National Audit Office

REPORT

# Customer service

HM Revenue & Customs

SESSION 2023-24
15 MAY 2024
HC 726

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# Customer service

## HM Revenue & Customs

**Report by the Comptroller and Auditor General**

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This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act

**Gareth Davies**
**Comptroller and Auditor General**
**National Audit Office**

**9 May 2024**

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# Key facts

**4.7mn**

hours spent by HM Revenue & Customs (HMRC) customer service advisers answering and handling calls in 2022-23, 6% less than in 2019-20

**798**

years (7.0mn hours) spent by customers and their agents waiting to speak to an adviser in 2022-23, up from 365 years (3.2mn hours) in 2019-20

**£881mn**

net cost of HMRC's customer service directorate, 2022-23

| | |
|---|---|
| **21%** | increase in time to handle each adviser-answered call, on average, from 11:24 minutes in 2019-20 to 13:48 minutes in 2022-23 |
| **72%** | HMRC's estimate for the proportion of telephone calls it received in 2023-24 that it identifies as failure demand (calls caused by HMRC's process failures or delays, customers chasing progress and customers' errors) |
| **199 million** | times that customers accessed the digital Personal and Business Tax Accounts and the HMRC app, 2022-23 |
| **20%** | HMRC's estimate for the proportion of customers who could need assistance to use its digital services, equivalent to approximately 7 million people |
| **14%** | planned reduction at the start of 2024-25 in HMRC's frontline customer service workforce in that year, compared with a 9% actual reduction between 2019-20 and 2023-24 |

# Summary

**1** HM Revenue & Customs (HMRC) is responsible for administering the UK's tax system. Its customer charter commits it to getting things right, making things easy, being responsive and treating customers fairly. It supports its customers through a range of services, provided online, through written correspondence and over the telephone.

**2** There are over 34 million individual and over five million business taxpayers in the UK and more than seven million families in receipt of benefits and credits administered by HMRC. When customers need to contact HMRC, most interactions are through digital services that require no direct contact with its advisers, such as through its online tax accounts, the HMRC app or online guidance. In 2022-23, customers accessed online Personal and Business Tax Accounts and the HMRC app 199 million times, up from 62 million in 2016-17. In addition, HMRC received 22 million items of correspondence (2021-22: 19 million), and 38 million telephone calls from customers (2021-22: 35 million). HMRC considers that many calls and items of correspondence are avoidable and that these queries would be better served through digital means.

**3** In 2022-23, HMRC spent £881 million on customer service. HMRC had 21,282 full-time equivalent advisers and other customer service staff employed at 31 March 2023. Performance has been below expected levels for telephone and correspondence for almost all of the last five years. HMRC's strategy has been to put in place a 'digital-first' service approach, reserving its adviser-led channels for customers who need extra support or assistance with more complex queries. Moving customers to digital is a key part of HMRC's plan to achieve efficiency targets agreed under the 2021 Spending Review. In 2022-23 the government increased HMRC's efficiency targets further, as part of a wider review to help manage the pressure of inflation on public spending.

**4** We and the Committee of Public Accounts report each year on HMRC's customer service performance, as part of our assessment of its annual accounts and performance. In February 2024, the Committee concluded that the overall level of customer service had reached an all-time low and that HMRC had not been given the resources from HM Treasury to meet the service standards HMRC has committed to deliver, and that customers expect.[1]

1 Committee of Public Accounts, *HMRC performance in 2022-23*, Session 2023-24, HC 76, February 2024.

## Scope of this report

**5** This report examines the extent to which HMRC is well-placed to provide the services that customers need within its planned resources. It covers:

- recent trends in customer service performance and changes in demand for HMRC's services, and the factors affecting this performance (Part One);
- HMRC's progress in achieving its strategic goals on improving and increasing the use of its digital services (Part Two); and
- HMRC's plans for customer service in 2024-25 and how they might affect performance levels (Part Three).

**6** The report focuses on HMRC's immediate plans for customer service and does not examine plans for longer-term service changes and transformation. It examines how effectively HMRC manages demand and how it processes customer queries. This includes the overall resourcing of its customer service teams. It does not examine in detail the day-to-day operational planning of those teams, such as the setting of rotas or the performance management of teams. It looks at HMRC's customer-facing digital services, rather than its internal IT systems that support the administration of the tax system.

## Key findings

### Customer service performance

**7 HMRC's strategy has been to move customers to digital services with the aim to operate more efficiently and make services easier for customers.** Many taxpayers and benefit recipients do not need to contact HMRC. For those who do, HMRC's long-standing strategy is to enable more of them to resolve their issues quickly and easily online, thus cutting costs and freeing up remaining staff to help those with more complex queries or who need extra support, including using online services. Customers' use of HMRC digital services has increased considerably, with HMRC estimating that around 60% of customer transactions are now carried out digitally. Some 83% of customers responding to HMRC's exit survey after using a digital service in the first 11 months of 2023-24 reported they were 'satisfied' or 'very satisfied' (paragraphs 1.2, 1.3, 1.15, 1.16 and 2.2).

8 **HMRC has not achieved annual performance targets for telephone and correspondence services and, while its correspondence performance has improved recently, its performance in other areas has become much worse.** Handling of correspondence has been below target levels since 2019-20 and declined markedly during the pandemic, with only 45.5% of HMRC's responses provided within 15 working days in 2021-22 (target: 80%). HMRC has since reduced the stock of correspondence needing a response from a peak of 2.0 million items in September 2021 to 1.0 million in February 2024. In the first 11 months of 2023-24 it cleared 76% of correspondence within 15 working days. HMRC's performance for telephone services has continued to decline, with HMRC answering just two-thirds of callers' attempts to speak to an adviser in the first 11 months of 2023-24, against a target of 85%. Those who got through to an adviser waited on average nearly 23 minutes in the first 11 months of 2023-24, up from five minutes in 2018-19. HMRC's exit survey found overall satisfaction with telephone services was just 43.5% in the first 11 months of 2023-24, though satisfaction was 63% for callers who managed to get through to an adviser. There were 91,217 new complaints in 2022-23, up 39% compared with 2019-20. Timeliness issues accounted for all of the increase in complaints in 2022-23. The level of complaints has remained similar in 2023-24 (paragraphs 1.5 to 1.11 and Figures 2, 4 and 5).

9 **The total time spent by HMRC advisers on calls reduced by 6% between 2019-20 and 2022-23, and the quality of service has decreased for telephone and correspondence.** In total, advisers spent 4.7 million hours handling calls in 2022-23, down from 5.0 million in 2019-20. Advisers answered 22% fewer calls in 2022-23 compared with 2019-20, but these took 21% more time to handle on average, from 11:24 minutes in 2019-20 to 13:48 minutes in 2022-23. Pro-rated data for 2023-24 suggest that total call attempts have reduced by a further 5%. HMRC has increasingly sought to restrict the supply of telephone services to manage its workload, with the aim to answer mainly complex queries and deflect more simple queries to digital channels. Total call-handling time reduced to an estimated 4.1 million hours in 2023-24 and average call-handling time increased to more than 15 minutes. Average call-handling time may be increasing because more simple queries are being handled digitally; call-handling efficiency is reducing; or customers are raising more issues when they are able to get through to an adviser. More taxpayers have complex affairs, for example, working for multiple employers simultaneously or as freelancers. HMRC's audits of its quality in 2023-24 found that, in a third (34%) of sampled telephone and correspondence cases, advisers had not fully complied with procedures. This may add to demand in the form of follow-up queries from customers. In exit surveys, customers reported that their query was satisfactorily resolved in 71% of handled calls in the first 11 months of 2023-24 (paragraphs 1.7 to 1.8, 1.17 and 1.20, and Figure 6).

10 **While customers have increased their use of digital channels, HMRC has not yet been able to realise significant reductions in customer service staff numbers.** HMRC expects moving customers to digital channels will reduce the number of customer service staff it needs. While HMRC's frontline customer service workforce reduced by 9% between 2019-20 and 2023-24, most of the reductions were in HMRC's Benefits and Credits directorate, reflecting the gradual transfer of working tax credits to the Department for Work & Pensions. In the largest customer service directorate, personal tax, the number of staff reduced by just 4%. HMRC has faced some additional demand pressures, including from fiscal drag, where tax thresholds remain the same in cash terms, meaning more people are brought into the tax system. HMRC has deflected more calls for those queries it considers can be resolved through its digital services, to encourage digital take-up and reduce pressure on its phone lines. Nearly a third of calls were deflected in the first 11 months of 2023-24. HMRC initially used deflection messages to advise customers of digital services, but it is now also ending some calls after playing a deflection message where it believes a customer can resolve their query online instead. Customer satisfaction for those who heard a deflection message has been low, and HMRC does not currently know how many of these customers succeeded in resolving their query online. It is planning to develop its analytical capability in 2024 to better understand customer journeys and outcomes across channels (paragraphs 1.8, 1.18, 1.21 and 2.15).

## Improving and increasing the use of digital services

11 **HMRC has introduced several digital services since 2015 to improve customers' ability to self-serve and achieve efficiencies.** These cover the main types of tax and benefits affecting customers. It launched some services, such as the Personal Tax Account (PTA), several years ago in a relatively basic form and increased functionality over time to provide more coverage and information, reducing the need for customers to call or write. Enhancements introduced in 2023 include the ability to pay Self Assessment tax via open banking; view employment history in the HMRC app; and claim and manage Child Benefit online. HMRC has developed new services with mixed success. Its digital replacement of the previously largely paper-based Child Benefit service should achieve significant service improvements and efficiencies, and provides a good practice example for HMRC's wider digitisation. HMRC was less successful in achieving efficiencies with changes to the VAT system. Misalignment of the dates for automated repayments and the payment deadlines imposed by penalty reforms introduced in 2023 means that HMRC now pays additional interest on most VAT repayments that are submitted and approved on time (paragraphs 2.4 to 2.6, 2.26 and 2.27, and Figure 7).

12 **HMRC's digital services are better suited for straightforward queries and reporting changes in customer circumstances.** Many common tasks can be resolved using HMRC's digital services, and HMRC provides some information about what issues can be resolved using common services such as the PTA and HMRC app. However, these services are better suited to straightforward issues, such as reviewing or reporting a change in circumstances, or common processes such as filing a Self Assessment return. It is not clear how much digital services are offering a like-for-like replacement to traditional channels for many issues. Gaps remain in what individuals can do online. For example, customers still need to call or write to split a personal allowance between two or more different employments or pensions; or add or amend medical benefits received from an employer. Our testing of HMRC's digital assistant found approximately half the queries we sampled would need contact with an adviser to resolve, including queries about tax on multiple jobs. HMRC's latest annual customer survey covering individuals (from 2022) found that, of those who interacted with HMRC by telephone and online channels, seven in ten (69%) had contacted HMRC by telephone because they could not resolve their issue online (paragraphs 2.7 to 2.10, 2.12, 2.16 and 2.24, and Figures 8, 9 and 10).

13 **Many of HMRC's customers do not know about its digital services, so it may be able to increase uptake by improving awareness.** Customer awareness for some of HMRC's digital services is low. In November 2022, HMRC's most recent data, just 29% of customers were aware of the PTA or the Business Tax Account, although HMRC's data indicate 15.9 million people (equivalent to 46% of income taxpayers) used the PTA in 2022-23. Only 21% of taxpayers were aware of the HMRC app in November 2022, with 2.3 million people (equivalent to 7% of income taxpayers) using it in 2022-23. HMRC is investing in activity to raise awareness, but does not have data to show whether this has been effective so far. Its budget for external communications to support customers to use digital channels is increasing from £1 million in 2023-24 to £3 million in 2024-25. Stakeholders feel HMRC's digital services provide insufficient reassurance for customers, including on the progress of their applications or queries. HMRC estimates that as many as 20% of customers (7 million) need assistance using its digital services. It is not clear that HMRC has developed sufficiently customer-orientated plans to help people become confident using new services, or set aside sufficient capacity to provide customer support (paragraphs 2.13 to 2.20 and Figure 8).

14 **HMRC estimates that the majority of customers' calls are avoidable, but many of these are caused by HMRC itself.** HMRC estimates that 66% of telephone calls in 2023-24 could have been dealt with online instead, such as calls checking National Insurance numbers and tax codes, but this does not take into account those customers who need help using digital services. Separately, HMRC estimates that 72% of customers' calls were caused by failure demand, which covers calls caused by HMRC's process failures and delays, customers chasing progress, including when HMRC has not yet breached target timescales for responding, and customers' errors. This proportion has increased from 65% in 2018-19. HMRC has not set a target for reducing the proportion or number of calls identified as failure demand. HMRC estimates that at least 13% of calls are about seeking progress updates, and that 9% of calls in 2023-24 were misdirected and had to be transferred by HMRC. HMRC's reliance on postal correspondence and limited use of electronic correspondence makes progress tracking more difficult for correspondence (paragraphs 1.23, 1.24 and 2.28).

15 **Despite recent improvements, HMRC does not know enough about how effectively digital services meet customers' needs.** HMRC has made progress in developing insights into the performance of its digital services, including 'digital containment' indicators for its digital services for individuals, identifying whether customers subsequently call HMRC. It is working to improve its measures of cost and customer take-up to complement the measures it has already for customer completion rates. Six of the 10 most common transaction types in HMRC's digital services had a completion rate above 70% in 2023-24, but some services have low completion rates. For example less than a third of customers in 2023-24 completed transactions covering fixed-rate expenses, or tax relief for expenses of employment using the interactive P87 form. HMRC is not yet tracking customers across channels for all services, and its systems mean it cannot know whether the digital service has fully resolved a customer's query. However, it is taking steps to put this system in place. The high level of avoidable contact that HMRC reports shows that it has not yet optimised its digital channels to meet customers' needs (paragraphs 2.21 and 2.22).

## Improving customer service

16 **HMRC is planning significant customer service staff reductions in 2024-25, and to do this it must deliver multiple changes successfully.** A combination of challenging savings targets and assumed improvements in staff sickness levels and utilisation, as well as increased call-handling times, IT outages and inflation, has put pressure on HMRC's customer service budget. It mitigated some of the impact on services and performance in 2023-24 by using additional funding (£16 million) and diverting funds (£20 million) from its transformation programme to employ more temporary staff. At the start of 2024-25, HMRC needed to reduce its overall customer service workforce by 14% in-year to live within its budget. It only achieved a 9% reduction between 2019-20 and 2023-24, over which time its call-handling performance significantly worsened. Its plans for 2024-25 now depend on newly conceived change activity ramping up quickly, with a package of actions including to raise awareness of digital services. Many of the plans to support these actions were in relatively early stages of development in January 2024 and HMRC had not assessed how the organisation would cope with such a high degree of change. Even if all these actions delivered in line with its estimates, HMRC was still forecasting as at January 2024 that its budget would mean it would have on average 950 staff (6%) fewer than it needs to meet performance targets in 2024-25 (paragraphs 3.2 to 3.5 and 3.11 to 3.15, and Figures 13 and 15).

17 **Reducing telephone services at short notice in 2023 helped HMRC to tackle processing backlogs but some customers could not resolve their queries through digital services and vulnerable customers needed more support.** HMRC closed or reduced the queries it handles on four helplines in 2023-24, including closing the Self Assessment helpline for three months and thereby releasing 350 staff. HMRC considered the changes were successful and had not negatively affected the submission of tax returns or the payment of taxes due. However its proposals for reducing telephone services did not quantify the impact on customers. HMRC has since identified lessons, in particular the need to ensure sufficient support was available to vulnerable customers. HMRC gave stakeholders little notice of service reductions, and some organisations providing tax advice faced increased demand from taxpayers. Stakeholders identified gaps in HMRC's digital services, which meant some customers could not effectively self-serve when phone lines were closed. HMRC expected its reported telephony performance would improve despite it stopping telephone services for some taxpayers. It expected doing so would reduce the number of call attempts, enabling it to increase the proportion of calls handled on its other helplines and divert staff to tackle correspondence and other processing backlogs, which HMRC expected would reduce calls chasing progress (paragraphs 3.6 to 3.10 and 3.17, and Figure 14).

18 **In March 2024 HMRC announced plans to reduce helpline availability further from April 2024, but it reversed this decision following criticism from stakeholders.** HMRC halted its plans for further helpline reductions, just one day after announcing the changes to the public. It said it recognised it needed to do more to ensure it met all taxpayers' needs. Its evaluation of the trial closure and restrictions to the Self Assessment helpline in 2023-24 did not consider stakeholder views or adequately assess the impacts of the changes on customers. HMRC had expected closing the helplines would release approximately 520 staff to work on other helplines and tackle processing backlogs (paragraphs 3.8, 3.9 and 3.13).

19 **HMRC is not expecting to meet its telephone performance target in 2024-25 and it has not made clear what level of service customers should expect.** Meaningful performance targets are an important part of accountability arrangements and should operate as a performance management tool at organisational and team level. Performance has been below expected levels for telephone and correspondence for almost all of the last five years, and HMRC has not set out when customers can expect performance to return to target levels. With the prospect of this under-performance continuing, there is a risk the targets become meaningless. Prior to reversing its decision on helpline closures in 2024-25 HMRC was forecasting that, if it delivered all its planned changes successfully, it would come close to its target to clear 80% of correspondence in 15 working days, but it expected that only 65% to 70% of callers who wanted to speak to an adviser would get through, far below its target of 85%. At the end of April 2024, HMRC had yet to agree any changes to funding for 2024-25, or expected levels of performance, following the reversal of its decision to close some phone lines (paragraphs 1.5, 3.8 and 3.14).

**20 Poor service levels have a detrimental impact on customers, and HMRC does not know the impact it has on economic activity and tax revenue.** Poor customer service performance can have considerable impact. For example, customers spent the equivalent of 798 years (7.0 million hours) in 2022-23 waiting to speak to an adviser, up from 365 years (3.2 million hours) in 2019-20. Lengthy delays to VAT and Self Assessment repayments can have significant consequences on the cashflow situation of businesses and individuals. HMRC does not know the relationship between delays like these or customer service performance in general and the level of tax it collects. It has previously sought to understand the strength of the causal relationship between customer service and tax compliance but reported in 2018 that its research was inconclusive. It did not find any evidence of a causal link between customer service on HMRC phone lines, or negative emotions resulting from poor quality customer service, with compliance behaviour. Earlier exploratory research in 2013 on the broader relationship between service delivery and attitudes to tax obligations found that most participants did not believe customer experience was a factor in driving deliberate non-compliance, which they felt was a question of morality or appetite for risk. However some participants did link their non-compliance to past experience. Most participants felt that improved experience could lead to changes in other aspects of their behaviour regarding their tax affairs, specifically reducing mistakes and improving timeliness. HMRC's recent estimates indicate that tax revenue lost from taxpayers failing to take reasonable care increased from £8.1 billion in 2019-20 to £10.7 billion in 2021-22. However, HMRC estimates that tax revenue lost from genuine taxpayer errors (£5.4 billion in 2021-22) has remained relatively stable (paragraphs 3.16 and 3.17).

## Conclusion on value for money

**21** HMRC's telephone and correspondence services have been falling below the expected service levels for too long, and HMRC has not achieved planned efficiencies. To achieve value for money HMRC must provide a timely and effective service for customers needing help with their tax or benefits, even as it attempts to reduce costs. Taxpayers are required by law to engage with the system and many need support with more complex queries to feel confident that they have met their obligations. HMRC's strategy to replace traditional forms of contact with digital services makes sense in many ways. Digital transactions can be easier and faster for many customers to access and submit information. However, they do not currently allow customers to resolve more complex queries. Forecasting how far and fast digital services will reduce demand for telephone and correspondence is highly uncertain and, so far, digital services have not had the effect HMRC hoped for. While the total number of telephone calls has reduced, the total amount of time advisers are spending on each call has increased, meaning HMRC's workload has reduced more slowly than reductions in call volumes.

**22** While many of HMRC's digital services work well, they have not made enough of a difference to customer contact levels. In the face of funding pressures, HMRC has pressed on with attempts to reduce costs despite its poor performance. HMRC and customers have been caught in a declining spiral of service pressures and cuts. HMRC has been unable to cope with telephone demand and consequently fallen short in processing correspondence and dealing with telephone calls according to procedures, creating further service pressures. HMRC felt it had no choice but to close phone lines to catch up and compel people to use digital services. It has had to reverse this approach in the face of stakeholder opposition.

**23** HMRC now faces a significant challenge without increasing capacity. Its approach to cutting services as it introduces new digital solutions has been too aggressive. HMRC needs to allow more time for new services to bed in, understand the difference they make, and then make staff reductions when the benefits are demonstrated. Otherwise, services will continue to suffer, and unnecessary service pressures and contact will remain. HMRC cannot be certain that tax revenue is not suffering as a result. There are opportunities to reduce unnecessary levels of contact and improve efficiency. HMRC must demonstrate it understands how to make these gains, and form more realistic plans for how to deliver these, while ensuring it maintains service levels.

## Recommendations

On developing realistic plans:

a **HMRC should reassess what levels of customer service performance are needed to achieve value for money by balancing costs to HMRC and customers with the value of contact.** For example, contact that helps customers get their tax or benefits right, make repayments, or other types where customers are likely to chase progress. HMRC should agree sufficient funding with HM Treasury to achieve those target levels or be clear on the level of performance it can achieve if funding is not sufficient. It might be appropriate to target faster processing of customer queries, while reducing targets for some low value calls or those with digital alternatives. HMRC needs to clearly communicate the level of performance customers can expect, as well as significant deviations in performance levels, to those attempting to use the service.

b **For future spending reviews, HMRC should only plan to realise staff reductions from changes to its digital services once improvements have taken effect and the benefits can be estimated with confidence.**

On developing a more customer-orientated approach:

c **HMRC should ensure it understands how new digital services will support the shift from telephone and correspondence, and manage increasingly complex queries.** When developing and introducing new digital services, HMRC should be clear on what demand or services it is seeking to replace. HMRC needs to develop not only new digital services but also its existing digital services, particularly where performance or customer satisfaction is low.

d **HMRC should invest in raising awareness of its digital services.** It should be clear with customers about what services are available and what tasks and queries customers can and cannot do digitally.

e **HMRC should develop a plan for how it will support customers to use and keep using digital services.** Deflection methods may be justified where queries can be fully handled digitally, but HMRC must also be more proactive in helping callers to find the right routes and offering support as customers familiarise themselves with digital services. Some customers will not be comfortable using digital services and others will have queries whose nature or complexity means they cannot be dealt with through a self-serve channel. HMRC must provide adequate alternative services for these customers, and it must be clear how they can access them.

On achieving savings:

f **HMRC should reduce avoidable, unnecessary and expensive forms of contact.** In particular, HMRC should:

- set a target to reduce the volume of failure demand affecting telephone and correspondence each year. It should measure separately failure demand which is due to HMRC and which is due to customers, and develop a plan to reduce each element;
- accelerate its work to reassure customers through all its channels and improve the functionality to track progress digitally;
- identify and tackle the causes of misdirected telephone calls and correspondence; and
- increase opportunities for customers to send correspondence and documentation through secure electronic networks, including HMRC portals, which are cheaper, or faster than postal correspondence for customers to use and easier for HMRC to track and administer.

g **HMRC should develop a better understanding of the costs and benefits of its services.** This will enable HMRC to better prioritise and plan the services it replaces with digital services. As part of this HMRC should:

- develop accurate data to compare the costs of resolving queries in different channels and use this to prioritise digital improvements;
- improve its understanding of the types of calls and correspondence, and the process failures, that are most costly to HMRC and its customers, and use this to reduce the cost of failure demand;
- improve its understanding of why average call-handling times have increased so much and seek to improve call-handling efficiency;
- consider whether it is proportionate for the government to pay interest on VAT repayments that are submitted and processed on time; and
- accelerate its work to develop the systems and functionality to track customers across different channels and better understand the impact of digital services on the use and costs of telephone and correspondence services.

On introducing digital services:

h **HMRC should identify and apply learning from the implementation of its digital projects, including using experienced practitioners to lead projects and designing services to handle complex customer journeys and needs from the outset.** This approach should help HMRC support most customers initially and reduce design iterations.

i **HMRC should ensure a more consistent approach to introducing major service changes, particularly those to stop or reduce existing services.** This approach should include:

- early engagement with stakeholders on potential service changes to anticipate the potential impact on customers and stakeholders;
- communication of service changes to customers in good time so they can prepare;
- robust impact assessments on the plans, including considering how changes will affect a diverse range of customers; and
- testing and evaluation that is proportionate to the scale of the service change, including understanding customer experiences and obtaining views from customers and key stakeholders.

On protecting tax revenue:

j **HMRC should look at cases of taxpayers failing to take reasonable care, to understand the main reasons and identify whether there are changes it can make to its services and systems to reduce occurrences.**

k **HMRC should develop a better measure of the financial consequence of procedural errors in the handling of calls and processing of claims, and use this to bear down on customer service errors affecting tax revenue.** HMRC does not have the data to report the financial accuracy rate for only those types of queries that could be financially inaccurate and should develop this to avoid underestimating the scale of errors.

# Part One

## Customer service performance

**1.1** HM Revenue & Customs' (HMRC's) customer charter commits it to getting things right, making things easy, being responsive and treating customers fairly. Effective customer service and timely and accurate responses to queries help customers to get their tax and benefits right easily, reducing the administrative burden they face and helping HMRC collect the right amount of tax on time.

**1.2** Many taxpayers and benefit recipients do not need to interact with HMRC. When they do, it may be to gather information (for example, guidance on tax), share information (for example, providing data on income and expenses or disputing a penalty) or complete transactions (for example, paying taxes or claiming benefits). HMRC supports its customers through three main channels: telephone, correspondence and digital self-serve services (**Figure 1**).

**1.3** HMRC's long-held strategy for its services is to enable more customers to resolve their issues quickly and easily online. HMRC expects this shift to digital services to enable improvements in the efficiency and effectiveness of its customer service, while also supporting staff reductions, with telephone and correspondence reserved for those with more complex queries and those who need extra support. HMRC spends approximately one-sixth of its expenditure on its customer service directorate (£881 million in 2022-23, a 6% real-terms reduction since 2019-20).

**1.4** This Part examines:

- recent trends in customer service performance and changes in demand for HMRC's services; and
- the factors affecting customer service performance and demand.

## Figure 1
Services that HM Revenue & Customs (HMRC) provides to customers

**HMRC supports its customers through three main channels – telephone, correspondence and digital self-services – plus webchat and other online services[1]**

| Channel | Details of services provided | Number of customers, 2022-23 |
|---|---|---|
| Telephone | 312 separate phone lines, most of which are open Monday to Friday from 8am to 6pm.[2] | 38 million calls. Nearly two-thirds of calls related to personal tax. |
| Correspondence | Includes physical post and forms, and interactive forms (iForms). HMRC does not typically use email to correspond. | 22 million items of correspondence. |
| Digital self-service | Range from providing guidance pages, videos and webinars to self-serve apps for customers to check, submit and query information and undertake transactions. | Approximately 750 million page views of HMRC's guidance, 1.9 million uses of HMRC's interactive guidance on gov.uk and 3 million views of HMRC's YouTube channel.<br>Personal and business tax accounts accessed 142 million times by 15.9 million Personal Tax Account users and 5.7 million Business Tax Account users.<br>HMRC app accessed 56.5 million times by 2.3 million customers. |
| Webchat | Secure online service allowing customers to speak to advisers in real time for some services. | 525,000 customers offered a webchat, including 259,000 Self Assessment customers. |
| Other online services | Including HMRC's online community forums and official social media profiles. | 18,500 responses to queries on community forums. |

**Notes**

1 An HMRC survey in 2022 found that around 70% of customers had interacted with HMRC in some way in the previous 12 months.

2 Data correct as at April 2024.

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

## Trends in customer service performance

**1.5** HMRC measures its customer service performance using seven priority metrics (**Figure 2**). HM Treasury sets target levels for five of these metrics. Since 2021-22, HMRC has not met any of these targets and performance has been declining in three of the five metrics. HMRC changed its priority metrics for telephone in 2021-22 to move away from call waiting times, although it still reports these data which show waiting times on average are getting longer. HMRC last met an annual target for correspondence in 2018-19 and for telephone in 2017-18. While annual targets were not set in 2020-21 and 2021-22 because of the uncertainty caused by the COVID-19 pandemic, HMRC missed 10 of the 12 quarterly performance expectations set instead.[2]

**1.6** As well as its seven priority metrics, HMRC draws on a range of other information to assess its performance.

- **Annual customer satisfaction surveys:** Overall perceptions have largely remained stable over time for most customer groups, although the latest data available are from 2022. Satisfaction varies considerably. In 2022, 45% of agents gave a positive rating for their overall experience of dealing with HMRC, compared with 53% for mid-sized businesses, 65% for individuals and 74% for small businesses.
- **Complaints:** In 2022-23, HMRC received 91,217 new complaints, an increase of 14% from 2021-22 and 39% from 2019-20. Complaints related to operational delays increased by more than 50% in 2022-23, accounting for 36.5% of new complaints and all of the increase in complaints in that year. The level of complaints has remained similar in 2023-24.
- **Stakeholder feedback:** Key stakeholders, including the professional accountancy and tax bodies, have expressed their concerns about the deterioration in HMRC's customer service performance and the impact on customers and their advisers.

2 Expectations set across January 2021 to March 2022.

## Figure 2

HM Revenue & Customs' (HMRC's) annual performance for seven key customer service measures, 2021-22 to 2023-24[1]

**HMRC did not meet any of its targets in 2022-23, and performance in the first 11 months of 2023-24 was below target levels**

| Measure | 2021-22 | 2022-23 | 2023-24[2] | Target for 2022-23 and 2023-24[3] |
|---|---|---|---|---|
| Net Easy (ease of dealing with HMRC)[4] | 65.5 | 59.8 | 59.4 | 70.0 |
| Customer satisfaction[5] | 82.0% | 79.2% | 78.7% | 80.0% |
| Telephony adviser attempts handled[6] | 77.3% | 71.1% | 67.2% | 85.0% |
| Customer correspondence cleared within 15 working days of receipt[7] | 45.5% | 72.7% | 75.6% | 80.0% |
| Customer correspondence cleared within 40 working days of receipt[7] | 64.1% | 89.4% | 88.2% | 95.0% |
| Webchat adviser attempts handled[8,9] | 92.9% | 94.7% | 95.8% | – |
| Once and Done (whether a customer achieved all they wanted during the contact)[9,10] | – | 84.4% | 84.1% | – |

**Notes**

1 Figure covers those measures listed as priorities in HMRC's published quarterly performance updates, plus the 40 working day customer correspondence measure which HM Treasury set a target for.

2 2023-24 data are for April 2023 to February 2024 only. Data for customer correspondence cleared within 40 working days of receipt are for April 2023 to January 2024 as the data are lagged.

3 HMRC had the same annual targets for 2022-23 and 2023-24. For 2021-22, it assessed its performance against quarterly performance expectations rather than annual targets.

4 A survey conducted on telephone, webchat and digital services. The survey question is: "How easy was it for you to do what you needed to do today?" The scores represent the total of positive responses minus the total of negative responses. The score that can be achieved ranges from -100 to 100.

5 A survey-based measure of the percentage of HMRC customers who responded that they were either 'satisfied' or 'very satisfied' with the service. Covers telephone, webchat and digital services.

6 The proportion of callers who got through to an adviser after hearing automated messages and choosing the option to speak to an adviser.

7 Correspondence (including post in the post and iForms) requiring a response to the customer cleared within 15 and 40 working days divided by total correspondence requiring a response to the customer. The day of receipt is counted as day zero. iForms can be filled in and filed online.

8 The proportion of customers taking up a webchat offer that successfully got through to a webchat adviser.

9 HMRC identified 'webchat adviser attempts handled' and 'Once and Done' as priority measures for 2022-23 and 2023-24, but targets were not set.

10 A survey-based measure of the percentage of customers who responded 'yes' when asked whether they were able to achieve what they needed to on the day they interacted with HMRC. Covers telephone, webchat and digital services. This measure was new for 2022-23.

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

**1.7** A key component of customer service performance is the quality with which HMRC handles customers' queries. In the first 11 months of 2023-24, 84% of customers said they were able to achieve what they needed to on the day they interacted with HMRC. This percentage was higher for digital services (88%) than for adviser-handled calls (71%).[3] Each year, HMRC reviews the quality of its responses for a sample of calls and correspondence. In 2023-24 it reviewed approximately 0.1% of customer contacts and found its advisers had not fully complied with procedures in a third (34%) of these. This has increased since 2019-20, when 23% of contacts had procedural inaccuracies, although changes in the proportion of contacts from which the sample is drawn means the data are not directly comparable. HMRC also found that 97% of reviewed cases in 2023-24 were financially accurate, although the sample included some queries which could not be financially inaccurate, such as change of address.[4]

## Performance on telephone services

**1.8** HMRC's exit survey indicates that customer satisfaction with HMRC's telephone services is declining, from 65% in 2021-22 to 54% in 2022-23 and 43.5% for the first 11 months of 2023-24. Many callers do not speak to an adviser. In the first 11 months of 2023-24, 45% of calls were answered by an adviser, down from 53% in 2022-23 and 59% in 2021-22 (**Figure 3**). Total call attempts in 2023-24 reduced by approximately 5% compared with 2022-23. HMRC has increasingly sought to restrict the supply of telephone services to manage its workload. Before a customer joins a queue for an adviser, HMRC plays them automated and interactive messages to route calls. It also plays messages to deflect customers onto other services if it considers these more appropriate and in particular for more simple queries. Between 2018-19 and 2022-23, approximately a quarter of calls ended following a deflection message, but this increased to a third for the first 11 months of 2023-24. HMRC cannot track customers across different channels and does not currently know if customers who were deflected to another channel were able to satisfactorily resolve their issue. As HMRC expected, customer satisfaction for those who heard a deflection message was low: 28% based on available data for 2023-24 on average in the first 11 months of 2023-24, compared with 43.5% for telephone services overall and 63% when the customer spoke to an adviser.[5] HMRC is planning to develop its analytical capability in 2024 to better understand customer journeys and outcomes across channels.

3 Calls may be handled by a customer service adviser or alternatively HMRC's automated and interactive messaging system, which can provide answers to simple queries or signpost customers to guidance or other online services.

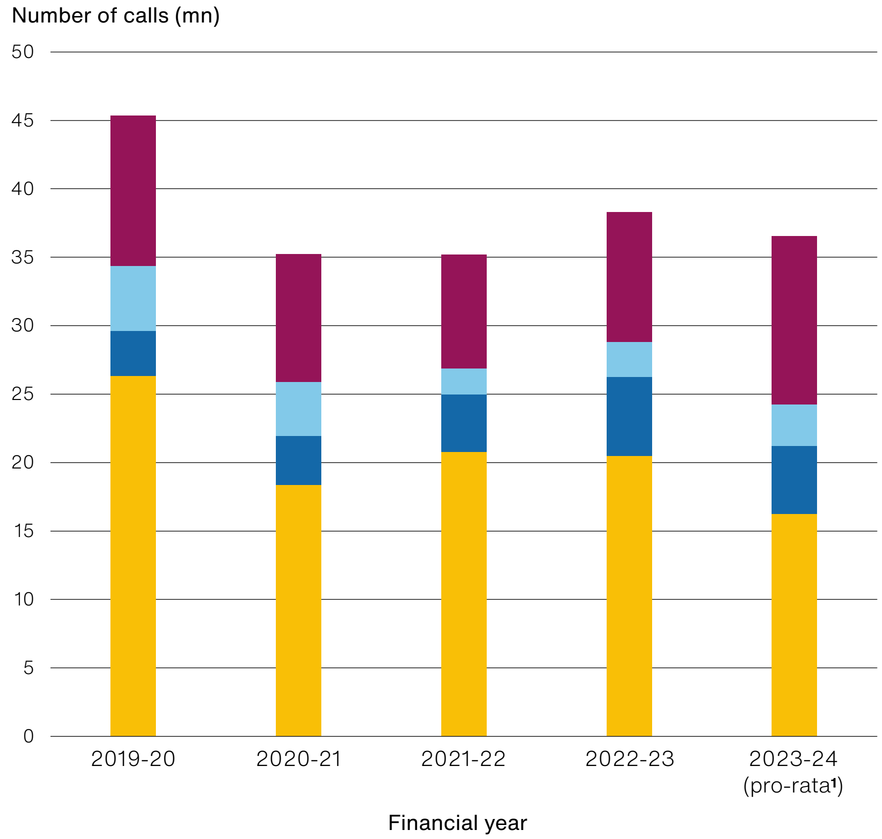
4 HMRC does not have the data to report the financial accuracy rate for only those cases that could be financially inaccurate.

5 We have calculated satisfaction levels for deflected messages and for customers who spoke to an adviser as the average satisfaction levels from each month for the first nine months of the year. Satisfaction for all telephone calls covers the first 11 months of 2023-24. There was not a significant difference between satisfaction levels after nine and 11 months.

## Figure 3

HM Revenue & Customs' (HMRC's) helpline calls handled by outcome, 2019-20 to 2023-24

**The number of calls answered by advisers has decreased since 2019-20, with the number of deflected calls increasing since 2021-22**




| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 (pro-rata[1]) |
|---|---|---|---|---|---|
| **Total calls (million)** | **45.4** | **35.2** | **35.2** | **38.3** | **36.5** |
| Of which: | | | | | |
| Call deflected[2] | 11.0 | 9.3 | 8.3 | 9.5 | 12.3 |
| Customer was played a 'busy' message[3] | 4.7 | 3.9 | 1.9 | 2.5 | 3.0 |
| Customer abandoned call while queuing | 3.3 | 3.6 | 4.2 | 5.8 | 4.9 |
| Call answered by adviser | 26.3 | 18.4 | 20.8 | 20.5 | 16.3 |
| Proportion of calls answered by adviser | 58% | 52% | 59% | 53% | 45% |

**Notes**

1 Data for 2023-24 is based on April 2023 to February 2024 only, pro-rated to an equivalent full year. They are not seasonally adjusted.

2 When a call is deflected, a customer is played an automated message. This includes 'hard' deflects, telling customers that they cannot speak to an adviser, and 'soft' deflects, where customers can remain on the call but are advised of digital alternatives for resolving the issue they have called HMRC about. Deflections include calls deflected by HMRC's interactive customer voice messaging and calls deflected by messaging about the unavailability of systems. In all cases, customers are given information about digital services that may help them resolve their query.

3 Calls that reached a waiting time of 70 minutes in 2023-24 were also played a busy message and were cut off by HMRC. The time before cut-off has varied across the period.

4 There are inconsistencies across the years in how HMRC has recorded and categorised calls.

5 During 2023-24, HMRC stopped or restricted the calls it would handle on four of its helplines, affecting the number of calls answered by advisers and calls deflected, and probably the total calls it received.

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

**1.9** Call waiting times have increased over the past six years. In the first 11 months of 2023-24, callers waited on average nearly 23 minutes, up every year from five minutes in 2018-19 (**Figure 4**). Waiting times do not include the time taken to listen to automated messages, and many customers will ring more than once before getting through to an adviser.[6] HMRC cuts off telephone calls when a customer has been waiting 70 minutes. In 2022-23 it terminated 6,875 calls but this increased to 43,690 calls in the first 11 months of 2023-24. In 2023 HMRC began giving callers to key helplines details at the start of each call on the average waiting time from the previous day.

## Performance on correspondence services

**1.10** HMRC's performance against its correspondence processing targets deteriorated considerably during the pandemic. In 2021-22 it handled only 45.5% of correspondence that required a response within 15 working days, against a target of 80%, and had 3.3 million items waiting to be dealt with in July 2021.

**1.11** HMRC has since diverted resources to improve performance and reduce unhandled correspondence. It has prioritised those items where it needs to write back to customers. In the first 11 months of 2023-24 it had responded to 76% of priority correspondence within 15 working days and 88% within 40 working days in the first 10 months of 2023-24.[7] By February 2024, the number of items of priority correspondence needing a response had halved from their September 2021 peak of 2 million (**Figure 5** on page 26). HMRC data indicated that the stock of all unhandled correspondence at February 2024, including those items where HMRC does not need to respond to a customer, had reduced since 2021-22 but remained above pre-pandemic levels.[8]

**1.12** The data on handling times reflect when HMRC responds to correspondence rather than when HMRC can consider the case closed. HMRC has little insight into customers' views of how well their correspondence were handled as its exit surveys do not cover queries dealt with by correspondence, nor does its annual survey of customers ask specifically about correspondence.

6 Once time waiting on abandoned calls is included, average waiting time per adviser-handled call was 20:28 minutes in 2022-23, compared with a published average waiting time of 16:24 minutes. In the period November 2023 to February 2024, callers spent around three minutes per call on average listening to automated messages. HMRC does not have equivalent data prior to November 2023.

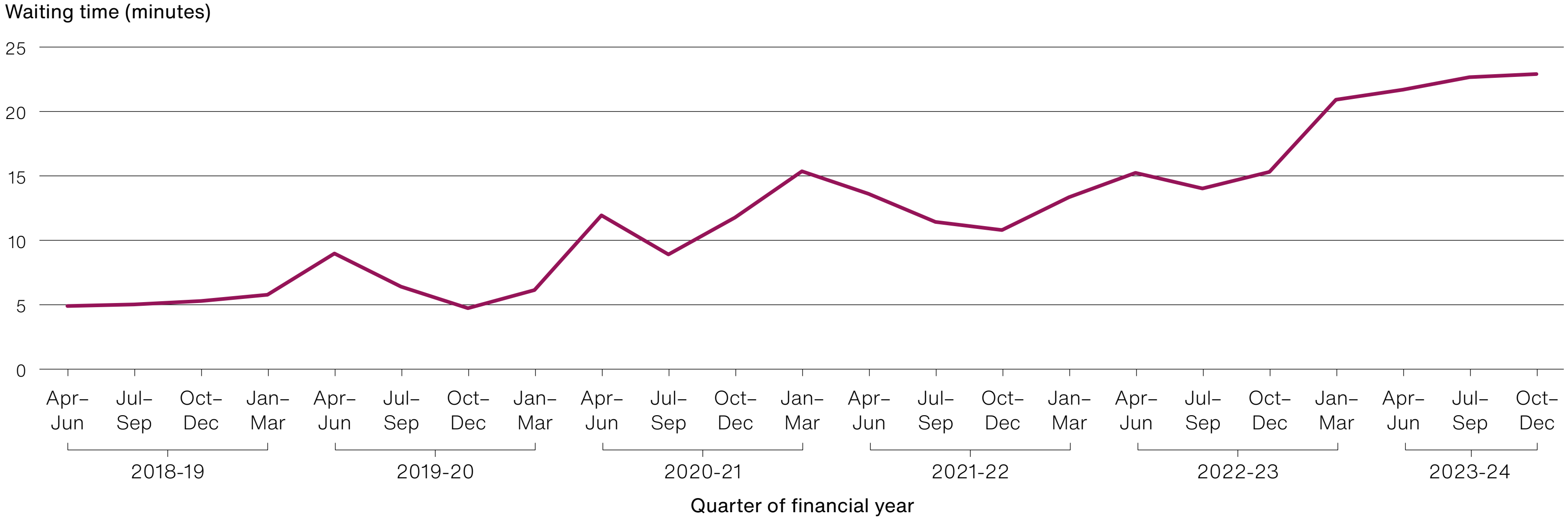
7 Reporting of the 40 working days measure lags the 15-day measure.

8 Correspondence is mainly physical post in the post but also includes other types of correspondence, including online iForms. HMRC does not have consistent data prior to April 2021 for iForms not yet handled so we cannot say for certain whether stocks of correspondence were higher in February 2024 than before the COVID-19 pandemic.

## Figure 4

Average waiting times for answered calls between April to June 2018 and October to December 2023

**Call waiting times have increased from around 5 minutes in 2018-19 to over 22 minutes in 2023-24**




**Note**

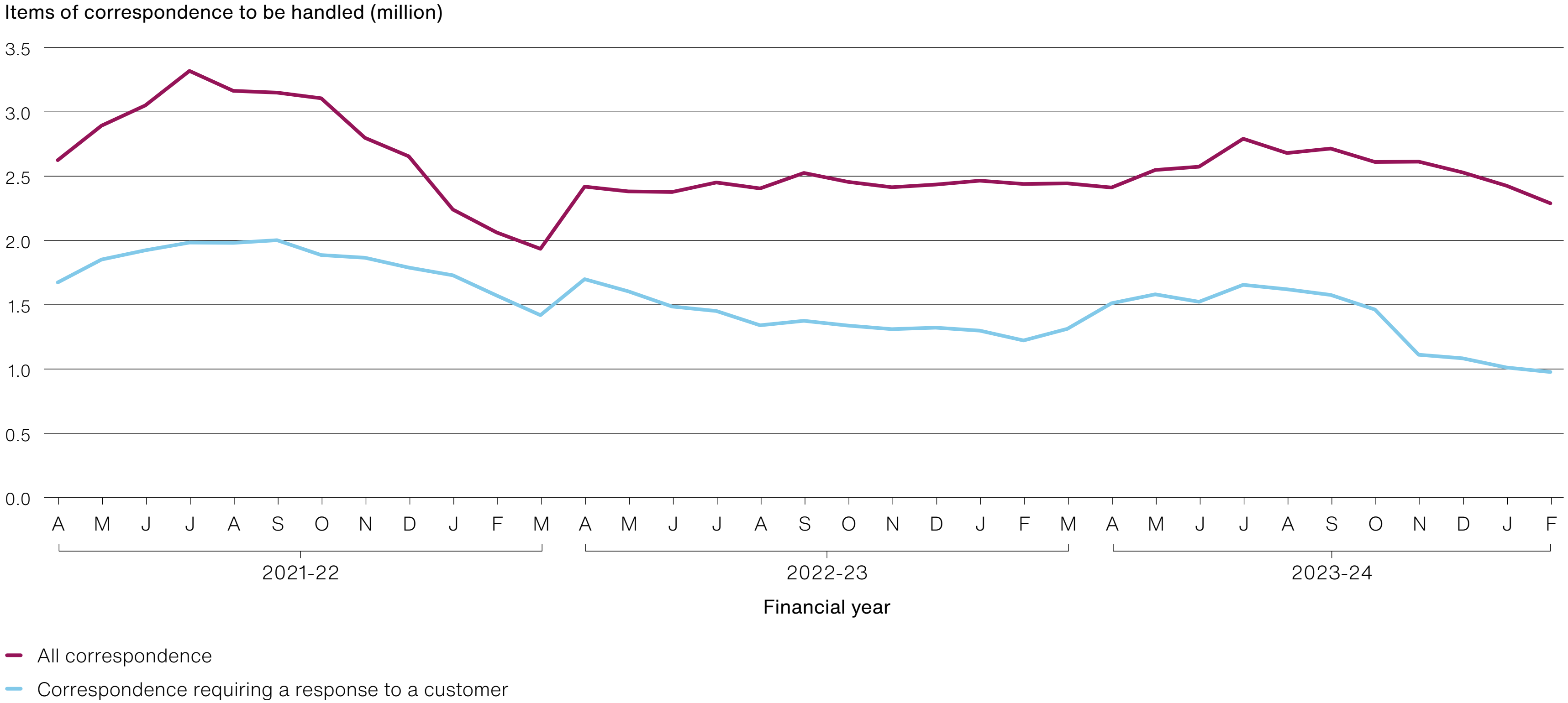
1 Data only for calls that are answered by an adviser and excludes the time taken for customers to listen to any automated messages before entering the queue for an adviser.

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

**Figure 5**

Correspondence not yet handled, by month, April 2021 to February 2024

**HM Revenue & Customs (HMRC) has reduced the amount of outstanding correspondence where it needs to respond to a customer, from a peak in September 2021 of 2.0 million to 1.0 million in February 2024[1]**




**Notes**

1 Some items of correspondence do not require a response, such as returned letters saying a customer is no longer at an address HMRC had used.

2 Correspondence is mainly physical post in the post but also includes other types of correspondence, including online iForms. HMRC does not have consistent data prior to April 2021 for iForms not yet handled. However, the data HMRC does hold indicate the level of items not yet handled throughout 2019-20 and 2020-21 was lower than levels reached during summer 2021.

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

**1.13** HMRC's targets for handling correspondence are the same regardless of urgency or the customer's expectation for how quickly they need a response. The responsiveness of HMRC will be more critical for certain types of queries, for instance, where customers are trying to expedite large repayments. This may mean customers follow up and chase progress on their case before 15 working days. For other cases, such as claims for tax relief for home working, customers may be happy to wait longer for a response, particularly if the amount in question is relatively small. Since September 2021 HMRC has provided estimates online for how long it is taking on average to respond to each type of query.

**1.14** HMRC received 22 million items of incoming correspondence in 2022-23, up from 19 million in 2021-22. During the first 11 months of 2023-24, HMRC had received 19 million items of correspondence, with one month remaining. On outgoing post, HMRC is reviewing the 100 highest volume letters it issues to determine if they could be stopped, digitised or if customers could be better signposted to digital channels. It intends to save £16.5 million on postage and print costs in 2024-25, equivalent to 24% of what it spent in 2022-23 (£68 million).

## Performance on digital services

**1.15** HMRC's digital services get the highest customer satisfaction scores of its channels. HMRC's last annual survey in 2022 found that 69% of individuals who only used online channels reported a positive experience, compared with 61% who used telephone and online channels. Satisfaction levels recorded in exit surveys repeatedly score above HMRC's target of 80%, with 83% of customers surveyed in the first 11 months of 2023-24 reporting they were 'satisfied' or 'very satisfied' after using a digital service. Digital services also score highest on Net Easy.[9] This may reflect the nature of cases dealt with digitally, differences in complexity compared with cases dealt with by telephone or correspondence, and the fact that digital services are not subject to call waiting or correspondence response times, which may drive dissatisfaction with those channels. HMRC offers webchat for some services as a way to keep customers in online channels, but this is not always offered consistently or predictably and is often dependent on staff availability. In the first 11 months of 2023-24, 74% of customers who spoke to an adviser using webchat were satisfied.

**1.16** Customers have increased their use of most digital services year on year. In the first 11 months of 2023-24, customers accessed online personal and business tax accounts and the HMRC app 228 million times, compared with 199 million times in 2022-23 and 62 million in 2016-17. Customers used HMRC's digital assistant 4.5 million times in the first 11 months of 2023-24, up from 1.9 million in 2022-23.

9 Net Easy is measured by an exit survey conducted on telephone, webchat and digital services. The survey question is: "How easy was it for you to do what you needed to do today?"

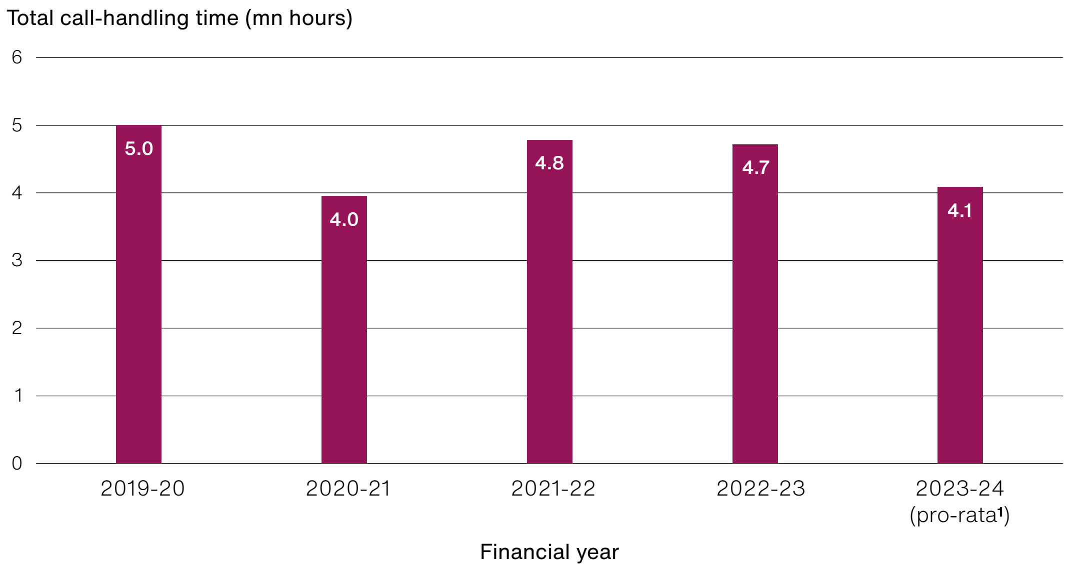
## Factors affecting customer service performance

**1.17** HMRC's customers have significantly increased their use of its digital services. However, despite this, the total time spent by customer advisers handling calls reduced by just 6% between 2019-20 and 2022-23, from 5.0 million to 4.7 million hours (**Figure 6**). The factors that contributed to total call-handling time include: changes in underlying demand; the complexity of calls; staff productivity; and customer behaviour, including demand from progress-chasing calls. Pro-rated data for 2023-24 indicate the reduction in total call-handling time has accelerated, with advisers spending an estimated 4.1 million hours handling calls in 2023-24. In part this was due to HMRC answering fewer calls.

### Figure 6

Total time spent by HM Revenue & Customs (HMRC) advisers handling calls, 2019-20 to 2023-24

**The total time spent by advisers handling calls reduced from 5.0 million hours in 2019-20 to 4.7 million hours in 2022-23**




**Notes**

1 2023-24 is based on data for April 2023 to February 2024 only, pro-rated to an equivalent full year. They are not seasonally adjusted.

2 Total call-handling time includes time HMRC advisers spent on telephone calls with customers plus the additional time taken by advisers to deal with queries, including writing notes or escalating queries. In 2022-23, time with customers accounted for 62% of total call-handling time.

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

## Changes in demand

**1.18** The UK government has increased most income tax bands in England and Wales only marginally since 2019-20. Rises in earnings have therefore moved some taxpayers into higher tax brackets. This is known as 'fiscal drag'. Between 2019-20 and 2022-23, the number of income taxpayers increased by 10% and the number of higher rate taxpayers increased by 38%. HMRC estimates that fiscal drag increased telephone calls and correspondence in 2023-24 by 1.1%.[10] It also estimated that growth in the overall taxpayer population between 2021-22 and 2023-24 increased telephone calls and correspondence by 1.9%.[11]

**1.19** HMRC has also faced additional demand from high-volume repayment agents, who act on behalf of many taxpayers trying to claim tax refunds. HMRC estimates these agents now account for up to 10% of written correspondence. In contrast, those writing or calling about benefits and credits halved between 2019-20 (10.1 million) and 2023-24 (4.7 million), driven by the transfer of most working tax credit claimants to Universal Credit, administered by the Department for Work & Pensions (DWP).

## Increasing complexity

**1.20** Individuals' tax affairs are also getting more complex. Taxpayers are increasingly engaged in flexible and contingent labour, working for multiple employers simultaneously or as freelancers. HMRC has not estimated the impact of increasing complexity on demand. However, complexity and the shift of simpler queries to digital channels has contributed to an increase in average call-handling time – while advisers answered 22% fewer calls in 2022-23 compared with 2019-20, these calls took 21% more time on average to handle (an increase from 11:24 minutes in 2019-20 to 13:48 minutes in 2023-24). This average has increased further to 15:04 minutes in the first 11 months of 2023-24. As well as increasing in complexity, calls may be getting longer due to the efficiency with which advisers handle calls or the number of issues that customers are raising when they are able to get through to an adviser.

10 HMRC does not have estimates for the impact of fiscal drag for years prior to 2023-24.
11 Growth rate is for the three largest of the four directorates of HMRC's Customer Service group. It does not include Debt Management.

## Productivity

**1.21** HMRC expects moving customers to digital channels will reduce the number of customer service staff it needs. Between 2019-20 and 2023-24 HMRC's permanent frontline customer service workforce reduced by 16% but increases in the use of fixed-term and temporary workers, particularly in its personal tax directorate, means the frontline workforce in total reduced by 9% in that time.[12] Most of the reductions were in HMRC's Benefits and Credits directorate, reflecting the gradual transfer of working tax credits to the DWP. In personal tax, HMRC's largest customer service directorate, the number of frontline staff in 2023-24 was only 4% fewer than in 2019-20, and the number increased considerably in the other two directorates.[13] In the last few years, however, HMRC has needed to temporarily recruit new staff or redeploy existing staff to support emerging government priorities, namely EU Exit, responding to the COVID-19 pandemic and the Ukraine conflict.

**1.22** HMRC has found it difficult to assess how the productivity of its staff has changed and the extent to which increasing call-handling times are linked to calls getting on average more complex. Advisers handled fewer telephone calls in 2023-24 than HMRC planned, but this may reflect a changing case mix rather than a reduction in productivity. Staff utilisation has been affected by higher sickness levels, which were a third higher in 2023-24 than in 2019-20 at 11 days per year, and are high compared with a civil service average of 8 days in 2022-23, the latest data available.

**1.23** Productivity is also affected by queries being initially directed to the wrong HMRC team. In 2023-24, around 9% of calls and 25% of correspondence it scanned was misdirected and had to be transferred by HMRC.[14]

12 If a temporary worker answering calls and processing correspondence were employed for a full year, they would cost HMRC around £32,000, similar to the salary of a permanent member of staff. Temporary staff have advantages for HMRC, including helping it increase staffing levels during those periods of the year when demand is highest.
13 The other two directorates are Business Tax and Customs, and Debt Management.
14 HMRC does not have equivalent data for the correspondence it does not scan (approximately 40% of correspondence).

## Customer behaviour

**1.24** HMRC estimates that 66% of customers' calls in 2023-24 were avoidable as they could have been dealt with online instead. This included more than 3 million it received on resetting passwords, checking National Insurance numbers and tax codes. This assessment did not take account of the customer's capability for using online services. Separately, HMRC assessed that 72% of customers' calls in 2023-24 were caused by failure demand, up from 65% in 2018-19. HMRC defines failure demand as a failure to do something or do something right for the customer. These calls include those generated through HMRC's delays, errors or ineffective processes and where customers call to seek reassurance or because HMRC has not responded within the timescales customers had wanted. It also includes customer errors resulting in a penalty. HMRC expects that failure demand will continue to rise as a proportion of total calls as customers increase their use of HMRC's digital services to handle more transactional queries. It has not set a target for reducing the proportion or overall number of calls identified as failure demand. HMRC has some data on the underlying cause of these calls, for example, at least 13% of all calls are chasing progress. However, it does not have data on the number of calls that fall into other categories or the time and money HMRC spent in handling them. HMRC has limited data on correspondence caused by failure demand. It considers that failure demand is likely to be lower than over the telephone as, for example, customers are more likely to call to chase progress.

# Part Two

## Improving and increasing the use of digital services

**2.1** HM Revenue & Customs (HMRC) has been working to become a 'digital-first' organisation since at least 2012. By encouraging its customers to use its customer-facing digital channels to self-serve wherever possible, it expects to provide services that are easier to use and more efficient for customers, while also freeing up capacity on telephone and correspondence for those customers who need it, and reducing costs.

**2.2** HMRC estimates that approximately 60% of customer transactions are currently digital, and it aims to increase this by 2030. It has set itself an interim target to reduce telephone and correspondence contacts by 30% by 2024-25, compared with a 2021-22 baseline. The target covers incoming and outgoing telephone and correspondence across HMRC and means reducing total annual contacts from 180 million to 126 million. HMRC has a channel strategy to support the move from telephone and physical post to digital services.

**2.3** In this Part we assess HMRC's progress in achieving its strategic goals, particularly:

- the availability and functionality of HMRC's digital services;
- HMRC's progress in shifting customers onto digital channels; and
- HMRC's understanding of the costs and performance of its digital services.

### Availability and functionality of digital services

**2.4** HMRC introduced digital services in 2015 and 2016 to improve customers' ability to self-serve, and to achieve efficiencies (**Figure 7**). These cover the main types of tax and benefits affecting customers.

## Figure 7

Timeline of digital services introduced by HM Revenue & Customs (HMRC) since 2015

**HMRC introduced three of its main customer-facing digital services between 2015 and 2016, and has introduced three further services over the next seven years**

| Date introduced | Service | Description | Use (in the first 11 months of 2023-24) |
|---|---|---|---|
| 2015 | Personal Tax Account | Individuals can check and manage their tax and benefit records, including getting an income tax estimate and code, claiming an income tax refund and checking tax credits. | 17 million users (equivalent to 49% of income taxpayers).[1] |
| 2016 | Business Tax Account[2] | Small businesses can view summaries of their tax position, complete tasks such as submitting returns and making payments, and update contact details. | 5.8 million users. |
| 2016 | HMRC app[3] | Individuals can access information about their employment history, personal tax, National Insurance, tax credits and benefits, as well as pay Self Assessment and update their personal information. | 3.6 million unique users (equivalent to 10% of income taxpayers).[1] |
| 2019 to 2022 | Making Tax Digital for VAT[4] | HMRC required and enabled traders to use software to keep digital tax records and to submit digital VAT returns. | All traders have had to use the service for VAT as of April 2022. |
| 2020 | Digital assistant | A predictive chatbot, which aims to point the user automatically to relevant HMRC guidance and may link them to an adviser through webchat. | 4.5 million interactions. |
| 2023 | Child Benefit service | Customers can now file claims for Child Benefit digitally and manage their accounts online. | 1.4 million users and 570,000 claims made online. |

**Notes**

1 These services are not exclusively used by income taxpayers and may also be used by benefits recipients. Percentages are included here for illustrative purposes.

2 The Business Tax Account service was piloted with small businesses from May 2014.

3 The HMRC app was originally launched in 2016 and contained basic information on Pay As You Earn and tax credits for individual taxpayers. HMRC has since iteratively improved the app through regular updates, including a link to the new Child Benefit process in February 2023 and the function to save National Insurance numbers to phone wallets in June 2023.

4 Making Tax Digital was introduced for traders above the £85,000 VAT threshold in April 2019, and for those below from April 2022.

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

**2.5** The implementation of some digital services has been slower than planned. We have previously found that HMRC had unrealistic expectations about the pace at which it can introduce digital services, for example, through Making Tax Digital for Self Assessment.[15] External events including EU Exit and the COVID-19 pandemic have hindered progress.

**2.6** HMRC launched some services, such as the Personal Tax Account (PTA), some years ago in a relatively basic form and has increased functionality over time to provide more coverage and information and reduce the need for customers to call or write. Recent examples include functions added in 2023: the ability to pay Self Assessment tax using open banking, viewing and saving employment history and National Insurance numbers in the HMRC app, and claiming and managing Child Benefit.

**2.7** Some gaps remain in what individuals can do online. For example, customers cannot:

- view a history of in-year tax code changes;
- split a personal allowance between two or more different employments or pensions; or
- add or amend medical benefits received from an employer.

**2.8** We tested the responses provided by HMRC's digital assistant for 53 routine tax queries. We found it could answer simple queries from customers, but that, in approximately half the queries we sampled, a customer would likely need to contact an adviser. This included queries about tax on multiple jobs and income made overseas. HMRC told us that the digital assistant can escalate queries to an adviser using webchat when one is available.

**2.9** Stakeholders have raised concerns about the quality, functionality and accessibility of HMRC's digital services (**Figure 8**). Agents acting on behalf of taxpayers report that digital services are poorly equipped to allow them to carry out even simple tasks on behalf of their clients, and so resort to using HMRC's agent-dedicated phone lines instead. While stakeholders felt there were many ways to feed in their concerns to HMRC, they told us that HMRC did not always appear to act on these.

15 HMRC launched its flagship transformation programme, 'Making Tax Digital', in 2015-16. The programme's aims were to maximise tax revenue, make sustainable cost savings and improve customer service by modernising HMRC's systems for three business taxes – VAT, Income Tax Self Assessment and Corporation Tax. More information can be found in: Comptroller and Auditor General, *Progress with Making Tax Digital,* Session 2022-23, HC 1319, National Audit Office, June 2023.

## Figure 8

Summary of key feedback on HM Revenue & Customs' (HMRC's) digital services from stakeholder organisations

**Stakeholders we spoke to expressed their views on the quality, functionality and accessibility of digital services during interviews conducted between September 2023 and February 2024**

| Key issue | Stakeholder feedback |
|---|---|
| Service quality and functionality | • HMRC's digital services are improving but do not yet provide the functionality to prevent customers needing to interact with an adviser by telephone or correspondence.<br>• While some are reliable and easy to use, others do not help customers to resolve their queries, or are confusing to use.<br>• HMRC has launched some services in an incomplete state, meaning they are sometimes unstable and cannot be relied upon to resolve complex queries, and so customers resort to calling HMRC.<br>• Most digital services do not provide the reassurance or clarification needed to support customers.<br>• Some services do not provide relevant links or guidance to assist customers in completing their query.<br>• Digital services lack functionality required by agents, who often have more complex queries. The agent authorisation process is overly complicated. |
| Accessibility | • HMRC needs to maintain access to its phone lines and keep it straightforward for customers to contact them by telephone when needed.<br>• HMRC's processes for identifying vulnerable and excluded customers need to be more robust to make sure that they are reliably routed to the Extra Support team, and that it is straightforward for customers to access the Extra Support team when needed.<br>• Customers who do not speak English fluently may face challenges engaging with HMRC.<br>• The login process using Government Gateway is complicated and sometimes unstable, and may inhibit some customers from using digital services.[1]<br>• The fragmentation of services across several platforms exacerbates accessibility problems experienced by customers. |

**Notes**

1 The current Government Gateway login process is due to be replaced by a simplified 'OneLogin' process over the next three years to 2027.

2 Based on semi-structured interviews to which representatives from a range of third-sector organisations and charities in the tax and accountancy sector were invited. Interviews took place with: Administrative Burdens Advisory Board, Association of Accounting Technicians, Association of Taxation Technicians, Chartered Institute of Payroll Professionals, Chartered Institute of Taxation, Citizens Advice Bureau South Tyneside, Institute of Chartered Accountants in England and Wales, Refugee and Migrant Centre, Tax Aid and Tax Advice for Older People.

Source: National Audit Office analysis of stakeholder interviews

**2.10** Between 2024 and 2027 HMRC plans to develop existing digital services further, so they can cater for a wider variety of taxpayer circumstances. Changes should affect most taxpayers and provide greater functionality to deal with employment benefits, tax code changes, reliefs, appeals, and join up taxpayers' records across tax streams (**Figure 9**).

## Channel shift to digital services

**2.11** Customers are increasing their use of most digital services year on year (see paragraph 1.16). Of those customers who called, used the PTA or the HMRC app in 2023-24, HMRC estimates 68% used digital services only, up from 61% in 2022-23. A further 18% of customers used a mix of digital services and telephone in 2023-24. The proportion using telephone-only fell from 20% in 2022-23 to 14% in 2023-24. However, data suggest that some customers still use telephone as well as correspondence even for simpler queries which can be handled online instead. For example, in 2023-24, queries regarding tax codes alone led to around 3 million calls to HMRC.

### Figure 9

Future digital services planned by HM Revenue & Customs (HMRC)

**HMRC plans to both introduce new digital services and develop existing services by 2026-27**

| Service | Timing | Description |
|---|---|---|
| HMRC app[1] | Development of existing service: new functionality planned for 2024. | New functionality will include personalised prompts on actions customers need to take, a simplified Self Assessment registration journey to help customers understand their obligations, such as how to appeal a late penalty, and the ability for customers to declare income, allowances and benefits. |
| Personal Tax Account (PTA)[1] | Development of existing service: new functionality planned for 2024. | New functionality will include the ability to pay voluntary National Insurance contributions online, adding the Higher Income Child Benefit Charge to Pay As You Earn records, and better facilities for understanding and changing tax codes. |
| Making Tax Digital for Self Assessment[2] | Newly developed service: full rollout in 2026-27. | HMRC will require and enable Self Assessment taxpayers to use software to keep digital tax records and submit digital tax returns. |

**Notes**

1 Through its Single Customer Account programme, HMRC is combining data from its legacy systems to provide customers with a fuller view of their tax and benefits in their PTA and HMRC app. Ultimately, HMRC plans to link Personal and Business Tax Accounts.

2 HMRC plans to introduce Making Tax Digital for self-employed people and landlords with incomes above £50,000 from April 2026, and for incomes above £30,000 from April 2027.

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

**2.12** HMRC's research in November 2022 found 86% of customers were at least somewhat willing to deal with their taxes and benefits online, but still 41% reported interacting with HMRC offline in the previous 12 months. HMRC's latest annual customer survey, also from 2022, found that, of individuals who had interacted with HMRC by telephone and online channels in the previous 12 months, seven in 10 (69%) had contacted HMRC by telephone because they could not resolve their issue online. HMRC believes that its digital services are now capable of dealing with a large proportion of the demand that currently comes in via telephone or correspondence. HMRC data show that the PTA, the largest of its digital services, has handled 111 million individual sessions in 2023-24. Customers mostly use the PTA to check information held by HMRC or report a change of circumstances (**Figure 10** overleaf).

**2.13** HMRC's latest published research indicates that a lack of awareness of digital services, concerns about getting things wrong and customers' need for reassurance are barriers to greater use of digital services. In November 2022, six out of 10 people (63%) were aware that HMRC provided guidance online, but awareness of other key digital services at the time was much lower. For example, just three in 10 customers (29%) were aware of the PTA or the Business Tax Account. Only two out of 10 customers (21%) knew the HMRC app existed.[16] In 2022-23, 2.3 million people (equivalent to 7% of income taxpayers) used the HMRC app, but take-up of the PTA was greater than awareness data suggested. Some 15.9 million people (equivalent to 46% of income taxpayers) used the PTA, indicating that many of the customers surveyed may have struggled to recognise or remember some of HMRC's digital services, or did not have a full understanding of what they offered. HMRC's efforts to promote these services since November 2022 have likely increased customer awareness.

**2.14** HMRC runs a continuous cycle of communications to raise awareness of its digital services, including direct messaging to customers using emails, text messages and letters, national and local media coverage and social media. Before 2023-24, HMRC's efforts to promote digital services were focused on signposting to its guidance pages rather than promoting particular services like the PTA or HMRC app. It says it is now taking a more targeted approach, promoting specific digital functionality around key dates such as the new tax year, or life events such as having a baby. Its budget for external communications to support customers to use digital channels is increasing from £1 million in 2023-24 to £3 million in 2024-25.

16 HM Revenue & Customs, *Contact method preference and digital appetite of HMRC individual customers*, March 2023. Customers surveyed in November 2022 are people who have paid tax, claimed tax credits or an HMRC-administered benefit.

## Figure 10
Services used in the Personal Tax Account (PTA), 2023-24

**Many customers use the PTA to check information held by HM Revenue & Customs (HMRC) or inform it about a change in circumstances**

| Service used | Number of times used in 2023-24[1] | What a customer can do |
|---|---|---|
| | (mn) | |
| Accessing account home and navigation pages, reporting a change of circumstance, confirming a National Insurance number, accessing Child Benefit pages | 70.1 | Various, including check information and inform HMRC about a change of circumstance |
| Pay As You Earn (PAYE) check your income tax | 41.2 | Check and update information |
| Check National Insurance and State Pension | 19.4 | Check information |
| PAYE P800 calculation[2] | 14.5 | Check information |
| Annual Tax Summaries | 14.4 | Check information |
| Track your forms | 10.7 | Check information |
| Tax credits service – check payments and change circumstances[3] | 6.6 | Check information and inform HMRC about a change of circumstance |
| Tax credit renewals[3] | 2.3 | Request a renewal, check information and inform HMRC about a change of circumstance |
| PAYE P800 repayments[2] | 2.3 | Request a repayment |
| Marriage Allowance service | 1.0 | Check information and request an update |

**Notes**

1 There were 111 million individual sessions of the PTA in 2023-24. Customers may use more than one service during each session. We have not included services where the number of uses was less than 1 million.

2 The P800 tax calculation is a document issued by HMRC when a taxpayer has paid too much or too little tax and is therefore due to pay additional tax or receive a repayment from HMRC.

3 Tax credits are gradually being replaced by Universal Credit for almost all those currently receiving tax credits, and responsibility for administering these will transfer from HMRC to the Department for Work & Pensions.

Source: National Audit Office analysis of information provided by HM Revenue & Customs

**2.15** HMRC is using a range of deflection messages to divert customers from telephone and correspondence to digital channels and to free up capacity for those customers who need help more. HMRC is using scannable codes on some of its outgoing correspondence to quickly signpost customers on their smartphones to relevant parts of online guidance. While customers are waiting on the telephone to speak to an adviser, HMRC uses automated messaging to tell them about services that are available online. HMRC's deflection messages were initially advisory, and customers could continue to hold for an adviser, but HMRC is now also ending some calls after playing a deflection message if it believes a customer can resolve their query online instead. Customers are also given the option to speak to an adviser for technical support in using the digital services. In 2023, HMRC sent out 1.9 million SMS messages to callers to divert them elsewhere.

**2.16** It is not always clear to customers what functions and query types HMRC's digital services are capable of handling, which may contribute to a lack of confidence to use them. For example, HMRC lists online the key tasks that customers can do on the PTA and the HMRC app but does not list what tasks customers cannot do via these services nor indicate the circumstances or complexities that would make completing each task online particularly difficult.

**2.17** HMRC recognises that many of its digital services do not provide sufficient reassurance to customers. For example, customers are advised how long a new VAT registration will take but cannot then track the progress of that registration or other queries online. These gaps are likely to create additional demand on helplines. In September 2023 HMRC produced a handbook for staff designing and delivering digital services, outlining how to reassure customers throughout their journeys, including allowing customers to see their progress through a process; pre-populating and validating information where possible; and providing customers with an accurate timeline for processing, with regular updates. HMRC has designed the new Child Benefit service to provide reassurance, including SMS messages on the progress of claims and information online (see Figure 12). HMRC is looking to apply similar features to other services.

## Support for people needing assistance with digital services

**2.18** HMRC recognises that it needs to provide some support for customers who find it difficult to use digital services. HMRC estimates that around 20% of customers could need assistance using its digital services and 1% to 2% have not accessed the internet in the last three months. This could mean that as many as 7 million people need support to use digital services, although HMRC does not know how many of these customers need to interact with it. HMRC's telephone-based online services helpdesk provides technical support to customers with HMRC's digital services. It handled 1.7 million calls in 2023-24. HMRC has not yet undertaken research or analysis to understand how many people needing help using digital services were unaware or unable to access the support available. As more services are moved online, it is not clear whether HMRC has developed sufficient plans on how to support customers struggling to use digital services, including the capacity needed to provide technical support to customers.

**2.19** HMRC also has an Extra Support team that assists people whose health condition or personal circumstances make it difficult when they contact HMRC, such as people with sensory disabilities or mental health conditions, or victims of domestic abuse. Across 2022-23 this team had an average of 117 permanent members of staff, a reduction from 144 in 2021-22, and handled around 72,000 customer contacts in 2022-23, down from 83,000 in 2021-22.

**2.20** HMRC's understanding of the demand for extra support and the performance of its team is limited. For example, it knows the number of customers calling who are referred for extra assistance but does not record the reasons why customers need extra assistance due to their varied nature. It has limited data on the team's staffing, as it does not record input from non-permanent members of staff. HMRC does not have exit survey data – on customer satisfaction with the Extra Support team or customers' ease of dealing with it – in the same way it has for other phone lines. This is because customers are transferred to the team from other helplines, and HMRC cannot split out data for transferred calls. Instead, the Extra Support team calls back customers who indicate they would be willing to be surveyed. The team called back just 56 customers between April 2023 and February 2024, all of whom reported they were satisfied. Advisers' performance in identifying customers who should be referred for extra support is subject to quality checks, but HMRC does not collate the results so does not know whether the people who need extra support are referred to this service.

## Costs and performance of digital services

**2.21** The data HMRC currently collects indicate digital services perform well for the majority of customers and user visits. HMRC's primary measures are customer satisfaction and the number of users or sessions for each service that HMRC handles. **Figure 11** overleaf shows how HMRC monitors the key dimensions of digital services. Customer satisfaction scores for digital services are consistently around the 80% mark, but these are based on a self-selecting sample of customers who choose to complete an exit survey. HMRC also assesses the rate at which customers complete their queries. For six of the 10 most common transaction types, customer completion rates in 2023-24 were over 70%, with the rate for three of these services over 93%. However, only around half of customers completed transactions covering marriage allowance and estimates of pay, and less than a third of customers completed transactions covering fixed-rate expenses or claiming tax relief for expenses of employment using a P87 iForm.[17] HMRC also gets some insight on the HMRC app as it is well-rated by users, for example, on the App Store. For six key digital services, HMRC is working to improve its measures of cost and customer take-up.[18]

**2.22** HMRC has improved its performance measures for digital services during 2023-24, including 'digital containment' indicators for services for individuals, which assess whether customers subsequently need to call HMRC. In 2023, 97% of HMRC app users and 94% of PTA users did not call one of HMRC's five main helplines in the following seven days. HMRC does not know whether these people wrote subsequently, and its systems mean it cannot know whether the digital service had fully resolved a customer's query. However, it is taking steps to develop its systems to get this information. HMRC reported in 2022-23 that 66% of customers who used its digital assistant did not request to escalate to a webchat adviser, but similarly it is not clear whether their queries were properly resolved.

17 The P87 iForm is a digital route for employees to claim tax relief against employment-related expenses, including for uniforms and work clothing, vehicles used for work, professional fees and subscriptions, purchasing equipment, or travel and overnight expenses.

18 The six services are: apply for Child Benefit; check income tax; claim a Pay As You Earn repayment from HMRC; pay Self Assessment; file Self Assessment; and add and update contact details. They are included in the Cabinet Office's list of the government's top 75 services.

## Figure 11

HM Revenue & Customs' (HMRC's) measures of digital services

**HMRC's performance measures provide adequate coverage of four key dimensions of digital services but only limited insight on their take-up and cost**

| Dimension of performance[1] | National Audit Office (NAO) assessment of quality of HMRC's measures | Explanation of NAO assessment |
|---|---|---|
| Usage | Adequate | Measures of sessions and users, such as 111 million Personal Tax Account sessions in 2023-24. |
| Customer satisfaction[2] | Adequate | Mainly through exit survey with appropriate questions. Low response rate (5%), self-selecting sample and those customers who do not log out (such as users of the HMRC app) do not get offered the survey.<br><br>Exit survey shows satisfaction of 83% in 2022-23. |
| Completion of query in digital channel[3] | Adequate | HMRC can track how many customers complete different journeys in its main digital channels, and in some cases can track customers across channels (for example, where a customer first uses a digital service, and later calls HMRC). |
| Accessibility | Adequate | HMRC uses the Government Digital Service's standards on web content accessibility to define and measure the accessibility of its digital services. It tests and monitors compliance, with around 60% of services currently fully compliant with the standards. |
| Take-up rate[4] | Limited | HMRC has developed a measure of digital take-up but is only using it for the six services included in the Cabinet Office's list of the Top 75 government digital services. |
| Cost | Limited | HMRC has generated cost-per-transaction data but only for the six services included in the Cabinet Office's list of the Top 75 government digital services. |

**Notes**

1 Dimensions of performance are those we consider are important to measure and are informed by the Cabinet Office's view of what makes a 'great' digital public service.

2 Customers who report being 'satisfied' or 'very satisfied'.

3 Customers who start a process in a digital service who complete that process.

4 Of all the customers that have a particular query, the percentage who do so digitally.

Source: National Audit Office analysis of HM Revenue & Customs' measures of digital performance

## HMRC's understanding of costs and benefits of digital services

**2.23** HMRC does not have a good understanding of the cost and benefits of its digital services. This makes it difficult to assess the cost-effectiveness of HMRC's investment in digital services, including the degree to which they reduce the cost of calls and correspondence or increase the amount of tax collected on time. Gaps include the following.

- **A good understanding of what calls and correspondence can be handled digitally:** HMRC categorises each contact by reason, but these categories lack sufficient detail to make accurate estimates of what amount of contact should be served by new digital services.
- **The effort that would be saved from moving different types of contact onto digital:** HMRC has average call-handling times for different types of queries, but it is not clear how these data are used in the planning of new digital services, or whether any monitoring is in place to compare the effectiveness of digital channels to telephony, or to gauge the extent to which digital services reduce issues such as progress chasing.
- **How the cost of digital services compares with the costs of other channels in resolving common queries:** The up-front costs of system development are completely excluded, which means there is a risk the cost of digital contact is assumed to be minimal when this may not be the case.
- **The extent to which digital services affect demand elsewhere:** HMRC's current IT systems make it difficult to track customers across channels. HMRC is planning to develop its analytical capability in 2024 so it can track and analyse customer journeys.

### Cost savings

**2.24** HMRC has been moving customers to digital services for more than 10 years. Stakeholders have highlighted the increased efficiency this has brought. Some digital services may offer a straight replacement, but often they will offer a different type of service, which may not translate to directly measurable savings or a like-for-like reduction in the cost of customer service. Other changes, such as an increase in the number of people paying tax and an increase in the complexity of their tax affairs, may increase net demand despite progress in moving more people onto digital channels (see paragraphs 1.18 to 1.20).

**2.25** We examined the cost savings and efficiencies achieved by HMRC's digital Child Benefit and VAT registration and repayment services to consider how digital services can affect cost and performance (**Figure 12** overleaf). These indicate significant efficiencies in the processing of applications, with further opportunities to keep customers informed of progress and reduce the use of paper.

## Figure 12

Costs and benefits of new digital Child Benefit and VAT registration and repayment services to HM Revenue & Customs (HMRC)

**Data indicate significant efficiencies in the processing of applications, with further opportunities to keep customers informed of progress and reduce the use of paper**

| Costs, benefits and further development | Child Benefit | VAT services |
|---|---|---|
| Development costs | £6 million (as at September 2023). | £15–£20 million for VAT registrations, as part of wider work to modernise the IT infrastructure used for VAT, which also involved back-end transformation of VAT repayment processes. |
| Take-up speed | 79% of claims submitted digitally between June 2023 and March 2024. | 100% of users. |
| Benefits | • Average time from application to payment reduced from around 20 days to 3 days for the most straightforward cases.<br>• Customers can now access their proof of entitlement almost instantly.<br>• Significant administrative benefits for HMRC by reducing processing times and improving process efficiency. | • Processing times improved: over 90% of registrations now processed within 40-day target, and around 95% of repayments are now processed automatically.<br>• HMRC can now process many cases automatically online.<br>• Some IT systems interact more effectively, which has streamlined processes and improved efficiency.<br>• New digital options for customers to track repayments and correct errors. |
| Opportunities for development | • Some aspects of the service, such as the High Income Child Benefit Charge, are yet to be serviced by the new system.<br>• Operational staff spent significant time dealing with backlogs and high demand, frustrating the rollout of the new system.<br>• Online guidance not always fit for purpose and was not always updated promptly when issues were identified. | • System does not provide tracking of progress for customers. HMRC teams continued to face significant levels of progress chasing by telephone and correspondence despite improved system.<br>• There were still several IT systems for VAT, and it was not always clear to caseworkers where information had been recorded.<br>• Some basic tasks, such as sending customers VAT numbers, continue to be done by post. |

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

**2.26** HMRC's long-overdue changes to the Child Benefit system, introduced in 2023, have reduced the average time from application to payment for the most straightforward claims from around 20 days in 2023 to three days in the first part of 2024, and means customers can now access their proof of entitlement almost instantly. It has also yielded significant administrative benefits for HMRC by reducing processing times and automating a previously paper-based system. Digitisation of the service was led by operational leaders with expert knowledge of Child Benefit. HMRC prioritised defining a solution to meet the needs of more complex cases first, on the basis this would resolve simpler cases too. This should help the service support most customers initially and reduce design iterations. When developing other digital services, particularly those involving more complex and varied customer journeys, HMRC has prioritised developing systems for the simplest cases first, covering fewer customers.

**2.27** A new system for VAT registration has cut processing times and means that HMRC can process most cases automatically online. The system was subject to a fraudulent attack, which initially led to delays in businesses being issued new VAT numbers, although HMRC has now resolved this issue. Misalignment of the repayment dates was brought about by changes to the system for VAT repayments and the subsequent introduction of a new penalty reform policy in 2023. These changes mean that HMRC now needs to pay interest to customers for most automated VAT repayments that are submitted and approved on time, because the date the automated system makes payments is later than the due date for payments set by the penalty reform policy. This was not previously the case, and the cumulative effect means that HMRC must now pay additional interest on VAT repayments. In 2023-24 HMRC paid £52 million interest on VAT repayments to customers, a proportion of which was due to these changes.

**2.28** In some areas, HMRC has not yet pursued service changes that are widely used elsewhere and could yield considerable cost savings. For example, the opportunities for customers to correspond with HMRC, and vice versa, via electronic means are limited. Around 70% of written correspondence from customers comes through the post and requires scanning, manual entry into HMRC systems, or both. Some other types of correspondence, including items that customers send in electronically, will also need scanning, manual entry or both. It is more difficult for customers and HMRC to track the progress of correspondence through the post. In a 2022 Organisation for Economic Co-operation and Development (OECD) survey, a majority of the G20 countries that responded said that they offer taxpayers digital services for handling correspondence and objections. HMRC has identified security considerations as the key factor limiting the expansion of its use of digital correspondence.

# Part Three

## Improving customer service

**3.1** In this Part we assess:

- HM Revenue & Customs' (HMRC's) challenge in funding and staffing customer service;
- service reductions and changes;
- HMRC's plans for 2024-25 and how they might affect performance levels; and
- HMRC's understanding of the impact of customer service on customers, tax revenues and the wider economy.

### Funding and staffing customer service

**3.2** Moving customers to digital is a key part of HMRC's plan to achieve efficiency savings from customer service. HMRC agreed under the 2021 Spending Review to make annual efficiency savings of £75 million in customer service by 2024-25. HMRC also agreed its performance targets for customer service (Figure 2), which it still considered to be achievable at the start of 2022-23.

**3.3** During 2022-23, the government undertook an efficiency and savings review to help manage pressures on public spending from higher inflation. In accordance with government commitments at Autumn Statement 2022, HMRC sought to protect tax compliance activity. It therefore planned to make most of the additional savings it needed from customer service, doubling the required savings to £149 million by 2024-25. HMRC judged the additional customer service savings, which included £12 million in 2023-24, would make it difficult to achieve its targets for handling telephone calls and correspondence.

**3.4** HMRC has found it difficult to achieve its customer service efficiency targets. By 2023-24, HMRC was £22 million short of its revised targets. HMRC reported it had achieved £53 million of savings, including up to £33 million of recuring savings.[19] HMRC's efficiency targets included reducing levels of staff sick leave and the proportion of staff in managerial and support roles. While HMRC made some progress, this was not as much as it needed. Longer call-handling times, IT outages and inflation have all contributed to the challenge. To support telephone and correspondence performance in 2023-24, HMRC used an additional £36 million to pay for extra temporary customer service staff, an average of around 1,000 additional staff across the year. It transferred £20 million from its transformation budget, and HM Treasury provided a further £16 million in June 2023, primarily to maintain helpline opening hours.

**3.5** The additional £62 million of savings set for customer service for 2024-25 during the efficiency and savings review, plus the shortfall in achieving efficiencies in 2023-24 meant that, at the start of 2024-25, HMRC customer service would need to find at least £116 million of new savings during the year.[20] As at April 2024 HMRC planned to reduce its frontline customer service workforce, including temporary staff, by 14% in 2024-25 to live within its customer service budget, a reduction that is unprecedented in recent years. HMRC reduced its workforce by 6% in 2023-24 and by just 9% overall between 2019-20 and 2023-24 (**Figure 13** overleaf). In this time, call-handling performance worsened significantly. We have previously reported that, in the past, HMRC's assumptions on staff reductions have been too optimistic, and it has had to reverse some cuts to tackle falling service levels.[21]

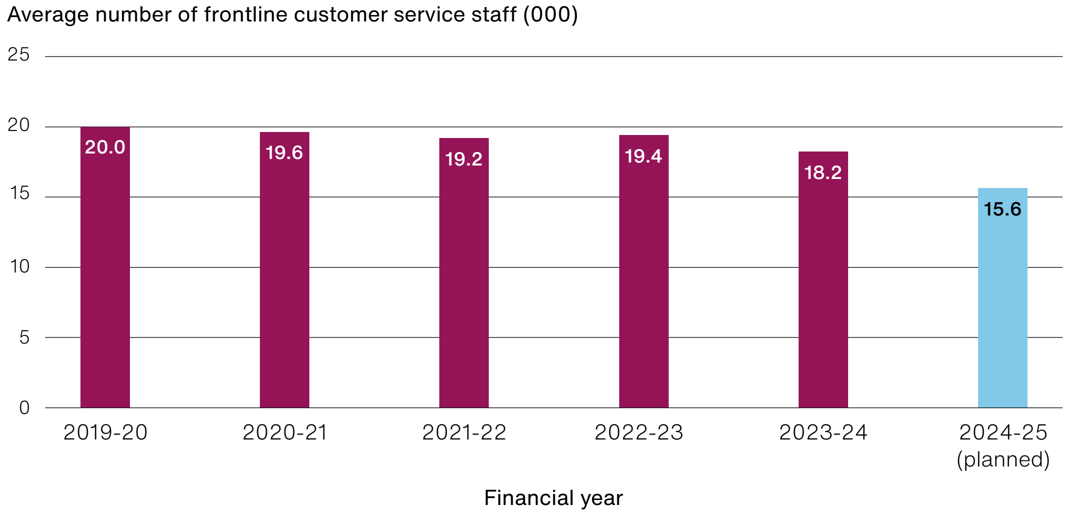
## Service changes and reductions

**3.6** During 2023-24, HMRC stopped or restricted the calls it would handle on four of its helplines. Its reasons included encouraging customers to use digital services instead and releasing staff to improve overall customer service, including tackling processing backlogs to reduce customers' need to check on progress (**Figure 14** on page 49). HMRC expected the closures would help improve its reported customer service performance, including its key metric for the proportion of call attempts handled by an adviser. It considered stopping telephone services for some taxpayers would enable it both to increase the proportion of calls handled on its other helplines and to reduce the number of progress chasing calls.

19 £53 million was HMRC's forecast as at April 2024. Some of these savings arose from closing and restricting helplines. Following HMRC's decision to halt phone line closures in 2024-25, it is unclear to what degree these savings will recur in 2024-25 (see paragraph 3.8).
20 Total required savings of £149 million by 2024-25 less HMRC's forecast at April 2024 of potential recuring savings achieved by 2023-24 of up to £33 million.
21 Comptroller and Auditor General, *The quality of service for personal taxpayers*, Session 2016-17, HC 17, National Audit Office, May 2016, paragraphs 12 to 17.

## Figure 13
Actual and planned frontline customer service staff, 2019-20 to 2024-25

**HM Revenue & Customs (HMRC) is planning a 14% reduction in its frontline workforce in 2024-25, compared with a 9% reduction between 2019-20 and 2023-24**




**Notes**

1 Staff numbers represent averages of monthly data.

2 Numbers include permanent and temporary staff. Numbers are for full-time equivalents.

3 Plans are as at April 2024 and were latest available.

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

## Figure 14
Main HM Revenue & Customs (HMRC) phone lines closed or restricted, 2023-24[1]

**While stakeholders have been broadly negative, HMRC considers closures and restrictions to helplines have had benefits for it and for customers**

| | Self Assessment helpline | | VAT registration helpline | Agent helpline |
|---|---|---|---|---|
| Change to helpline | Closed in summer 2023 during helpline's quieter period, releasing 350 staff. | Restricted from December 2023 for a limited period to focus on priority queries. | Permanently closed from May 2023. | Several changes in 2023-24, including restricting to priority queries. |
| HMRC rationale | Cut calls, promote digital services and improve overall customer service. | Focus on urgent and complicated queries ahead of 2022-23 filing deadline. | Registration taking too long (40 working days), making it difficult for traders to meet VAT obligations. | Focus on priorities, including calls linked to completing tax returns. |
| Alternative provision | Customers diverted to digital services, and/or triaged through the telephone-based online services helpdesk. Greater use of webchat. | | Digital services and general advice through VAT helpline. | Digital services and other helplines, although call waiting time likely to be higher. |
| Notice given | Two working days. | Two working days. | Three working days. | Five to eight working days. |
| Stakeholder reaction[2] | Negative: concerns included negative impact on unrepresented taxpayers and the digitally excluded; HMRC's digital services unable to resolve some queries; discourage the filing of tax returns; and increase the risk of inaccurate returns. | | Mixed: understood reasons for closure but would have preferred an option to speak to an adviser. | Negative: concerns included additional burdens on taxpayers and agents; some digital services not available to agents. |
| HMRC's assessment of impact | Positive: increased use of digital services and fewer calls; staff released to clear correspondence backlogs.<br><br>Restrictions did not adversely affect the number of tax returns filed or payments made by customers.<br><br>However, customer satisfaction with Self Assessment webchat, and the online services helpdesk webchat, was lower than in 2022-23. | | Positive: average turnaround times reduced to 20 working days by September 2023. | HMRC has not assessed the specific impact of these changes. |

**Notes**

1 HMRC also closed its dedicated probate helpline in October 2023.

2 Based on National Audit Office analysis of interviews conducted with stakeholders between September 2023 and February 2024, as well as public statements released by some stakeholders following the announcement of phone line closures and restrictions. We reviewed stakeholder statements and invited their comments on phone line closures and restrictions. The information presented here contains a representative summary of their views.

Source: National Audit Office analysis of HM Revenue & Customs information, stakeholder interviews and public statements from stakeholders

**3.7** HMRC gave customers and stakeholders little prior notice of changes to telephone services. For the largest change – the trial closure of the Self Assessment helpline in summer 2023, which released 350 staff – HMRC gave customers only two working days' notice, primarily due to delays in getting the decision approved within government. Organisations providing advice and support to vulnerable taxpayers reported large increases in calls to their own helplines, which they were not prepared or resourced to meet. HMRC told us that, before restricting calls handled by the Self Assessment helpline in winter 2023-24, it engaged some key stakeholders, but it only made a public announcement two working days before the change.

**3.8** In March 2024 HMRC announced further changes it intended to implement from April of that year, including closing the Self Assessment helpline between April and September each year and closing the VAT helpline for all but five days a month.[22] Its rationale for these changes drew on the results of an evaluation of the previous closure and restrictions to the Self Assessment helpline in 2023-24, which found that changes had not negatively affected the submission of Self Assessment returns or the payment of taxes due and had encouraged more customers to self-serve online. For the further closures planned from April 2024, HMRC told us that it had consulted with trusted partners, and it gave customers three weeks' notice. However, one day after the announcement of these changes, HMRC halted its plans in response to criticism from stakeholders, who had said HMRC's digital services lacked the functionality to enable customers to self-serve. HMRC stated it would engage with stakeholders to ensure that any future changes met all taxpayers' needs. As at the end of April 2024, HM Treasury had not yet decided whether to give HMRC additional funding for additional advisers given the helplines would now be kept open.

**3.9** HMRC's evaluation of the changes to the Self Assessment helpline in 2023-24 was limited in scope as, in particular, it did not consider stakeholder views. HMRC relied on comparing customer exit survey scores from before and during the changes. However, customer satisfaction and Net Easy scores declined across both trials and the surveys did not capture customers' experiences of using the digital assistant, or how effectively digital alternatives supported customers in submitting an accurate Self Assessment return.[23] HMRC did not collect additional evidence from customers or their representatives, nor did it assess the impact on customers when they could not access services, for example, when webchat advisers were not available. We saw no evidence that HMRC explored how the service changes had affected different groups of customers.

22 In addition, from April 2024 HMRC was planning to no longer take calls from customers relating to refunds on its Pay As You Earn helpline, and between October and March each year it was planning the Self Assessment helpline would only deal with priority queries.

23 Net Easy is measured through an exit survey conducted on telephone, webchat and digital services. The survey question is: "How easy was it for you to do what you needed to do today?"

**3.10** Stakeholders have particularly criticised the impact of service changes in 2023-24 on vulnerable and digitally excluded customers. During the changes, HMRC encouraged these customers to use its telephone-based online services helpdesk to access additional support. It identified and applied lessons throughout the service changes, including using more staff to support customers to use digital services and more staff to help identify and support vulnerable customers. However, HMRC operated only limited checks to ensure those requiring extra support were being identified by staff and did not quantify the results of those checks.

## HMRC's plans for 2024-25

**3.11** At January 2024, HMRC estimated that, without further efficiencies or service changes, it would need 4,150 more staff than budgeted to meet expected customer demand and achieve its public targets for answering the telephone and handling correspondence. HMRC had change programmes and other initiatives that would close some but not all the gap (**Figure 15** overleaf). HMRC had not completed an update of its analysis by the end of April 2024.

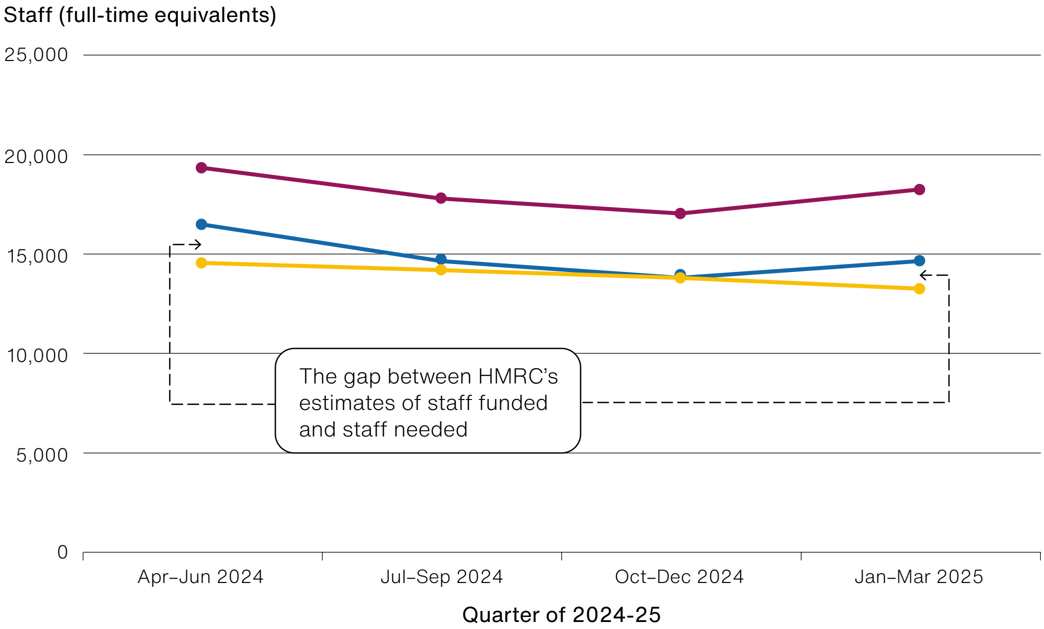
**3.12** At January 2024, HMRC expected the customer service changes it had already planned for 2024-25 would reduce demand by the equivalent of around 1,300 staff across the year.[24] Around 900 of the reduction in 2024-25 was to come from its Income Tax Service Transformation initiative which covers a range of change programmes and activities. The initiative aims to improve the range and quality of services for Pay As You Earn and National Insurance customers. The initiative started in 2022-23 and therefore is at an early stage of delivery. HMRC expects progress to accelerate quickly, so that the initiative achieves around 1,700 full-time equivalent staff reductions by March 2025.[25]

24 HMRC expected these changes to reduce the number of staff needed in 2025-26 by 2,300.
25 This is higher than the 900 average across 2024-25 as it covers a longer period and is the full-year effect of all staff reductions achieved by the Income Tax Service Transformation initiative by the end of March 2025.

## Figure 15

HM Revenue & Customs' (HMRC's) estimates of the operational customer service staff it can afford and the staff it needs, 2024-25

**In January 2024, HMRC assessed that if it achieved all estimated savings from its change programmes and other initiatives it would still have fewer staff than it considered it needed in three of the four quarters of 2024-25, with the gap largest in April to June 2024**




| | Apr–Jun 2024 | Jul–Sep 2024 | Oct–Dec 2024 | Jan–Mar 2025 |
|---|---|---|---|---|
| Staff needed – HMRC's estimate of the customer service staff it needs to meet forecast demand and achieve its published performance targets before adjustments | 19,350 | 17,800 | 17,050 | 18,250 |
| Staff needed – after adjusting for HMRC's estimates of the expected impact of planned change programmes and additional initiatives to reduce staff needed | 16,500 | 14,650 | 13,800 | 14,650 |
| Staff funded – HMRC's estimate of the customer service staff it can afford with its 2024-25 budget | 14,550 | 14,200 | 13,800 | 13,250 |
| Gap between staff funded and staff needed – after adjusting for HMRC's estimates of the expected impact of planned change programmes and additional initiatives to reduce staff needed | 1,950 | 450 | 0 | 1,400 |

**Notes**

1 Demand varies across the year.

2 Numbers include permanent and temporary staff.

3 Estimates were as at January 2024 and the latest full estimates available. As at April 2024, HMRC was revisiting some but not all aspects of its plans and estimates. For example, it was increasing the number of full-time equivalent staff it expected to save from planned change programmes and other initiatives, including its Income Tax Service Transformation initiative, in 2024-25 from 900 to 1,300. In addition, it had reversed its plans to close and restrict some helplines from April 2024, which would increase the staff it needs in 2024-25 to achieve its published performance targets.

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

**3.13** In October 2023, HMRC had identified 49 ideas to further close the gap between the staff it can afford in 2024-25 and the staff it forecasts it needs. By January 2024, it had selected 26 ideas to take forward, which in total could have closed the resource gap by around 1,900 staff. Many of the proposals remained in relatively early stages of development when we reviewed HMRC's plans in January 2024, with around 800 staff reductions not supported by a business case. HMRC expected closing and restricting phone lines would contribute around 520 staff reductions, with a significant number of reductions also expected from raising awareness of existing digital services. HMRC expected few reductions would come from improving digital services or handling telephone contact and correspondence more efficiently. Proposals were scrutinised by representatives of the different business groups in HMRC, but HMRC had not produced a mature risk assessment of the proposals at January 2024. Most of the proposals were due to be delivered by established HMRC change programmes, initiatives and teams, including the Income Tax Service Transformation initiative. The individual teams were responsible for risk assessing their proposals, with the Customer Services group overseeing the overall package of proposals, including any overlaps.

**3.14** HMRC's plans as at January 2024 estimated it would still have on average around 950 fewer staff (6%) than it needed across 2024-25, even if it delivered all the efficiencies and demand reductions it expected at that time. Although HMRC has not yet updated its modelling, the reversal of plans to close and restrict helplines has increased this gap further, which is likely to lower HMRC's performance in handling calls and correspondence. Meaningful performance targets are an important part of accountability arrangements and should operate as a performance management tool at organisation and team level. Prior to reversing its decision on helpline closures in 2024-25 HMRC was forecasting that it would only be able to handle between 65% and 70% of callers' attempts to speak to an adviser, against its target of 85%, and that it could handle between 75% and 80% of correspondence in 15 working days, against a target of 80%. HMRC has not made customers and stakeholders aware that it expects performance to fall short of its targets in 2024-25, nor did it tell them what level of performance it expected to achieve in 2023-24, when it faced a similar position.

**3.15** Even before HMRC's decision to reverse planned closures of its helplines, there was a significant risk HMRC would under-deliver against its plans. Its Income Tax Service Transformation plans needed to progress quickly, and the speed with which HMRC has developed some of its additional proposals to close the gap in its resources, plus the overall scale and pace of change, meant HMRC faced a significant challenge. In total, HMRC has around 120 separate initiatives or changes to be delivered by its Income Tax Service Transformation initiative and the Customer Services group by March 2025. HMRC had carried out some assessments of how readily different business areas can absorb change, concluding that it had reasonable confidence that each area can absorb the level of change currently planned. However, these assessments do not include a business-wide assessment of resilience to change, or any assessment of the risks to performance associated with future change. HMRC does not have a mature contingency plan in place if its plans under-deliver.

## Impact of customer service

**3.16** The deterioration in HMRC's customer service performance has had significant impact on customers, their agents and their productive capacity.

- **Waiting time:** Customers spent 7.0 million hours (the equivalent of 798 years) in 2022-23 waiting to speak to an adviser, up from 3.2 million hours (365 years) in 2019-20. These times do not include the initial time callers spent listening to automated messages.[26] HMRC phone lines are generally open in office hours (8am to 6pm), so long waits can be disruptive for many customers. Agents report that it is difficult to charge the waiting time to their clients and must absorb it into their costs.

- **Delays:** HMRC's delays in responding to queries have caused frustration and distress to customers, particularly when this has affected their financial position. HMRC repaid £108 billion in VAT payments and £7 billion in Self Assessment tax in 2022-23, so lengthy delays in processing these can have a significant consequence on the cashflow position of businesses and individuals. HMRC does not routinely monitor data on: the value of repayments it makes; those it checks rather than pays automatically and the time it takes to complete these checks; or the cause of any delays, which can include time waiting for customers to respond.

26 In the period November 2023 to February 2024, the average time listening to automated messages was around three minutes. HMRC does not have equivalent data prior to November 2023.

- **Tax compliance:** The tax system relies on high levels of voluntary compliance to secure tax revenues, with over 90% of revenues derived from compliant customers. Taxpayers may need support when completing their tax returns. HMRC's latest data estimate that, while the tax revenue lost due to taxpayers making errors (£5.4 billion in 2021-22) has remained stable, the tax revenue lost due to taxpayers failing to take reasonable care has increased from £8.1 billion to £10.7 billion in 2021-22. HMRC does not know whether or how these trends are linked to customer service performance. It has sought to understand the strength of the causal relationship between customer service and tax compliance but reported in 2018 that its research – into the effect of calls not answered, and the emotional state of customers from customer service – was inconclusive.[27] Earlier exploratory research in 2013 on the broader relationship between service delivery and attitudes to tax obligations found that most participants did not believe customer experience was a factor in driving deliberate non-compliance, which they felt to be a question of personal morality or appetite for risk. However there were some participants who did link their non-compliance to past experience. Most participants felt that improved experience could lead to changes in other aspects of their behaviour regarding their tax affairs, specifically reducing mistakes and improving timeliness.[28] The research did not test whether this relationship between past experience and compliance was real or whether it was being used to rationalise a behaviour that would have occurred in any case. The Administrative Burdens Advisory Board expressed concern in December 2023 about HMRC discouraging customers from calling helplines when many still face difficulties in complying with their tax obligations.

**3.17** Despite the large potential for affecting customers, HMRC's understanding of the impact of its customer service performance is limited. For instance, in its performance monitoring and its service design HMRC focuses on the typical customer experience, such as call waiting and correspondence handling times, and disregards those customers with experiences at the extremes. HMRC was unable to provide evidence to show that it identifies the impact of its service performance on the effectiveness of businesses or the productivity of the wider economy. Proposals for reducing telephone services did not quantify the impact on customers. Running telephone services at below-target levels of performance may encourage some customers to use digital services faster, but it also penalises customers with a genuine need to call. This means they incur greater cost and frustration to meet their obligations, making it more difficult to comply.

27 HMRC correspondence to the Committee of Public Accounts, *Understanding the relationship between service quality and tax revenue*, April 2018.
28 HM Revenue & Customs, *Service Delivery and Attitudes to Tax Obligations*, September 2013.

# Appendix One

## Our audit approach

### Our evidence base

**1** We reached our independent conclusions on how well-placed HM Revenue & Customs (HMRC) is to provide the services that customers need within its planned resources following our analysis of evidence collected primarily between November 2023 and February 2024.

**2** The report focuses on HMRC's performance and its immediate plans for customer service and does not look in-depth at plans for longer-term service changes and transformation, such as the introduction of a single customer account. It examines how effectively HMRC manages demand and how it processes customer queries. This includes the overall resourcing of its customer service teams. It does not examine in detail the day-to-day operational planning of those teams, such as the setting of rotas or the performance management of teams. It looks at HMRC's customer-facing digital services, rather than its internal IT systems that support the administration of the tax system.

**3** We covered the three directorates within HMRC's Customer Services group that together account for the large majority of adviser-handled contact and are responsible for personal tax, business tax and customs, and benefits and credits. We gave most attention to personal tax as this is the largest of the directorates and handles the most telephone calls and correspondence. We examined the fourth customer service directorate – Debt Management – in 2021.[29] The data we report typically include all four directorates.

**4** Throughout the study we sought evidence from HMRC and external stakeholders on the impacts of customer service on taxpayers and benefit recipients. We recognise that, due to differences in customers' circumstances and the large number of services provided by HMRC, the way that customers engage with HMRC and the impact and consequences of the customer service they receive can vary considerably. The analysis we include in this report is necessarily composed of high-level insights and illustrative examples and cannot be fully representative of the wide range of HMRC services and customer circumstances.

29 Comptroller and Auditor General, *Managing tax debt through the pandemic*, Session 2021-22, HC 799, National Audit Office, November 2021.

## Qualitative analysis

### Departmental interviews

**5** We held four teach-ins with HMRC officials in September and October 2023 to understand the department's customer service strategy and plans, the services it provides customers, the resources it deploys and its approach to monitoring.

**6** We carried out more than 30 semi-structured interviews online with HMRC staff representing the Customer Services group, the Customer Strategy and Tax Design group, the Chief Finance Officer group, the Chief Digital and Information Officer group and the Transformation group. Officials were selected to participate because of their job role and relevance to the audit. Officials included those responsible for, or involved in:

- monitoring, improving and reporting on HMRC's customer service performance and productivity;
- forecasting and analysing demand for customer service;
- business planning and finance;
- operational customer service teams, including HMRC's Extra Support team, that assists people whose health condition or personal circumstances make it difficult when they contact the department;
- customer service workforce strategy and planning;
- change and transformation programmes affecting customer service;
- customer insight;
- digital services;
- channel shift and promoting digital services;
- HMRC's forms;
- HMRC's quality assurance programme within customer service;
- managing HMRC's complaints; and
- maintaining, monitoring and improving HMRC's public and internal guidance.

**7** We also held regular update meetings with officials throughout the study, in which we discussed our study questions and sources of evidence. We held further meetings with interviewed staff to follow up specific points of detail. We also held an interview with members of HMRC's Administrative Burdens Advisory Board and with the HM Treasury team that leads on setting HMRC's targets and budget.

**8** Most fieldwork interviews took place between November 2023 and February 2024. We carried out interviews online and took detailed notes. Interviews typically lasted one hour.

## Third-party interviews

**9** We selected stakeholders to ensure we captured a broad range of perspectives on HMRC's customer service. We identified stakeholders via desk research and discussions with HMRC and invited them to participate in an interview via email. Interviewed organisations included:

- the Association of Taxation Technicians;
- the Chartered Institute of Payroll Professionals
- the Chartered Institute of Taxation, and separately its Low Incomes Tax Reform Group;
- the Federation of Small Businesses; and
- the Institute of Chartered Accountants in England and Wales.

**10** Interviews were voluntary, and we invited stakeholders to select suitable members of staff to attend.

**11** Fieldwork interviews took place between September and October 2023, with additional engagement with some stakeholders after this period. We carried out interviews online and took detailed notes. Interviews typically lasted one hour.

**12** Interviews focused on the following topics and were tailored to the organisations that were being interviewed:

- HMRC's customer service strategy;
- the functionality and accessibility of HMRC's digital services;
- the closure and restrictions placed on HMRC telephone helplines;
- how HMRC serves those with additional needs, including those who need assistance to use digital services; and
- how HMRC engages with external stakeholders.

**13** Some stakeholders sent or directed us to material they had previously published on these topics during the course of our conversations.

**14** In January and February 2024 we also interviewed three organisations that receive grant-funded support from HMRC to assist taxpayers and benefit recipients: Citizen Advice Bureau (North Tyneside); Refugee and Migrant Centre; and TaxAid. Interviews focused on the needs of the taxpayers and benefit recipients they supported, and the organisations' experiences of engaging with HMRC.

## Document review

**Focus and purpose**

**15** We reviewed more than 600 departmental documents not available in the public domain to help:

- define the parameters of the audit;
- develop and deepen the study team's understanding of HMRC's customer service operations and performance, and the changes and transformation affecting those operations; and
- secure documentary evidence of assertions made by HMRC in interviews.

**16** Our review included: policy documents; plans; forecasts of demand; business cases and proposals for new services and service changes; internal progress reports; governance documents; reporting data; budgetary data; risk registers; and minutes from HMRC meetings. We also reviewed reports and other documents published by HMRC, including recent Annual Report and Accounts and its Charter annual report.

**17** We also reviewed published reports and documents covering, or relevant to HMRC's customer service, produced by other organisations, including surveys and reports by the Organisation for Economic Co-operation and Development (OECD), the Low Incomes Tax Reform Group and the Administrative Burdens Advisory Board.

**18** We also reviewed documents provided to us by our financial audit teams in relation to their audit of income tax, Child Benefit and VAT, which were the subject of our case studies.

**19** Our document review took place between November 2023 and February 2024.

## Testing of HMRC's digital tools

**20** In November 2023, we tested HMRC's online guidance and digital assistant to review how effectively they could resolve a sample of 53 queries, covering six different taxes and benefits: Pay As You Earn; National Insurance; Self Assessment; VAT; Capital Gains Tax; and Child Benefit. We generated queries of various levels of complexity by identifying common issues from our early scoping work and consultation with stakeholders. This sample was intended to be illustrative, rather than representative of queries actually received by HMRC. We used the same queries when searching HMRC's online guidance and using its digital assistant. We assessed:

- how easily and effectively HMRC's digital tools could resolve these queries, based on the ease of finding relevant guidance and support online;
- the time taken to find relevant information;
- how readable and easy to use online tools and guidance were; and
- whether online tools could resolve queries, or if additional support was required.

**21** We found relevant and easily readable guidance quickly for all but two of our queries and found that, for the 51 cases where guidance was available, it was at least partially helpful in resolving the query in 49 cases. The digital assistant recognised 34 of the same queries and directed us to at least partially relevant information or guidance in 33 of these cases. However, in five of these cases the digital assistant directed us to different guidance from when we searched manually. Overall, we were able to fully resolve 51% of our queries using the digital assistant, and 79% using online guidance. Simpler queries were more likely to be resolved using the online guidance or digital assistant. In the 27 cases where queries could not be resolved, there was no guidance on how to seek further support in 20 cases.

**22** We reviewed videos available on HMRC's YouTube channel, and took 11 of the simplest queries used in our query testing exercise to see how effectively YouTube videos assisted in resolving them. We found that while these videos did not necessarily directly address our queries, they contained useful and relevant material and generally explained or linked to more detailed guidance on the topic.

## Quantitative analysis

### Core data

**23** Our primary data sources for this study were:

- performance, cost and activity data published by HMRC, including in its Annual Reports and Accounts, and its quarterly and monthly performance updates;
- unpublished performance, cost, staffing and activity data in HMRC's internal reports; and
- other HMRC performance, cost, staffing and activity data extracted from HMRC's systems at our request.

**24** We primarily focused our quantitative analysis on identifying trends and comparing outturn to HMRC's plans or targets, where these had been set. The analysis included:

- HMRC's performance against its priority measures for customer service, including those where targets were set for the speed of responding to correspondence; calls answered by advisers; customer satisfaction; the ease of dealing with HMRC; and whether customers consider their query had been resolved following that contact;
- HMRC's performance against other customer service measures covering the speed with which calls were answered, and time required to handle calls;
- the volume of telephone calls and how HMRC handled these, including the numbers which HMRC deflected to other channels or did not answer;
- the volume of correspondence received by HMRC and the volumes of correspondence on hand;
- the quality, including financial accuracy, with which HMRC handled telephone calls and correspondence;
- the usage of HMRC's digital services;
- the number and reasons for complaints; and
- changes in the size and composition of HMRC's customer service workforce.

**25** Financial data are in nominal terms to align with HMRC's normal practice. Where real-terms values are also reported we calculated these using Gross Domestic Product (GDP) deflators.

**26** Unless otherwise stated, data on customer service includes the four directorates in HMRC's Customer Services group: Benefits and Credits; Business Tax and Customs; Debt Management; and Personal Tax Operations.

**27** Some of the data HMRC provided us was different from values it had previously reported, including in its annual report and accounts, due to changes in HMRC's data sources. We considered the reasons for the differences and decided that it was appropriate to use the data HMRC provided us during this study.

**28** In some cases, the data presented in the report covers different time periods. At the time of publication, full data for 2023-24 was not always available. We have endeavoured to use the most recent data available in as many cases as possible, but in some instances have used data from 2022-23 where more recent data was not available or where a full-year comparison was needed.

## Case studies

**29** We carried out three case studies covering Self Assessment, Child Benefit and VAT services. We designed these case studies to:

- assess how well HMRC understands customers' needs and expectations for each selected service;
- review the nature of the services available and how they work in practice;
- assess how HMRC understands and manages demand for each of these services;
- review the availability and effectiveness of digital tools available for these services;
- understand how HMRC measures quality in its interactions with customers in these services;
- assess the value of changes made by HMRC, and any future plans for the services in question; and
- understand end-to-end customer journeys, following a small number of completed cases through the customer service process.

**30** Each case study consisted of a day-long visit to an HMRC office, where we met with operational staff and managers and observed how services work in practice, saw how HMRC managed demand throughout the day, and discussed recent and incoming service changes. We focused on understanding how effectively digital services were utilised for each of these areas and on how HMRC managed customers' journeys. Following these visits, we requested data from HMRC to gain more insight into the processes we had seen and to better understand key elements of the relevant services.

**31** We selected these services as case studies to cover personal tax, business tax and benefits and to highlight the range of HMRC's customer service activities. We purposefully selected larger services to understand how HMRC manages significant amounts of demand and to capture a range of different customer journeys. We also selected services that had recently undergone or were undergoing change at the time of our visits to understand how HMRC had managed change and the extent to which service changes had facilitated a shift to digital services.

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