006-07.
- 6 HM Government, *Service Transformation Agreement*, October 2007.
- 7 The Committee of Public Accounts, *Helping individuals understand and complete their tax forms* HC 47, Session 2007-08.
- 8 National Audit Office, *Management of tax debt*, HC 1152, Session 2008-09.
- 9 Citizen's Advice Bureau, *Hung UP: The cost of calling government from a mobile phone*, June 2009.
- 10 Which? survey *Revenue Sharing Numbers*, August 2008.
- 11 OFCOM: *Raising confidence in telephone numbers*, 13 February 2007.
- 12 Dimension Data, *Dimension Data Global Benchmarking Report*, 2008.
- 13 Treasury Minute on the Committee of Public Accounts' report *Helping individuals understand and complete their tax forms*, Cm 7366, July 2008.
- 14 National Audit Office, *Managing variations in workload*, HC 507, Session 2008-09.
- 15 For information on other issues raised in the dispute, please see http://www.pcs.org.uk/en/revenue_and_customs_group/contact-centre/index.cfm.



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