



National Audit Office

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**HM Revenue & Customs**

Handling telephone enquiries

# 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.