



House of Commons  
Committee of Public Accounts

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# Charges for customer telephone lines

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**Twenty-seventh Report of Session 2013–14**

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

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## Committee of Public Accounts

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## Summary

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Telephone services are a vital part of government support, accounting for 43% of all customer contacts. But departments are continuing to make extensive use of higher rate phone numbers for customer telephone lines despite the fact that many people are put off calling as a result. The most vulnerable callers, on the lowest incomes, face some of the highest charges. Costs to callers are even higher because the caller has to endure long waiting times and poor customer service. In the face of this evidence we welcome the Cabinet Office's acknowledgement that it was "inappropriate" for vulnerable citizens to pay a substantial charge to access public services and its commitment to establish best practice in this field and ensure it is followed across government.

## Conclusions and recommendations

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1. In 2012–13 central government handled at least 208 million telephone calls. The Department for Work and Pensions received 100 million calls and HM Revenue and Customs received 68 million calls. Some 63% of calls to central government were to higher rate telephone numbers. The estimated cost to callers of these calls in 2012–13 was £56 million. Callers to higher rate lines paid £26 million in call charges while waiting to speak to an adviser. Costs of phone calls using 0845 or other higher rate phone numbers hit the poorest the hardest, particularly because they are most likely to be using mobile phones where the charges are even higher. Departments do not have a clear idea of the extra revenue generated from higher rate numbers. Despite Cabinet Office guidance, departments do not monitor the call revenues that third party providers receive.
2. **A piecemeal approach by departments to customer telephone lines has produced a confusing and inconsistent system for charging callers.** The Cabinet Office admitted that it has played no role in monitoring or co-ordinating government telephone lines since it last issued guidance in 2010, which departments appear to have ignored. In March 2013, 120 of the 365 customer telephone lines across central government (33%) used higher rate numbers, 205 used less expensive geographic or equivalent numbers and 40 were Freephone numbers. The amount callers pay for calls to these different types of telephone line varies significantly, depending on whether they are called from a landline or a mobile, the caller's telephone contract, and whether the caller has any free minutes available. The Department for Work and Pensions is the only department that consistently uses automated messages to warn callers to higher rate lines serving vulnerable groups of the cost of calls. The Cabinet Office recognises that the current situation is unacceptable and told us that it had recently established a working group that would prepare new principles for telephone use within six to eight weeks of our hearing.

**Recommendation:** *The Cabinet Office must urgently establish clear principles on charging for telephone calls, providing access to low cost alternatives to high rate numbers particularly for services accessed by vulnerable people and informing callers of the costs involved. These principles should also apply to arms-length bodies (like the Student Loans Company) and private contractors delivering public services. The Cabinet Office must also set out how application of these principles will be monitored and enforced in practice.*

3. **Higher rate telephone lines have a disproportionate impact on vulnerable and low-income groups who are deterred from calling, limiting access to essential services.** Research by Citizens Advice has found that people are deterred from calling government telephone numbers over worries about the costs involved. We are concerned that 59 of the 120 higher rate phone numbers used by departments are for telephone lines that serve vulnerable and low-income groups. These include a Victim Support helpline, the inquiries and complaints lines of the Student Loans Company, and 35 lines run by the Department for Work and Pensions, including the Bereavement Service helpline. Higher rate 084 numbers are usually more expensive

than geographic number types (such as those with 01, 02, or 03 prefixes), particularly where a mobile telephone is used. Even some of the 40 Freephone numbers used by departments which are free to call from landlines are currently chargeable on mobile telephones. This particularly affects low-income groups who tend to rely on mobile telephones. We welcome the Department for Work and Pensions' commitment to provide alternative 0345 numbers for callers using mobile phones to their 0845 numbers (which they will also retain as they are cheaper for some callers using landlines) and look forward to hearing about the prompt implementation of this change.

**Recommendation:** *The Cabinet Office should mandate that telephone lines serving vulnerable and low-income groups should never be charged above the geographic rate and ensure that 03 numbers are available for all government telephone lines within 6 to 12 months, prioritising any which predominantly serve vulnerable and low-income groups.*

4. **Customer service levels are unacceptable and calls take too long to answer.** The industry benchmark is to answer 80% of calls in 20 seconds, but most departments do not have such a target. The Department for Work and Pensions reports that it has cut the average time spent waiting for a call to be answered to its 0845 numbers from four minutes 12 seconds in 2012–13 to one minute 44 seconds in the first quarter of 2013–14. Over the same period the proportion of calls answered within 20 seconds has increased from 23% to 54%, a substantial improvement but still significantly below the industry benchmark. The performance of HM Revenue and Customs is considerably worse, with an average waiting time for calls to be answered in the first quarter of 2013–14 of about seven minutes. Astonishingly, the Department only managed to answer 16% of the calls it received to its Tax Credits helpline on 31 July 2013, the deadline-day for notifying changes of circumstances.

**Recommendation:** *The Cabinet Office should establish the principle that public service performance is always measured against industry standards of customer service. Departments should be required to publish on an annual basis their performance against industry standards and where there are shortfalls set out what steps they are taking to improve service levels.*

5. **Departments' arrangements with telephone service suppliers lack the transparency needed to demonstrate whether value for money is being achieved.** None of the departments reviewed by the National Audit Office kept actual revenue from higher rate telephone lines, but it is common practice to receive a deduction in the cost of other services instead. Departments do not know how much money the telephone suppliers make from using higher rate lines. Departments cannot negotiate from a position of strength without open book arrangements and comparable benchmarking information within government. Fewer than half of telephone lines have the data needed to assess telephone line performance.

**Recommendation:** *The Cabinet Office must require open-book arrangements for all government contracts where suppliers generate extra money from higher rates. Contracts should require a consistent set of metrics so performance levels can be*

*compared. The Cabinet Office should establish transparent benchmarking arrangements to help departments achieve value for money.*

# 1 Ensuring accessible telephone services

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1. Telephone services are a vital part of government support, accounting for 43% of all customer contacts. In 2012–13 central government handled at least 208 million telephone calls from the public. The Department for Work and Pensions received 100 million calls and HM Revenue and Customs received 68 million calls. The majority of calls (63%) were to higher rate numbers. On the basis a Report by the Comptroller and Auditor General, we took evidence on the charges that people are paying to call government customer telephone lines.<sup>1</sup>

2. In March 2013, 120 of the 365 customer telephone lines across central government used higher rate numbers, 205 used less expensive geographic or equivalent numbers and 40 were Freephone numbers. The amount callers pay for calls to these different types of telephone line varies significantly, depending on whether they are called from a landline or a mobile, the caller's telephone contract, and whether the caller has any free minutes available. The estimated cost to callers of higher rate lines in 2012–13 was £56 million. Callers to higher rate lines paid £26 million in call charges while waiting to speak to an adviser.<sup>2</sup>

3. We asked the Cabinet Office what the government's policy was on departments using higher rate telephone numbers. The Cabinet Office admitted that since issuing guidance in 2010 there had been no central government policy, guidance or activity from the Cabinet Office on the operation of customer telephone lines across government.<sup>3</sup> The Cabinet Office told us that in the light of the Comptroller and Auditor General's findings it accepted that the case had been made for it to have greater involvement in this subject and it was stepping back into this field. The Cabinet Office told us that it would set out new principles for government use of telephone lines within six to eight weeks of our hearing. These principles would include clear new guidance and a monitoring regime.<sup>4</sup>

4. We questioned whether it is appropriate to charge people calling departments' customer service lines when these are ultimately a public service. The Cabinet Office noted that it was "inappropriate" for vulnerable citizens to pay a substantial charge to access public services, but noted that whether that equated to free access in all circumstances was a different question. However, the Cabinet Office accepted that, all other things being equal, the government should aim to offer telephone numbers with low tariffs and seek to ensure that vulnerable people are not prevented or deterred from accessing services.<sup>5</sup> The Cabinet Office began the detailed process of reassessing its role in late August 2013. It is talking both to the two departments that receive the most calls, the Department for Work and Pensions and HM Revenue and Customs, and other departments. While no decisions had been made on whether the guidance should apply to arms-length bodies and private contractors delivering public services, the Cabinet Office's expectation was that the

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1 National Audit Office, *Cross-government: Charges for customer telephone lines*, HC (2013–14) 541

2 Ibid. paras 1.4, 1.12-13

3 Q 1

4 Q 2

5 Qq 3, 6, 8



principles to be established would cover the provision of services, whether directly or through contracted parties.<sup>6</sup> Similarly, no decision had been taken on whether to mandate the systematic uniform collecting of response data.<sup>7</sup>

5. Research by Citizens Advice has found that citizens are deterred from using telephone lines with higher rate charges.<sup>8</sup> Of the 120 higher rate phone numbers used by central government, 59 serve low-income and vulnerable groups. These include a Victim Support helpline, the inquiries and complaints lines of the Students Loans Company and 35 lines of the Department for Work and Pensions, including the Bereavement Service helpline.<sup>9</sup>

6. The Department for Work and Pensions has examined switching from higher rate 0845 numbers to 0345 numbers which are generally cheaper to call from a mobile, but may be more expensive to call from a landline. The Department told us that if it were to switch all its 0845 numbers to 0345 numbers about a third of its claimants would see no difference, about a third, typically on mobiles, would see a benefit totalling about £20 million a year and about a third, typically pensioners calling from landlines, would see a disbenefit totalling some £6 million a year. Accordingly, the Department has decided to follow the approach adopted by HM Revenue and Customs by introducing new 0345 numbers in parallel with existing 0845 numbers.<sup>10</sup> Depending on the outcome of Ofcom's wider proposals on telephone numbering, the Department for Work and Pensions may eventually just use 0345 numbers.<sup>11</sup>

7. We asked the Cabinet Office about the Student Loans Company, the only organisation examined by the National Audit Office which continues to receive revenue from higher rate lines. The Student Loans Company has concluded that it could not afford the additional costs it would bear of up to £1 million a year if it switched from higher rate lines to cheaper 03 numbers.<sup>12</sup> The Cabinet Office told us that it was concerned about this and other cases of higher rate lines being used for vulnerable groups and that it would challenge the practice. The Cabinet Office wants to achieve consistency across departments and noted that there may be a case for tougher central intervention and sanctions.<sup>13</sup>

8. Transparency for callers on the cost of calling customer telephone lines is important, particularly for those on a low income who rely disproportionately on mobile pay-as-you-go telephone deals. The cost to callers is a function of the telephone market, which offers an ever changing variety of call packages. Unless individuals are well informed about their particular telephone package they may be unaware of what they are paying. Freephone numbers are free to call from landlines but currently chargeable on mobile phones. In general, higher rate numbers cost significantly more than other number types (such as those with 01, 02, or 03 prefixes) particularly where a mobile telephone is used. Of higher

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6 Qq 53 - 54

7 Qq 2, 36

8 Q11, C&AG's report para 1.23

9 Qq 21-23

10 Qq 13, 14, 59

11 Q 16, C&AG's report para 4

12 Q 24, C&AG's report para 2.14

13 Qq 25, 27

rate lines serving vulnerable groups, only the Department for Work and Pensions consistently uses automated messages to warn customers of the cost of higher rate lines.<sup>14</sup> While call tariffs are not within the control of departments, the Cabinet Office does not presently keep abreast of developments in tariffs and disseminate this information to relevant departments.<sup>15</sup>

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14 C&AG's report para 1.26

15 Qq 93 – 98,

## 2 Providing efficient and effective telephone services

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9. The performance that government customer telephone lines achieve is nowhere near the industry standard which is to answer 80% of calls in 20 seconds.<sup>16</sup> Of all government bodies operating a higher rate line in the National Audit Office sample, only the Environment Agency, the Pensions Advisory Service and Ofgem could demonstrate they had met the industry standard in 2012–13.<sup>17</sup> In this period, callers to higher rate lines collectively spent 402 million minutes waiting to speak to an adviser<sup>18</sup>.

10. The Department for Work and Pensions told us it aspired to answer 80% of calls within 20 seconds. In the first quarter of 2013–14 it reported it answered 54% of calls to its 0845 numbers in 20 seconds compared to 23% in the same period in 2012–13. Waiting time in 2012–13 for 0845 calls was on average four minutes 12 seconds. In the first quarter of 2013–14 it was one minute 44 seconds. In addition, call minutes to its 0845 lines were down 20%. It told us it had improved its performance significantly by managing the Department well. It attributed reductions in waiting time to concentrating attention on how to answer the caller's question completely at the first interaction, rather than taking a call, promising to call back from another part of the organisation which, if it fails, prompts the person to call again.<sup>19</sup>

11. We reported on HM Revenue and Customs customer service in March 2013. We concluded that the Department's target of answering 80% of calls within five minutes was woefully inadequate and unambitious and recommended that it should set a more challenging short-term target for call waiting times, and a longer-term target that is much closer to industry standards. The Department rejected this recommendation on cost grounds and considered it essential that the five minute target be allowed to settle in and that other change initiatives such as Universal Credit should be delivered first.<sup>20</sup> The Department told us that it had exactly the same strategy as the Department for Work and Pensions of seeking to answer callers' questions at the first interaction. But in the first quarter of 2013 performance fell significantly short of its existing target with callers waiting seven minutes to get through to the Department.<sup>21</sup>

12. We noted that on the final day for tax credit renewals, 31 July 2013, HM Revenue and Customs answered just 16% of the calls received. The Department admitted that this was not an acceptable level of service and that its plan for handling this peak had not worked. In preparing next year's plan, it is looking at ways to flatten the peak further and is also revisiting its contingency arrangements.<sup>22</sup>

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16 Q 28, C&AG's Report, paras 1.30 – 1.31

17 C&AG's Report, para 1.32

18 Ibid, para 1.13

19 Qq 28, 42

20 HM Treasury, *Treasury Minute*, Cm 8652, June 2013, p 2-3

21 Qq 29 - 30

22 Qq 37-41,70, 91- 93, Ev 16

13. There is limited consistent data across government on the performance or cost of customer telephone lines. Departments only have the data needed to assess the performance of fewer than half of telephone lines.<sup>23</sup> The Cabinet Office believes it would be worthwhile to have this, for example for call waiting times, to enable reductions to be tracked.<sup>24</sup> It may also look at whether to mandate the systemic uniform collecting of response data from departments to enable external appraisal of the Cabinet Office's performance in overseeing departments.<sup>25</sup>

14. The shift towards digital is not an excuse for not providing effective telephony.<sup>26</sup> Improvements to customer telephone lines are running alongside major enhancements to digital channels of communication. For example, 80% of claims for Jobseeker's Allowance are now undertaken online enabling the Department for Work and Pensions to redeploy call handling staff to other duties.<sup>27</sup> The Cabinet Office leads on the Government's aspiration to achieve a channel shift so that people are comfortable with a digital service and use it by choice. However, the Cabinet Office recognised that vulnerable citizens will continue using telephone calls in their millions.<sup>28</sup>

15. Departments who receive services instead of revenue from their telephone suppliers need to know how much their telephone providers make if they are to get a fair share of revenue or the equivalent value in services. Departments can try to get value from their telephone service contracts with suppliers, such as BT, by sharing revenues for higher rate lines, getting additional services from suppliers instead of revenue, and negotiating lower costs of telephone calls for callers. In response to parliamentary questions, none of the central government departments can demonstrate that they know how much revenue suppliers are earning from central government telephone lines.<sup>29</sup> HM Revenue and Customs only found out earlier this year, after it had been prompted by a report from the National Audit Office, that the profit Cable & Wireless was making out of a telephone deal with the Department from operating its 0844 and 0845 numbers, was £1 million a year.<sup>30</sup>

16. At present there is limited transparency on the money that telephone companies are making from their customers and departments from customer telephone lines. More open book contracts would help to achieve this for departments especially where 084 numbers are used. The Cabinet Office recognised that there was a transparency failure here and, under its new telephony framework directive, departments would have more access to detailed information about costs, charges and durations. It also hoped to cover the issue of open book contracts for higher rate lines. The Cabinet Office working group will look to

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23 Qq 34-35

24 Q 47

25 Q 36

26 Qq 44, 81

27 Q 43

28 Q 44,

29 C&AG's Report, paras 2.11, 2.17, 2.18

30 Q7, Committee of Public Accounts, Thirty-sixth Report of Session 2012-13, *HMRC Customer Service*, HC 869, para 18

improve transparency of revenue sharing arrangements and will set out its commitment in writing for the Committee.<sup>31</sup>

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31 Qq 93, 99 – 100; C&AG's Report, para 2.19

# Formal Minutes

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**Monday 21 October 2013**

Members present:

Mrs Margaret Hodge, in the Chair

Jackie Doyle-Price  
Chris Heaton-Harris  
Mr Stewart Jackson

Fiona Mactaggart  
Nick Smith  
Justin Tomlinson

Draft Report (*Charges for customer telephone lines*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 16 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

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

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

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

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 2 September).

[Adjourned till Wednesday 23 October at 4.00 pm]

## Witnesses

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### Monday 2 September 2013

Page

**Ruth Owen**, Director General Personal Tax, HM Revenue and Customs, **Richard Heaton**, Permanent Secretary, Cabinet Office and **Robert Devereux**, Permanent Secretary, Department for Work and Pensions

Ev 1

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5	Fair Telecoms	Ev 25

## List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Second Report	Early Action: landscape review	HC 133
Third Report	Department for Communities and Local Government: Financial sustainability of local authorities	HC 134
Fourth Report	HM Revenue & Customs: tax credits error and fraud	HC 135
Fifth Report	Department for Work and Pensions: Responding to change in jobcentres	HC 136
Sixth Report	Cabinet Office: Improving government procurement and the impact of government's ICT savings initiative	HC 137
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Eighth Report	Regulating Consumer Credit	HC 165
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Tenth Report	Serious Fraud Office – redundancy and severance arrangements	HC 360
Eleventh Report	Department of Health: managing hospital consultants	HC 358
Twelfth Report	Department for Education: Capital funding for new school places	HC 359
Thirteenth Report	Civil Service Reform	HC 473
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Eighteenth Report	Carrier Strike: the 2012 reversion decision	HC 113
Nineteenth Report	The dismantled National Programme for IT in the NHS	HC 294
Twentieth Report	The BBC's move to Salford	HC 293
Twenty-first Report	Police Procurement	HC 115
Twenty-second Report	High Speed 2: a review of early programme preparation	HC 478
Twenty-third	HM Revenue & Customs: Progress in tackling tobacco smuggling	HC 297
Twenty-fourth Report	The rural broadband programme	HC 474
Twenty-fifth Report	The Duchy of Cornwall	HC 475
Twenty-sixth Report	Thameslink	HC 296



# Oral evidence

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## Taken before the Committee of Public Accounts on Monday 2 September 2013

Members present:

Margaret Hodge (Chair)

Stephen Barclay  
Guto Bebb  
Jackie Doyle-Price  
Meg Hillier

Mr Stewart Jackson  
Fiona Mactaggart  
Justin Tomlinson

**Amyas Morse**, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, **Andy Morrison**, Director, National Audit Office, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### Charges for customer telephone lines (HC 541)

##### Examination of Witnesses

*Witnesses:* **Ruth Owen**, Director General Personal Tax, HM Revenue and Customs, **Richard Heaton**, Permanent Secretary, Cabinet Office, and **Robert Devereux**, Permanent Secretary, Department for Work and Pensions, gave evidence.

**Q1 Chair:** Welcome back from the summer break, everybody. We are probably going to see a lot of all of you over the coming Session, and we look forward to our conversations.

I will start with Richard Heaton, if I may. Can you tell me what the Government policy is on the use of 0845 and 0844 numbers?

**Richard Heaton:** Thank you, Mrs Hodge. There is, and has been for the last three years, no central Government policy, guidance or activity from the Cabinet Office on this subject, beyond the guidance that you saw, which dates back from 2010. That is for all sorts of reasons. The Cabinet Office has been doing lots of things in adjacent fields, but we have not been playing in this game, and there has been no central policy activity at all on this subject.

**Q2 Chair:** So you do not have a central Government policy?

**Richard Heaton:** That is the position up to date. This has been a very interesting and useful Report. I have discussed it with Ministers and with colleagues, and a case has certainly been made for there to be greater central involvement in this subject.

We recognise the case for the Cabinet Office to step back into this field, which we were in until 2010, and get some stuff together and talk principally to the two big Departments on my right, who run 80% of the telephony, but also other Departments, to make sure that there are principles that are understood, that there is guidance that is understood, that there is a light-touch monitoring regime and so on. That is what we have just started to do. The case is made, so far as we are concerned, and that is what we will do.

**Q3 Chair:** Do you think it is appropriate to charge for what is ultimately a public service?

**Richard Heaton:** I am not a telephony expert, and I do not have Government policy at my fingertips, but my observation—I am sure this is agreed by the two Departments on my right—is that for vulnerable citizens accessing public services, it is inappropriate for them to pay a substantial charge. Whether that equates to free in all circumstances, and what that means in view of the complexity of the market, is a different question, but as a matter of principle, taxpayers should not pay the double taxation on telephony—

**Q4 Chair:** Yes—a “telephone tax” is what John Healey, who has been a great campaigner on this issue, has called it.

**Richard Heaton:** Mr Healey and other campaigners have made that case extremely well.

**Q5 Chair:** I have to say, in the debate that was called on this, Nick Hurd himself said, “I sense that there is frankly a substantial problem”. Do you agree with that?

**Richard Heaton:** Yes. He is my Minister, and he went on to say that—I am very happy to quote my Minister—as soon as the NAO Report was out, as it was not out then, we would be looking at it and assessing the case for Cabinet Office involvement. We have assessed it; there is a case for involvement, and we are going to get stuck in.

We are going to rely heavily on the expertise of the big Departments. I am not a telephony expert and I do not have a telephony team in my Department on this at the moment, but we will certainly bring the Departments together—we started last week—and get some central expertise.

**Q6 Chair:** Do you agree with what the NAO has put in paragraph 1.2, on page 12: “All other things being equal, the government should aim to offer telephone numbers with low tariffs. In particular it should ensure that vulnerable people are not prevented or deterred from accessing services”?

**Richard Heaton:** That looks absolutely right to me, yes.

**Q7 Chair:** Okay. When we looked at HMRC, we uncovered—I think, actually, after our Report you uncovered, in further inquiries—that Cable and Wireless was making £1 million out of the telephone deal with HMRC on the use of 0845 or 0844 numbers. That’s a bit of a racket, isn’t it?

**Richard Heaton:** I do not have knowledge of that contract.

**Q8 Chair:** Well, you should have, to be honest, to prepare for today. The genesis of this Report is that it partly arose out of the inquiry when we looked at HMRC—when was it, six months ago?

**Ruth Owen:** It was in January.

**Chair:** In January. I would have thought that, with overall Government responsibility, you ought to know, Mr Heaton. We looked at that and then we had representations from John Healey. I have had experience myself in my own constituency. It is a racket.

**Richard Heaton:** I confess that we are late to this game. We will come in and help Departments achieve a position that makes sense for particularly vulnerable consumers, to make sure that they are not ripped off by telephone charges. We have an interest in making that happen, as the Minister explained in Westminster Hall.

**Q9 Chair:** Can you give us a time frame, at least? I welcome that—it is good to see an NAO Report being taken seriously—but what is the time frame? I will come to the other witnesses in a minute; I was going to ask you the next question.

**Richard Heaton:** The bulk of the work can be done really very quickly—something like six to eight weeks—to work out what the principles are, where there is a—

**Q10 Chair:** Six to eight weeks? So, by the time you have our report, in your response to it you are going to be able to set out a new Government approach—underpinned, I hope, by a policy—to the use of high-charge phone numbers?

**Richard Heaton:** It may be that the basic principles will come out quicker than that. My difficulty is that, before we get stuck into this, I do not know how big the divergent issues are and how knotty they will be, and whether we will need to take them to Ministers and so on and so forth. But the basic principles ought to emerge very quickly, I think.

**Q11 Chair:** Do you accept the Ofcom research in this Report, that customers are deterred from using phones because of higher charges, and that therefore that will cost the Government more because they are more likely then to visit the diminishing number of HMRC

offices or the Jobcentre Plus, which will cost a lot of money? You accept that Ofcom research?

**Richard Heaton:** I have no reason to disagree. I have not seen it. I have no reason to disagree with it. I cannot sign up to it, but it sounds plausible.

**Q12 Chair:** Can I ask both of you—Robert Devereux as well—why have you taken the decision to use 0845 and 0844 for universal credit and PIP, given all this background?

**Robert Devereux:** Maybe it is worth just making one observation to start with. People got into 0845, both my Department and HMRC, at the time when that was the way in which local-rate charge calls could be networked around the country. So, just to be really clear about why we use them in the first place, we are both running very large, nationwide, networked operations and the only way that you can actually get the calls moved around between Lowestoft and Exeter and Warrington is by having access at that level into the BT system—

**Q13 Chair:** But I have to say—sorry to interrupt you, I hate doing this, but I’ve got it here: the report that we should all move to 03 was a report done by the guy who was in—

**Robert Devereux:** I am part way through the answer, which might help you on why that—

**Chair:** Yes, but it was a long time ago.

**Robert Devereux:** Yes, it was. But—

**Chair:** December 2006, David Varney’s report.

**Robert Devereux:** If I could continue, then, if you are running a large, national, networked set of contact centres, you need to be playing in that level of telephony, which historically has come with 0845 numbers. You are right to say that 03 numbers were then introduced back in the time you talked about.

**Chair:** In 2006—seven years ago.

**Robert Devereux:** At the time, and it remains the case today that it is not the case that 0845 is universally better for all possible customers and all circumstances, okay? So, in our world—we said we would do this in the Report and we have done it—we ran a sample during the course of August where we asked our customers, “Do you know what your package is? Do you know whether this would be better for you on 03 or not?” and a couple of things came out of it.

First of all, actually, many more claimants than you would imagine do know what their package is, which is not surprising because they have not a lot of cash. Secondly, it became very apparent that it is broadly the case that if we were to switch from 0845 uniquely to 03, about a third of the claimants would see no difference, about a third, typically on mobiles, would make a big benefit and about a third, typically pensioners calling from landlines, would see a disbenefit.

So the position the Department has been in for a while is to say, “Actually, I’ve got plusses and minuses here and, by the way, there are costs to the taxpayer in going to 03, because 0845 I am not paying for; 03 I have to pay half a pence a minute for.”

**Andy Morrison:** Sorry, can I just clarify on that? So, overall, I recognise those numbers in terms of the breakdown of people who would be better off or

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worse off or about the same in terms of the charge that they pay, but what it does not take account of is, actually, the scale of difference.

**Robert Devereux:** I am coming to that; I am trying to tell the story. First of all, I need to be playing at either 0845 or 0345 to make national contact centres work. Secondly, historically to date we have looked at the proportions of people who are better off and worse off and found, actually, that they are broadly the same.

**Q14 Chair:** The Report says that that research was flawed.

**Robert Devereux:** The Report says that with the growth of free minutes, which has had growth over the last few years, there is a net benefit here. This is the net benefit which the NAO score at £14 million; we've done some more sums on the back of our sample and it is a bit smaller than that, but the bottom line is it is actually a £20 million benefit for mobile customers and a £6 million disbenefit for pensioners and other landline users.

So the question that we need to wrestle with is, actually, what should you do in that respect? Now, to date we have been constrained by the fact that I have budgets for running this Department which are declining, so what should I do? Our conclusion is, because we have made such big strides in respect of some of the costs of the 0800 calls, the free ones—my Department is the only one that has negotiated genuinely free calls for mobiles—because we have now got so many people claiming JSA online because we stopped doing the crisis loans because we have got people putting vacancies on to universal job match, not ringing up, we have actually got a very sharp reduction in the money we were otherwise paying mobile telephony providers for 0800.

In a sense, that means I am now in a position to come back to the Committee to say, actually, we will introduce 0345 numbers for DWP services, which is a change from where we are at the moment, because even within the declining budget, because of the productivity and policy changes that I am making, I could afford to do that.

Our position now is that I will offer 0345; I will do it exactly as Ruth Owen has done—in parallel with 0845 numbers. It leaves a question, for both us and, no doubt, the Committee to reflect on, because otherwise we will all be back here in two years' time: whether you positively want me to disadvantage landline users of 0845 into the future, or whether you would prefer us to have two numbers with that inherent complexity. So, long answer, but a happy conclusion.

**Q15 Chair:** I welcome that response. The rethink is welcome. At the end, we are not a policy Committee, as you well know—

**Robert Devereux:** No, but you will make recommendations so I thought I would leave the thought with you.

**Q16 Chair:** My line on all this is always simplicity. I think we have all been too clever by half and that is how you end up with systems which disbenefit too many people.

**Robert Devereux:** One reason why I think we may well end up with just 03 is that if Ofcom's proposals actually see the light of the day, as they are supposed to do shortly, it is not impossible that the 0845 position for the major landline supplier will change. I do not know, but if it did, it would eat into this disbenefit, in which case we would just stick with 03.

**Q17 Chair:** We welcome that. Also, I notice from the Report that you are the only ones to have negotiated the Freephone deal. Ruth Owen, why are you not doing the same?

**Ruth Owen:** Our policy, as you know, is that we were moving from 0845 to 03. As the NAO report draws out, there is a balance to be struck between the cost to the customer, the cost to the Department and the cost to the taxpayer of subsidising free calls to people.

**Q18 Fiona Mactaggart:** Aren't your customers all taxpayers, apart from big companies?

**Chair:** Apart from Vodafone.

**Ruth Owen:** Well, then, the cost to the Exchequer—let me put it that way—of subsidising free calls. We have taken the balance of the analysis that we have done, which said it is actually better for end users or customers to use 03. We think it is a better service if we offer that. So many of the plans that people are on now make 03 numbers free to call as part of minutes in a package that we do not think a move to 0800 at the expense of the Exchequer is worth while.

**Q19 Chair:** You have not negotiated a deal, though. What the Department for Work and Pensions has done—this is a question to you, but it is also a question for Richard, as it is absolutely typical of so much we see—is an example of excellent practice which gives a free service to needy citizens and saves the taxpayer money at the same time. Why on earth can't we replicate that across other areas, particularly where we know that vulnerable citizens on low incomes are likely to be using the phones?

**Robert Devereux:** Can I help here? It is the case that we have negotiated that, but within the Ofcom proposals, they propose to charge HMRC and us new, even lower rates for the use of 0800 numbers than we are currently paying them.

**Q20 Chair:** They are proposing to charge you?

**Robert Devereux:** Yes. Ofcom is proposing to limit the amount which a service provider like us has got to pay for offering an 0800 number. Whereas at the moment I am paying a particular number, it will be nearly one third of that. It will be more in scope in a hard-pressed Department to have an 0800 number that is genuinely free, because that is the way it is going to be in future.

**Q21 Chair:** My final question is to Richard, and then I will pass on to Fiona, who is waiting. We have seen progress here, but I was shocked. If you look at appendix 4, there is a list of the organisations that use higher-rate lines for vulnerable groups. There are a lot of shocking ones, Robert Devereux, including the crisis loan line and the bereavement service line, but I was equally shocked to find victim support and the

student hotline being charged at 0845. You only ring the student hotline if your money has not come through. That is the only reason. You are not going to ring them otherwise, and every student will be using a mobile phone. For the Student Loans Company to tell us that they cannot afford to move off 0845 because it gets them a million quid in income is unacceptable. It is a tax on people who are very vulnerable and at a poor stage in their lives. It is just not on.

**Richard Heaton:** I agree that annexe 4 does not read well or comfortably.

**Q22 Chair:** So you are going to tell the Student Loans Company that they have to change?

**Richard Heaton:** As I said, we are going to get some work going immediately on this to make sure of best practice. I am sure that those Departments, between them, have best practice, or very close to it—as Robert describes, he is about to go across to 03—and will make sure that best practice is followed across Government. Of course that is what we are doing. In the light of this Report, we could not do otherwise.

**Q23 Chair:** Okay. So the Student Loans Company is an example of where it is outrageous practice. Victim Support was the other one that hit me, and the bereavement service helpline. This is all outside Robert Devereux's DWP ones, where I think there were a number. Those are shocking, shocking things. Can we, in concluding our inquiry, be assured that in your review accepting the main tenet of this Report, you from the Cabinet Office will insist that these Departments instruct their non-departmental public bodies or whatever they are to drop these outrageous higher-level call lines?

**Richard Heaton:** I would love to say, "Absolutely." The only thing I would say is what we have not done yet is pick up the phone to these service providers and say, "What is going on here?" That is the only bit I have not done. So there may be something lurking here which is completely beyond my sight. On the face of it, we will have to go in that direction.

**Q24 Chair:** Well, the Student Loans Company—in the body of the Report—have just said they can't afford not to have the £1 million.

**Andy Morrison:** Just to clarify that, the £1 million is the cost of lost revenue share and the cost of making the change, but there is no other reason, other than cost, for not changing that number.

**Q25 Chair:** So you are going to make sure that they absorb that.

**Richard Heaton:** I will give you as close to a guarantee as I can. As I say, I have not spoken to them and I do not know what their response to this challenge will be, but we certainly want to achieve consistency.

**Q26 Chair:** And you will also think through a system of sanctions? It is an interesting example. The Cabinet Office is trying to get consistency on data; they are trying to get consistency on a whole range. The Major Projects Authority is trying to get much tougher

control. It matters a lot, particularly to poor people—I shall come back to my constituents and GPs later on in the hearing; but it is a lot of money, if you are talking about the highest rate, of 40p. It cost one of my constituents £30 to make an appointment for her 30-year-old disabled son with a GP. I don't know how many calls she had to make. That is a shocker.

**Richard Heaton:** I absolutely do not take it lightly at all.

**Q27 Chair:** But there is no sanction. I can tell you, I have been pursuing this since last February and there is no sanction. Nobody at the moment can force the GP to shift to a landline, or at least to alternatives.

**Richard Heaton:** No, there is no control in place at the moment, and the case may be made out, in egregious instances, for there to be some sort of control or sanction. I do not know what it would look like and I have not spoken to the "offenders", but there may be some case for some tougher central intervention.

**Robert Devereux:** Let me just make an observation. If the entire afternoon is spent literally on the cost of the call we may miss a trick, because, actually, in my particular world, I am running an organisation of 7,500 people; I am paying probably £80 million to BT for just the running of the system; I have got 7,500 staff. It is a £200 million or £300 million business. The costs of the calls within that are of the order of £20 million; so the challenge I found, when I read this, is plus or minus a million or two on the calls, and the cost of the organisation is £200 million or £300 million: it is the wrong variable to worry about. So when I started by telling you how many calls actually we have managed to get out of the system in the last quarter—that is the way to generate savings for the taxpayer and, indeed, for the customers.

At the margins, going for 0345 I have to pay for, rather than 0845 I don't have to pay for, is sort of neither here nor there; and that is an argument we ought to be making with other Government Departments, not all of whom—let's be clear—have got quite the infrastructure that Ruth and I have got, because between us we have got virtually all the calls there are anyway.

**Amyas Morse:** I am sympathetic to that. It would be helpful if another product of the afternoon's discussion was that we got some commitment to set call-answering objectives that meant something across Government as well, so that people did not have their time wasted sitting on the phone waiting to be spoken to.

**Chair:** Yes, we will come back to that issue, because I think that is very important.

**Q28 Fiona Mactaggart:** We have talked about exploiting people financially, but I want to look at how much of their time we are using up. I worked out from the figures in the NAO Report that citizens of Britain have in the last year spent 76 centuries<sup>1</sup>, if you put them one after the other, waiting to be answered by Government Departments. All of us know that that is not tolerable. I have to say I did a little bit of secret shopping, and I was pleased, Mr

<sup>1</sup> Note by Member: Is actually 7.6 centuries not 76.

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Devereux, that your Department won, keeping my assistant waiting for just over two minutes, compared to 24 minutes and 50 seconds on the HMRC line and seven minutes and a quarter on the Home Office line. That is an anecdote, but, actually, as well as the costs of calls, it is extremely frustrating not to be able to get through to an answer, which is why I giggled a bit, Mr Heaton, when you said you would give us a response in six or eight weeks; because actually that is part of the problem—it is about getting responses timely. If we look at this Report it says, “The industry benchmark is to answer 80 per cent of calls in 20 seconds.” The Government are nowhere near that. What I want to know is what is the plan to get somewhere near that.

**Robert Devereux:** Maybe I could answer that. I have got by far the most 0845 calls and 60% of all of those are the ones to our inquiry lines. The work that we have been doing to concentrate on how to answer these questions completely and to do it once rather than to take a call and promise a call back from another part of the organisation which, if it fails, prompts them to call the call centre again is having really large dividends. In the first quarter of this year, call minutes to 0845—that is 60% of all of 0845 numbers—are down 20%. In the same period, the proportion of calls answered within 20 seconds has more than doubled. When I say more than doubled, you immediately say, “From what to what?” The answer is from 23% to 54%, so it is still not 80%. If I could make a change from 23% to 54% answered within 20 seconds in one quarter by applying a little bit of managing the Department well and getting people to join up and think laterally, then the answer to the question ought to be that we should be aspiring to 80% in 20 seconds if we possibly can. To be fair, we are constrained by cash, so I cannot just throw resources at it. It seems that the effort that we are putting in to drive up efficiency across the Department is paying real dividends. Coming back to your waiting time, waiting time in 2012–13 on average on those calls was four minutes 12 seconds. In the first quarter of this year, it is one minute 44 seconds.

**Fiona Mactaggart:** My secret shopping was worse than the average.

**Q29 Chair:** Fiona, I think it is worth moving to Ruth on the same issue. Not only did your mystery shopping confirm our view, but the Treasury has turned down our recommendation that you should improve on the standard of answering 80% within five minutes. You have turned down our recommendation and I want to know why. Even if you could not meet that, you could have done better than you are currently doing.

**Ruth Owen:** Yes, absolutely. We aspire to be better than where we are. You have identified through your own mystery shopping that the length of time people have to wait to get through to HMRC is not good enough. Like DWP, we are doing a range of things to improve the service to our customers, not least in terms of things such as ensuring that calls get handled, if they can, through the automated system and doing things more online, and that when you do get through, making sure that we do answer that call straight away,

so the actual repeats in the system come down. I have an ambition to offer a better service to our customers. Quarter one results for this year were that people were waiting about seven minutes to get through, which is not even up to the standard that we talked about when we were last at the Committee. Of those, about 50% got through—once they got through the recorded message—within one to two minutes. There are ways that we can improve both in terms of reducing the length of the recorded message—we are bringing in a voice recognition service at the back end of this year which will make sure that that is reduced more quickly—and then getting people through more quickly once they are through into the queue.

**Q30 Fiona Mactaggart:** I understand that, but what Mr Devereux is saying is key to this—putting on the front line people who are able properly to respond to inquiries. Too often historically the people on the front line—it seems to me that the new NHS non-emergency number has been making this mistake—are not competent to answer questions properly. In the end, that is a false economy, because it takes longer and people recall and so on. This is a matter not just of telephony and of getting the telephony better and a bit of central guidance, but of understanding that, as Government, most of your customers will probably first of all use the telephone. They might be able to be migrated on to the internet or whatever, but that will probably be their first contact. We do not yet have a system that says, “If you need to contact the Government about something, here is the one portal.” We do not have that, and that is something that the Cabinet Office should be working out. Secondly, we do not seem to have an understanding across Government—it is good to hear it being said by Mr Devereux—that you need to put on the front line the people who have the competencies and the qualifications to be able to do more than sometimes historically the people who have been on the front line have been able to do. I am not hearing from you at HMRC that that is your strategy. Without that strategy, it will not work.

**Ruth Owen:** I will restate my strategy, because it is exactly the same as what Mr Devereux has just said about DWP. It is about a once-and-done service. When you phone HMRC, we would like you to get through as quickly as possible. When you get through, our people are very competent on the phones. When we do customer surveys, people rate us very highly for the quality of service that our advisers give. Increasingly, like DWP, we are training them up to do more and more. It is not the competence of the people on the phones; it is the restrictions that we have sometimes had in terms of our processes. There are certain things that we can do on the phone, but for quite a lot at the moment we say to people that they can phone up but that some things must be confirmed in writing. That is one way that we can change our policies. It is not about the competence of the people. There are good people on the end of the phone. It is our processes that I will be changing, so I would like to aim for around 80% of calls to be done once you get through.

**Q31 Fiona Mactaggart:** Do you monitor the performance of all your lines?

**Ruth Owen:** Yes, we do.

**Q32 Fiona Mactaggart:** Does DWP monitor the performance of all its lines?

**Robert Devereux:** Yes.

**Q33 Fiona Mactaggart:** But if you are telling me that your two Departments have the majority of Government lines, that seems to be in contrast to the NAO Report, which says that monitoring of performance is for less than half of the higher-rate lines, for example.

**Robert Devereux:** I think you have to read that paragraph carefully. I think what it actually means is that not all of them have targets set for x% in 20 seconds, so when they say “monitoring” they actually mean that there is no target.

**Q34 Fiona Mactaggart:** I do not think that that is what it means. It says, “Central government bodies monitored the proportion of calls answered” not the proportion of calls answered within 20 seconds. It refers to the proportion of calls actually answered.

**Andy Morrison:** Just to clarify that, we collected data from about 250 telephone lines. Around 110 or so of those provided data that showed that they had any sort of management information or performance measure for those lines. There were large numbers of generally lower-volume lines where that management information was not provided to us.

**Q35 Fiona Mactaggart:** Perhaps Mr Heaton can promise us that by the next time he comes to this Committee he can say that we actually monitor 100% of Government information lines. That would be a good start.

**Richard Heaton:** I do not want to over-promise. There are some things that work really fantastically well when the Cabinet Office plays a big part. As you know, we are putting a lot of effort into, for example, procuring as a central Government rather than as several different Departments, doing projects better and all the rest of the things that we have talked about on various occasions. We have not traditionally played a very big part in telling operational delivery Departments how to run their businesses, simply because we do not have the expertise and Departments do.

**Q36 Fiona Mactaggart:** But I think you have said to me that they do not necessarily have expertise in telephony. That is what this Report says to us. I absolutely accept that some Departments are developing it, but there are some that absolutely do not seem to understand even how much things cost them.

**Richard Heaton:** I suspect—I will not predict exactly what we will come up with—that we will certainly look at whether it is a matter of policy that we move towards 03 or whether we mandate some usages and some non-usages. We may also look at whether to mandate the systemic uniform collecting of response data, because that may be a basic thing, without which

people like you cannot hold us to account. There may be something there, but I do not want to over-promise standards for how people design operational delivery, because I think we will go wrong.

**Q37 Chair:** Can I just ask one question? You said that you are not going beyond your target of 80% in five minutes. PCS wrote to us all, I think, saying that for tax credit renewals, when people rang up, presumably to inform about changes in circumstances for tax credits, you were unable to answer 89.74% of incoming calls by the deadline date of 31 July 2013.

**Ruth Owen:** That is not quite correct, but the performance on the last day of July—

**Q38 Chair:** What is not correct about it? What is the right figure?

**Ruth Owen:** The figure for calls answered on 31 July on the tax credits line was 16%.

**Q39 Chair:** It was 16%? So they are out by 5 percentage points. Only 16% of calls were answered. That is pretty outrageous.

**Ruth Owen:** Yes. I am not denying the fact that that is not an acceptable level of service. We have designed in the tax credit process a means by which millions of people all phone us on one day. I do not think that any organisation would design a process like that, because it really—

**Q40 Chair:** I have to stop you there. This is ridiculous because you know that when renewals come in will be a point when there will be a hike in demand. Any sensible management system staffs up to deal with the fluctuations in demand.

**Ruth Owen:** We had a plan to deal with the tax credits peak, as we do every year. This year’s plan did not work, clearly. I do start from the point of view that you do not staff up to meet that peak; you flatten the peak, because it is a very expensive thing to do to have lots of people sitting by on one day of the year to address those millions of calls coming through. So the plan is now to have another look at what we can do to flatten the peak so that we do not offer that level of service again.

**Q41 Chair:** Frankly—and I’m sorry, because on the whole I think you are trying really hard—I think that is not good enough. If people know that the date is coming when their tax credit is going to be renewed, that is the time at which they will ring up because they are worried about a change of circumstance. That’s the time they do it. You can’t manage that.

You are the provider of the service; you have to respond to what is a completely natural, understandable way for people to react. They are not automatons that will do what they are told because they get a leaflet in some remote tax office telling them not to ring at the last minute.

**Ruth Owen:** We did have a plan. We had all sorts of plans to try to flatten that peak, to bring forward demand—outbound calling to say to people, “Do you want to renew now rather than wait till the end of the year?” You can think about things like incentivisation

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of people. There are things that you can do that can change people's behaviour.

I completely recognise that this year's plan did not work; we worked up a plan. Next year's plan, which we have already started to work on, is a combination of recognising that people do leave it to the last minute—that's fine; that is how the system works. We need to change that system. We need to think about how we can flatten it off and we need to think of a contingency plan, which is about how much resource we can have available should everybody leave it to the last minute, which clearly we did not have big enough this year.

Once you do not answer a certain number of calls, obviously there are repeat calls in the system. It is not millions of people all trying to get through; it is a smaller number than that constantly repeat-dialling, which I recognise is not good enough for them.

**Q42 Stephen Barclay:** First, I welcome Mr Heaton's very constructive response in terms of the Cabinet Office looking at this. None of us wants to see vulnerable people paying high phone bills to access essential services, so that is very welcome.

Could I go back to the point that Mr Devereux was making? This is about the analysis that the Departments are doing on what the main groupings of calls are and trying to reduce the need for the calls in the first place, against the difficulties budget-wise of investment in, perhaps, new mobile apps, because young people would access a service through a mobile app as opposed to phoning up. It would be quite interesting, certainly to me, to understand what the data is showing in terms of where the main usage of these calls is and how you are prioritising spending around getting down the need for people to phone in the first place.

**Robert Devereux:** The size of the challenge to reduce the cost to the Department is so great that we have no alternative but to fundamentally re-engineer it. As I said earlier, the actual cost of the call is the least of my problems; it is actually all the ancillary costs. Let me explain the sort of things that we are doing and what the data tells you. We are looking at why people are calling us more than once—a lot of people who called us last month called us again this month—and trying to work out how to prevent that.

To pick up the point that Fiona Mactaggart made, a lot of this comes down to past choices that were deemed to be efficient: "If we have a whole bunch of calls coming in that are really easy to answer, let's get some people in and train them up just to answer those calls and, as soon as it gets remotely more complicated, let's pass them across to somebody else, because they're better off just doing the bread and butter."

In some of the pilots that we have been running just in the last few months up in Newcastle, we put some of the people from benefit processing centres who would otherwise have had the call handed off to them physically in the contact centre and just tried an experiment to say, "If you can't answer this call once and be done, can you just wave this green flag? Then this person will run across and see what you're trying to do."

In the space of finding the top 10 things that caused hand-offs, we have managed to fix six or seven of them, and hey presto, all the other calls are now being answered once and done. So the productivity has gone up 20% or 30%. Call backs in the last quarter are down 30%—the number of handovers, sorry, is down 30%. That is down to rather boring mechanical management that says, "Okay, what is the issue? What is being transferred? What can I do about this?"

Part of what we are trying to do culturally in the organisation is to get everybody to realise that if you work in a jobcentre, a benefits centre or a contact centre, you still work for the Secretary of State and me, there is still a claimant out there and please can we think about what behaviour in these individual silos is or is not creating harmony. We are getting many, many more ideas coming through now, saying, "Actually, the way to improve this is if I do this and if you do that", or "We'll move this around." This telephony happens to be just one example of a series of things that are going on to drive costs down.

**Q43 Stephen Barclay:** One of the triggers of significant calls is repeat calls—the same people phoning on more than one occasion—and there is the upskill in your call-handling staff on that pilot. Therefore, it will be interesting to see how the Cabinet Office is challenging other Departments around that. I am also interested in what is triggering the calls in the first place. Why are people having to phone, and what work is being done to reduce those calls?

**Robert Devereux:** As I said, there are two different things going on here. In some cases, people have been having to phone because that is the only way in which they could transact some business. Now that we have opened some online channels—we now have the jobseeker's allowance claiming online—the figure is within nought point something of a per cent of 80%.

The target that we have been chasing after, that you keep coming back to, saying, "We will never get to 80%"—well, we are basically there now. The consequence is that I am not having people sitting on the phones, answering those calls, so I have some resource that I can then deploy on other things. One answer to your question is that where I am making policy choices and opening other ways into the system, I can stop people calling in the first place.

The second thing is to literally—and, as I said, rather dully—go through what the things are that cause people to ring back. One thing is, "Have you released my payment?" It has been the case historically that people in the contact centre could see that a payment is about to be made, but they could not physically press the button to make the payment go. It was waiting for something else.

We have simply changed that up in Newcastle, so that now, with all the calls that say, "Am I waiting for a payment?", we can say "Yes, this one's due—ping. There it goes." I am afraid that it is a very low level of just rolling your sleeves up and going through it line by line. I think you have had Noel Shanahan here—he is my chief operating officer. This is the sort of stuff he does for breakfast. He just loves it, and is making a very—

**Q44 Stephen Barclay:** Sure, although some of it has not been done as much in the past, perhaps, as it might, but you are putting that in—but it is very welcome. Both examples are very welcome, which brings me on to the point about what the forward delivery expectations are, and what the stretch targets around those are, and how we get visibility for that. You have given two really good examples, which someone might unfairly say should have been happening anyway, but on the other hand, it is very welcome that they are happening. How do we—it may be an issue for the Cabinet Office—get some sort of sight across Government as to what, in two years' time, we would expect the call volumes to be? I accept that if you bring in a new product line or a new service, sometimes you will see spikes, but we should be able to see some sort of projection to say, "We are doing these things. The number of calls as a metric has fallen significantly." How would we get visibility on that?

**Chair:** I think that is for Richard to answer.

**Richard Heaton:** Can I add something about the longer-term channel shift towards digital, which I do not use to undermine the importance of telephony? Let me make that really clear. There will be vulnerable citizens using telephony in their millions, so the shift towards digital is not an excuse for not doing telephony well. The big answer, I think, to Stephen Barclay's question has to be achieving a channel shift so that people are comfortable with a digital service, and it is digital by default, which means that they go there as preference and would not dream of using any other channel. As you know, that is our aspiration in Government, and that is what we are leading on with great energy in the Cabinet Office. We are some way there, as is the private sector—

**Stephen Barclay:** I absolutely agree with you—

**Chair:** Remember that 46%, at present, of contacts between the public and—it is very high.

**Q45 Stephen Barclay:** I absolutely agree both with the intention and the point you make. The Chair has just mentioned the existing contact, but it is not just that. More worryingly, when the NAO looked at the budgets of Departments, there was a very small amount of budgets on service transformation, because budgets were being squeezed. It is easier to pay for today than to invest in tomorrow. It is really that dialogue between the Cabinet Office and the budgets around service transformation that I am most interested in, in terms of the Cabinet Office's role.

**Robert Devereux:** I think you can ask too much of the Cabinet Office in this space, because anybody who thinks that a business must have extra cash to transform itself—

**Q46 Stephen Barclay:** Supermarkets operate in a smarter way.

**Robert Devereux:** My sense is that the more you can do some of the stuff I just said, the more you will end up reducing your costs, and if there is a need to do something with investment, you better get it out of there. The days when we sought extra cash to do investment are long since passed.

**Q47 Stephen Barclay:** Fine, but in terms of the investment, going back to the NAO Report, regardless of whether the budget is coming down or flatlining—or in the case of DFID, going up—the actual amount being allocated to service transformation, to my mind, was remarkably low and short-sighted.

The point is, if you are all saying, "We are introducing things to reduce the number of calls, and we are channel-shifting to more online platforms", how do we, as a Committee, get sight of those Departments in 18 months' time that have done well, and those Departments that have done badly? What are the stretch targets that are going to be set out? At the moment, I do not see any data, broken down by Department, saying, "This is our aim. This is our stretch target. This is what success looks like."

**Richard Heaton:** It is a fair challenge. I think you will certainly be able to see which Departments have done digital well in three years' time; that will be as plain as a pikestaff.

I agree with you. There does seem to be a shortage of decent data for what a Department's direction of travel is in reducing the proportion of, for example, wasted call volume. That is why I said, if we can get some decent metrics in as part of what all Departments have to do to equip themselves to be measured by us, I think that would be good. Preparing for this Committee, I could not see any consistent data. So I think you are on to something.

As I said, I do not want to over-promise, because I do not quite know what the data set would look like, but it would be good if we can get something there that would discount the move to digital and just measure how well you are churning out call volumes and reducing the waiting times, for example. That would be worth while. I do not think it is there consistently.

**Robert Devereux:** May I just add one thing? If you think about my business, I can give you two different answers, really. I am running a large, minute-by-minute business now, for which all the things I have described are going on in real time. Secondly, whether it is child maintenance, personal independence payment, universal credit or anything else, there are huge reform programmes going on. They give me the opportunity to think, "Well, how do I want to incorporate it?"

In the personal independence space, just to take the disability one, one of the key findings in the DLA world is that it was based on paper, and actually people did not understand why decisions were turned down. So we consciously put in there ringing people up when we have decided not to give you the benefit you have claimed, in order that you can understand the decision and know what your rights are. That is going to increase telephony—

**Q48 Stephen Barclay:** That is outward. It is not an inward call.

**Robert Devereux:** No, but on the inward side, we are allowing them now to do what we have been doing with jobseekers for years, which is for them to come in, talk to us and complete the forms. Some of the answer to your question about what should be up or down will depend on which bit of which business you are talking. You can, I think, ask for consistent data



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on telephony. It is sort of interesting, but possibly not as interesting as—

**Q49 Stephen Barclay:** You slightly misquote my question. I absolutely accept that point, but you slightly misquote. I was saying broken down, because if you took it for the Department as a whole, it would be masked; it would do well in one area—one DG might do well, but there would be a problem with another. I think I said in my earlier question: if you introduce a new reform or a new product, you would expect to see spikes. It is having the breakdown to see what the data are in the different areas, not one holistic view.

**Chair:** I think there are pretty basic data that are consistent. Percentage of calls answered and time answered do not make a difference.

**Robert Devereux:** I would certainly be happy to come back and do that for ourselves. One of the things that I think is worth observing is that if you run large operations, they are almost geared up to have a lot of this information. When you get to smaller Departments, I do not know what they will or will not have by way of the ability to answer that sort of stuff. I think that is fair game to explore.

**Chair:** I think the Student Loans Company is a classic one. This is so central to their business that they have to do it well. It is the same with the bereavement service or something like that. It is absolutely central. It might be a small Department, but it is important.

**Q50 Meg Hillier:** Mr Heaton, you talked about the digital data that you will have in about three years' time. Do you think you will be able to, or do you think you should, analyse the difference between people making a general inquiry and people who have complaints or problems, because presumably, they are hanging on and having longer conversations when they are on the phone?

**Richard Heaton:** If they are trying to access a basic public service—whether to access it the first time, to complain or to do a follow-up call—my instinctive reaction is that I regard all those as essential telephone calls to a public service.

**Q51 Meg Hillier:** Perhaps I should make myself clearer. I recently made calls to the UKBA's employers' hotline. I looked on the website first. As it happened, I did not have a complaint, but I phoned them. A nice young man called Andrew answered the phone straight away and gave me all the information I needed, so fair play to them on that. But if I had a complaint, I would ring first, because it would be very much harder to do the complaint, problem or difficult issue online.

Online is fantastic if you have a simple query—if you want a phone number or a bit of basic information. Will that be something that the Cabinet Office will look at? There is quite a difference about how much you might spend if you have to ring up and have a complex issue to discuss, whereas a simple query could be done online. So the digital can only take us so far, I suppose.

**Richard Heaton:** Sorry—I see where you are coming from. I think a well designed digital service ought to

offer a digital channel for complaints as well as for ordinary access to services. I guess most of them probably offer a telephony service as well, because someone complaining may not find digital access to be the most appropriate means. However, I would not rule it out in the future as digital natives become digital citizens. After all, people complain on Twitter, which is a digital channel, and that seems to be quite effective.

**Q52 Meg Hillier:** That is a challenge.

**Richard Heaton:** I would not necessarily say that complaints must be telephony and access must be digital. I think digital can cover both, although the complaints bit is certainly more difficult.

**Q53 Meg Hillier:** I will come to the service departments in a moment. To finish with Mr Heaton, does the Cabinet Office or your Minister espouse any views on private companies that provide a public service in providing a hotline? For example, in the NHS, GPs have always effectively been private contractors. We have heard from the Chair, and locally I have GPs who have premium rate numbers. Energy companies arguably provide a public service, even though they are private companies. There are all sorts of bodies such as A4e, which we have had here, and Serco that provide public services entirely funded by the taxpayer. Will the Cabinet Office be setting out any rules for them and their use of numbers?

**Richard Heaton:** I cannot speculate on that. You asked me whether I have a ministerial line on that—I don't. I don't know.

**Meg Hillier:** So I should write to the Minister?

**Chair:** The Committee will take a view. If it is a public service, whoever it is provided from, you have to have a consistent approach. The provider does not matter.

**Q54 Meg Hillier:** We have been sharing anecdotes—I remember some time ago when I was caring for somebody, I rang the care agency, who told me that they could not provide e-mails and that I had to ring during the day. They were a public service provider, but they were contracted, and it was very difficult to reach them. When you are a working carer, that is quite challenging. I am sure we all have examples of times when we have tried to contact an organisation. My constituents all the time now have to deal with private bodies that provide public services but are funded by the taxpayer. They have to ring premium rate numbers or perhaps are not able to get through easily on the telephone at all. It is about more than just what is happening in Government, from the point of view of our constituents.

**Richard Heaton:** I would expect the principles that we will be looking at in the cross-departmental group that I mentioned to cover the provision of services, whether directly or through contracted parties. Beyond that, I cannot speculate.

**Meg Hillier:** That is very helpful. I am sure that I and others on the Committee will follow that through. Can I go back quickly to HMRC and DWP, and the difference between inquiries and complaints? Have you done an analysis of how long it takes somebody

to make a simple inquiry—it might be a simple, quick call? I suspect—maybe you can tell us—that a complaint or a problem takes longer to deal with, and will therefore cost people more. I wonder whether you have an analysis of the impact of that, and whether that has had any impact on your thinking about the type of lines you use.

**Ruth Owen:** I do not have any actual data, but I think you are probably right. A straightforward inquiry is generally three to four minutes, in terms of giving somebody information. We break down our calls into calls that are straightforward and those that are complex—that is where we were going earlier about the capability of our people to deal with complex areas such as the taxation system—so there are different types that we can measure. We take complaints over the phone, we take complaints by letter, and, increasingly, we take them on online channels too. Increasingly, it is down to personal preference; it is for the customer to decide which is the channel by which they find it most convenient to make their views known, and we should respect that.

**Q55 Meg Hillier:** I find it quite convenient to phone, but I look and see what the number costs, and I am a rich MP. Pensioners, people on income support, people on disability benefits in my constituency, who may have issues to raise with both your Departments, might find it easier to do it on the telephone—they might not be very literate; it can be for all sorts of reasons. But it will cost them a lot of money as they are kept on hold first, then put through to the right person. You made a point about personal preference, but it is not really a choice. If you are not very literate online, you may feel that you have to phone.

**Ruth Owen:** Yes, and telephony will always be part of the service that we offer so people can complain to us by phone. That is part of our commitment to trying to reduce the cost to customers of phoning.

**Q56 Meg Hillier:** You do not think about having a separate complaint line that is cheaper, or offering to ring people back, for instance?

**Ruth Owen:** We have offered to phone people back, absolutely. Rather than a separate complaint line, what I would prefer is that they phone the people to whom they are complaining in the first place. Again, it is about getting it right first time: if you get it wrong, putting it right straight away, rather than having a separate tier of people.

**Q57 Meg Hillier:** I completely see what you are saying from a management perspective, but from the perspective of a constituent in Hackney ringing up, they can ring you and maybe they start to solve the problem, but they find the problem is still there and they ring again and keep ringing. It might be great for your personal training if you are the call operator, but not for the constituent who is having to ring a premium rate line lots of times.

**Ruth Owen:** We are not on premium rates any more, but on the 03 numbers, they can always ask to speak to a manager.

**Q58 Meg Hillier:** So you would say that speeding up the call would be the best option. What about you, Mr Devereux? Has there been any analysis, because you have a lot of complexity in DWP?

**Robert Devereux:** Yes, we do. The big story on complaints is the extent to which we are resolving them first time round, rather than going to second and third tier. We gave a lot of evidence to the Public Administration Committee a couple of months back. You can see that the Department is getting better at doing this. One way that that works is because you positively want the complainant to go back to whoever it was they are complaining about, not a third party, which only produces a hand-off, if you want it dealt with. It may work neatly if you are an MP trying to do these in volume, which potentially cuts across that philosophy. I am not sitting here with particular data on the use of phones for complaints. If people do not like the service they are getting at a jobcentre, people will go back to the jobcentre to say, “You are not giving me a good service.” It is a personal thing. I do not think I particularly want to encourage people to take their complaints somewhere other than the person against whom they are complaining.

**Q59 Meg Hillier:** You talked about the complexity of the different types of telephone system. We will touch on that in a moment. Would it be possible to have two different numbers for some of the services you both provide, so that there is a choice of an 03 or an 08, so that you might ring on your own mobile or your own landline tariff? How much is that in your thinking?

**Robert Devereux:** The position in the Revenue at the moment is that in moving to 03, they are currently running both in parallel for a while. In moving to 03, I am going to run both in parallel. The question, which I raised earlier, is a question yet to be determined. When we are further through the migration and we have actually looked at the data, do we just want to close it out so that you cannot do 0845 even if it is cheaper for you, because we keep saying that 0845 is more expensive, but it is not for some people? A 10-minute call on a landline is 30p if you use 0845. So we are going to start with both lines running. Let us look at the data and have a think about where that takes you is my view.

**Q60 Meg Hillier:** That takes me to target time for waiting for both Departments. I think I am right in saying that HMRC has got a five-minute target time. DWP has lots of different services. You might have different targets for different services, but not one overall target. Is that right? What is your thinking about how long people might have to be on hold on these expensive calls?

**Robert Devereux:** Sorry—I have given you the data on the 60% of 0845 calls, which tell you it has gone from four minutes down to one and three quarters, which is a very big improvement. In my view, if there is an industry standard out there, which is x% in y seconds, we should aspire to that. We have historically simply tried to make sure that we are targeting the percentage of calls we ever answer, without prejudice to how long it takes us. Since the only way to run the

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business is to run it efficiently, we may as well put our money where our mouth is and stick a time on it.

**Q61 Meg Hillier:** It seems to take a long time. This is not new in the industry. It seems to be taking a long while for Government Departments generally, as opposed to spokespeople for Government. Why is it taking so long to come to that awareness? Ruth might have some comments as well.

**Robert Devereux:** I guess it is possible that we have not actually made enough connection in how you resource different parts of an organisation. On the conversation we were having earlier, we went for contact centres separate from benefit centres. We are not going to do that with universal credit; we are putting the two together. It seems self-evident, but it was not previously. I can only play the ball in front of me, and the one in front of me is a big chance to improve this, and we are doing it.

**Q62 Meg Hillier:** Okay. The improvement in times will be very welcome among my constituents.

**Q63 Chair:** Ruth, will you answer that question? Then I will move on.

**Ruth Owen:** We have always measured how long it takes to get through. To some extent, the headline measure for how many people get answered is the mathematical algorithm of how many seconds it takes on average to get through. I think it is quite interesting what is happening in the industry at the moment. Companies are moving away from having targets for numbers of seconds to answer, because of this point about, "I'd rather be answered and get it right than have somebody who is in a call centre feeling that they are rushed and have to get through and answer the next call."

**Q64 Chair:** I think 24 minutes is not acceptable.

**Ruth Owen:** I have never said 24 minutes is acceptable. Absolutely not. I am just reflecting that industry best practice is a quality service. Get it right, allow the agent to feel they have the time to answer the call correctly and do not make them feel rushed into, "I've got a call waiting. I must take another one within 30 seconds, because that is my KPI." That is not now the right way to run call centres.

**Q65 Meg Hillier:** I think most of us as consumers would agree with that. I want to pick up on an interesting point that Mr Devereux raised about how the original set-up had been on the basis of a certain financial understanding or regime to do with 03 numbers. Now you are moving from 08 to 03. You seemed to indicate that the charging policies of the telephone companies—plus all this competition—mean that the goalposts are shifting. Am I right in that understanding?

**Robert Devereux:** Yes. I will try to get this accurate. When 03 numbers were introduced, our first calculation of how much it might all cost the organisation to pay for each of those 03 minutes was going to take us to £10 million-worth.

**Q66 Meg Hillier:** £10 million?

**Robert Devereux:** Yes. We now think it could be a factor of 10 less than that.

**Q67 Meg Hillier:** It could be £9 million?

**Robert Devereux:** No, a factor of 10 less means £1 million.

**Meg Hillier:** £1 million—sorry.

**Robert Devereux:** That is because the market has changed. In terms of the prices, they have been changing.

**Q68 Meg Hillier:** That brings me to my point about how possible it is for a huge machine like the DWP, with all your complex systems, similarly at HMRC, and, for Mr Heaton, the whole of Government, as well as the private companies providing public services, to keep up to speed with these changes, and how fast. If tomorrow Ofcom said it had to be done differently, how fast could you change? And, Richard Heaton, would this be something that Government would push for? So that you are always pursuing the best, cheapest deal for the customer.

**Robert Devereux:** One of the things the Report talks about is whether Departments have policies for their use of numbers, and it noted that we both do. One policy I inherited when I arrived said that whatever we had needed to be sustainable, because I cannot be chopping and changing a £300 million business every five minutes. It would be the case that mobile phone companies will think of tariffs faster than I can have breakfast, so I need to have something that is broadly stable. The good news about 03, at the level of pricing it is now, with my ability to pay for it, is that I hope that this is a constitutional settlement in the industry that gives me some advantage. It is going to lock the call of these phones only to public services and charities. I hope that it is not going to move away from it, but I am not going to promise every twist and turn because that would be madness.

**Q69 Meg Hillier:** No, I would imagine that could be difficult. So it just means that things could change at any time.

**Robert Devereux:** They could and we could be back here again.

**Q70 Guto Bebb:** I have only two or three questions. On the comments made by Ruth Owen in relation to managing demand, I think the gist of them was that the problems tend to happen because of the way that demand comes in, and that results in people having to wait much longer for calls to be answered. Have you got examples of how you have tried to manage demand? Have you any success stories in trying to manage demand in that way?

**Ruth Owen:** Yes, there is a range of examples. Mr Devereux has already talked about opening up online channels. If you compare the tax credit peak, which is the peak that did not go very well for us this year, with the self-assessment peak, when millions of people need to give us their self-assessment tax return by 31 January, we managed to maintain service levels, both on the phone and online, because we have rebalanced those channels and opened up the channel of choosing to go online on 31 January.

Offering people the choice of channel clearly worked, and therefore those people who needed to phone us during that time could get through, unlike on tax credits where it is the only channel, and therefore you are channelling a large demand through a limited pipe, if you like.

I think I gave examples when I was here in the Committee in January of other things that we are doing regarding what we were talking about earlier about the root cause of demand. The real reason people phone HMRC is not for pleasure generally. It is because they are confused or we have got something wrong or they do not understand what we have sent out to them. It is about getting underneath why somebody phones. After tax credit renewals, which is our No. 1 cause of calls, the second highest is understanding tax codes.

The more we can do to help people, through the information that we send out to them to the information that is available to them online, means that if they get a tax code that they do not understand they do not feel the need to phone up, several times in some cases, for an explanation of why a tax code has changed. With regard to that underlying demand, it is about removing confusion as far as possible from the tax system; that is what we have been doing to date.

**Q71 Guto Bebb:** A key part of this is having the two channels and using digital as a means by which people can communicate with you.

**Ruth Owen:** Yes.

**Q72 Guto Bebb:** So my concern is whether HMRC has done any research on whether, with that sort of offer, there is any difference to those areas of the country where connectivity to broadband is very poor, for example. When you are planning these separate channels, are you taking that sort of issue into account?

**Ruth Owen:** We are very aware of people's access to a digital channel, which is why it is generally a choice for people to use those channels. So over the next few months we are opening up greater services for individuals who are on PAYE, for whom at the moment there is no online service at all. If you are on self-assessment you are at least allowed to choose to file online. If they are on PAYE generally there is no online offer at all. So increasing their choice to bring them into the online system will start from next month.

**Q73 Guto Bebb:** But that choice will always recognise the fact that some people will need to have that telephone access?

**Ruth Owen:** Yes.

**Q74 Guto Bebb:** Turning to Robert Devereux and the DWP, the Committee will applaud the fact that you have gone down the route of an 0800 number. But you mentioned that the Committee must take into account at all times the total cost of your telephone services and the cost of calls. Yet the Report indicates on page 31 that the cost of the 0800 free calls for mobile users is about £5 million per year. So would

spreading that out to all these premium numbers that you still use be prohibitively expensive?

**Robert Devereux:** One of the other policies that was written down in the policy document that the NAO referred to was a positive choice on our part to make 0800 numbers available principally for claiming. We have lots of other calls and we have not to date concluded that there is enough spare cash provided in our budget settlement to make everything free. So the conversation we are having today is about making sure that 0845 moves to 0345, which advantages our mobile customers. That seems to me to be a sensible step. Turning it all on for free would be a further expense on top of all that, which is not a step that we would take lightly.

**Q75 Guto Bebb:** In terms of the cost, is the £5 million more or less the cost of the 0800 offer? It is mentioned on page 31 as being the cost.

**Robert Devereux:** Let me check that.

**Andy Morrison:** Just to clarify, figure 11 relates to a decision that DWP took to negotiate for mobile callers to have free calls. It is for that element.

**Robert Devereux:** That is the envelope within which we are making payments to mobile companies to make sure that 0800s are genuinely free. That is not the sum total of all of the 0800 costs because you also have to pay BT for 0800 over and above what you pay the mobiles. So the total cost of an 0800 number to the taxpayer is more than the number in figure 11.

**Q76 Guto Bebb:** That is the point I was trying to get at. You initially stated that the cost of the calls was comparatively low in terms of overall costs; if we are looking at £5 million being not even the total cost of this development then the cost becomes a big issue, doesn't it?

**Robert Devereux:** From memory, the call itself and the 0800 bit plus this top-off that we are paying is of the order of £20 million a year. So £20 million is a non-trivial sum for our Department. I am not going to promise that I can just turn that off and make it zero. By putting in £5 million, it at least means that there are genuinely free calls for mobiles. That number will be cheaper if the Ofcom proposal gets through satisfactorily, but it isn't there yet. It is one thing to stick with that but, at the level of £20 million, I don't think that just because it would be nice to do it necessarily makes it a priority.

**Q77 Guto Bebb:** Obviously you will have to pick and choose which services you can migrate into a cheaper option.

**Robert Devereux:** Not quite. I thought your question was why can't I just make everything free, to which the answer is that it is already costing me £20 million to have the free ones free. To have all the non-free ones free as well, you are going to add on at least as much again—in fact, slightly more. I think we have 70 million 0845 calls and 30 million free calls. So you could be into £40 million, £50 million worth of costs down that track. That is not a number that I can just say it would be nice to do. It would be nice to do but I don't think it is practicable. So effectively the move from 0845 to 0345 means that we are putting some

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money on the table because I have to pay 0.5p a minute for it, but it will produce quite large savings for mobile customers without too much further cost to the taxpayers. That seems to me a reasonable judgment to reach.

**Q78 Guto Bebb:** I understand the point you are making. The question I was asking in effect was this. Looking at the back of this Report, we see the number of lines that we have in DWP, which would make uncomfortable reading for anybody who is concerned about people having to pay to contact the Department: how will you prioritise which of those lines will be supported?

**Robert Devereux:** One thing we have not covered in this evidence today is that the Cabinet Office guidance from 2010 said that no Department should rely exclusively on 0845 numbers. I have a network of retail outlets in jobcentres. You can walk into any jobcentre and make any call you like for free. I do not require you to call 0845. You are perfectly able, if you have a friend or a grandparent who has got a BT line, to call me from their number and it is actually cheaper. I will offer you a call back if you ask for one. So there are all kinds of things that are actually—

**Q79 Fiona Mactaggart:** If you ask for one.

**Robert Devereux:** I will come back to that. There are a number of things we are doing that mean that even this long list of 0845 does not mean I am locking people into using 0845.

**Q80 Fiona Mactaggart:** If you ask for a call back, one of the issues that I am concerned about is people who have waited a long time and who then might spend quite a bit of time with a recorded message—it is all costing them. Helping them to know that they could be called back, particularly if they are under financial pressure, then calling them back straight away—

**Robert Devereux:** Among the recommendations that the NAO makes, this is the one that I am not sure I believe in, because I think the idea that you would set up an organisation that is taking a hundred million calls basically to say, “Well, we’ll stop this call and I’ll call you back and do it again,” is the wrong answer. The right answer is to stop this waiting period, answer the calls once and done, stop people having the volumes and move on to an 03 price bracket. I think that is the main game in town. I think that if I were still swilling around in very expensive calls and endless waiting, you might have a point, but actually I do not think that is the right answer.

**Q81 Fiona Mactaggart:** The person to your right is doing exactly that.

**Robert Devereux:** I think she is trying to improve in the same way that we are. On the recommendation in paragraph 23, I cannot see how, “Well, I tell you what, let’s just keep offering everybody a free call back,” works in a large organisation. I would rather get the basic job done properly.

**Amyas Morse:** There is a somewhat different area I will ask about, if I can, and Richard, if I may, I would like to voice this to you. Taking a strategic view of

what is happening in Government, what we have done, and HMRC has had a big role in developing it as well, is going away from personal interactions, aiming to move people largely on to telephony and aiming to move them through into digital. Not all of them—there will be a residual population in each case.

Can I take it that your involvement means that you recognise that, quite apart from these big Departments that are doing their own improvements and processes, there is a need for an overall change process, where you keep everybody honest that they move on through and that you are making progress from having a sensible proportion of telephony, so that you do not get stuck with a massive telephony operation, and you move into digital as much as you should be moving into it? In other words, if you see it as a composite of contact with the public to deliver services, rather than just, “We are now talking about phone lines and then next week we will be talking about digital,” keeping track of how all that is supposed to be combining across these very major areas of service delivery makes it an important subject, and I am interested to know what you see a Cabinet Office role in that as being.

**Richard Heaton:** The Cabinet Office’s principal contribution is helping Departments save money for the taxpayer—that has been our huge focus since 2010—and digital is one of those areas where we think savings to the taxpayer can be in exactly the same space as a much, much better experience for citizens. So, that is why—unashamedly—we are putting a lot of energy and effort into helping Departments, through the Government Digital Service, achieve digital transformation.

**Amyas Morse:** Sorry, but supposing you saw that Departments were spending a huge amount on telephony and you did not feel that they were transitioning into digital fast enough, how would you know if that was true or not?

**Richard Heaton:** All Departments have a digital strategy—all of them. All Departments report against digital strategies, so this is one area where we actually have quite good machinery for tracking progress. All those things are public, and any Committee or any office such as yours can hold Departments to account for what they have promised to do. So we are concentrating on the big projects first—the big 25 projects that will really make a difference—but we have got aspirations for the whole of Government for citizens to be online. We have also got efforts to improve digital take-up, which includes rural broadband roll-out, digital inclusion and encouraging—

**Chair:** Don’t talk to us about that.

**Amyas Morse:** What I was trying to get to is that I think it’s quite interesting that if that case is successful, you would expect there to be shrinkage in the amount of telephony, wouldn’t you?

**Richard Heaton:** Yes. That will cause one shrinkage. Other shrinkage will be better service design, better designed letters so that people do not phone in confusion and all the rest of it. All those things will lead to a shrink in volume.

**Robert Devereux:** May I just add one thing? It comes back slightly to what I was saying to Mr Barclay. I think there are ways of answering the question, “How is your digital strategy going?”, etc. There is nothing to beat the good old “take the cash away from Departments” trick. I am now running this Department on an aggregate saving of £3 billion against 2010–11<sup>2</sup>. All the savings of this Parliament sum to £3 billion. You do not get that by ticking a little bit of this strategy and a little bit of that strategy; it is done by endless work on the basic productivity of the organisation. I would be a bit cautious on the back of this hearing.

If I answer the question of how telephony is going, all of a sudden you unlock the principle. We were under incredible coshes to run these businesses very effectively. Taking the cash away is the Treasury’s basic approach, but I need to have digital and good telephony. I have all the incentive in the world to improve.

**Q82 Jackie Doyle-Price:** Very good, Mr Devereux. You have just articulated why austerity is so good for the public sector. Thank you very much for that.

**Robert Devereux:** Better than not succeeding in it.

**Q83 Jackie Doyle-Price:** While we are still in the business of praise, can I point you to figure 6 on page 21? It shows some of the things that Departments are doing to reduce the costs to their customers in terms of calls. I want to ask Mr Devereux and Ruth about one of the alternatives, which is alternative contact by e-mail or website. What are you doing on that? Is there a growing appetite for using e-mail and website contact?

**Ruth Owen:** Let me start, because I have started on that already. Offering online contact for the vast majority of our customers has got to be where we are heading. We offer limited access to e-mail services at the moment, but it is not offered to the broad majority of taxpayers. We are aiming, as I said earlier, to open a digital online account, which will be very much like what any of you would recognise from online banking services, if you bank online. That would not be about e-mailing me your personal details and your salary for the year; it would be used as a secure channel once you have logged on to our service. That is what we plan to offer both self-assessment people and PAYE people, starting next year.

**Q84 Chair:** Starting in April 2014?

**Ruth Owen:** Yes. It goes live in an alpha service next month.

**Q85 Chair:** Are you piloting it?

**Ruth Owen:** We are piloting it from next month, with 1,000 people getting access to that service. Businesses, as you know, already have access to that, and that is an increasing part of how businesses understand what their tax position is.

**Q86 Jackie Doyle-Price:** What about tax credits?

<sup>2</sup> Note by witness: should be ‘2010–11.’

**Ruth Owen:** It is the same.<sup>3</sup>

**Q87 Jackie Doyle-Price:** That is where, from personal experience, there is the most difficulty. With all these alternatives, it is very easy if you are just trying to get information, but when people—particularly vulnerable people—are trying to talk about difficult circumstances of their own, telephone is not necessarily the best channel for them. They would benefit from advocacy and working with people on their behalf, if they have had an e-mail channel. Is there any thought as to how that might be expanded?

**Ruth Owen:** We have already got, as I have said, some limited e-mail channels, which are for people such as advocates, third parties, the voluntary sector and other people with whom we have an agreement and can contact us. We do not advise people to e-mail us with their personal details, because it is not secure. It is like writing personal details on a postcard and hoping that no one reads it. On the internet, you must go through these secure channels, and that is what we are building at the moment. We are starting with businesses first. Self-assessment people and PAYE are next, and then we will be exploring tax credits.<sup>4</sup>

**Q88 Jackie Doyle-Price:** I guess that we are in an inclusion debate, because our problem is the vulnerable customers accessing secure online channels. They are likely to be excluded from that.

**Robert Devereux:** That is not quite what the evidence shows. We have done a lot of work on this, and people’s access to online is rather higher than we normally give them credit for, and their facility with it is normally a lot higher than we give them credit for. One of the things that people get anxious about is whether telling us something online is quite as good as telling a human.

**Q89 Chair:** Pensioners are much less likely to do it. They are one of your key groups. Pensioners, disabled people and all those groups—

**Robert Devereux:** I wouldn’t clump everybody together in quite that way. The point I am trying to make is that there is a difference between whether people own a computer and whether they have internet access, and, if they have internet access, whether they are happy to transact—that is learning stuff as opposed to telling Government stuff. There is some evidence that even with access, however it is, their confidence in saying things is more difficult. That is something that you have to get over.

**Q90 Jackie Doyle-Price:** It is generational. To what extent are the online channels becoming the bigger part of your business?

**Robert Devereux:** We want to be in the same position as Ruth. The challenge is to ensure that you can actually do it securely, because the last thing I need is for people to be able to get in and read your records on the back of what appears to be a private service

<sup>3</sup> Note by witness: Renewals can also be made using the paper channel.

<sup>4</sup> Alongside the new digital services for tax, we are looking at the extent to which we could provide the same for our tax credits customers, but we have no firm plans.

## 2 September 2013 HM Revenue and Customs, Cabinet Office and Department for Work and Pensions

for you. Getting that security right, when the potential sums of money and the fraud are quite hard, goes to the heart of some of the challenges we have got. We have been working on this for a while—it is one of the things that the Government generally are having difficulty getting straight. Exactly how you police identity in an online world is a challenge. It is a challenge for banks as much as it is for us.

**Q91 Chair:** I have two or three little questions and then we are done.

First, we talked about tax credits a little earlier, and your poor performance on them. It rather shocked me that, in reply to a question from Guto, you said that most of your phone calls are on the issue of tax credits.

**Ruth Owen:** Forty percent of our calls are from tax credits. What I said was that when you look at a single issue for which people call, renewal of your tax credits—because that is the only way you can renew them—

**Q92 Chair:** I hear that, which therefore makes it doubly concerning that you got that so wrong.

**Ruth Owen:** Yes, which is why I am equally determined to make sure that we get it right next year.

**Q93 Chair:** I think it would be helpful for the Committee if you could provide for us a little note on why it went wrong and what you are doing for next year to put it right so that we can incorporate that into the evidence.

My second question is for Mr Heaton. Transparency is hugely important. People do not know what they are paying, unless they are really clued up about their package. Transparency has two parts: one is transparency for the customer, and the other, from the taxpayer's point of view, is transparency on whether Government Departments are getting the pay-back from the providers. There is a worrying note somewhere in the Report that Robert Devereux's Department is too embarrassed to collect the £700,000 that it could have had due. I want an assurance that in your review, both transparency and open book with providers and transparency and clarity for customers will be part of the agenda that you set out.

**Richard Heaton:** You're right. Again, as Mr Hurd said in that debate, there is a transparency failure here. One of the things that we are doing to sort that out is that when Departments procure their contracts with the likes of BT and Vodafone—the big providers—under the new telephony framework directive, which we have led from the Cabinet Office, there will be more access to granular information about costs, charges, minutes and so on. So for Departments gathering data, there will be greater transparency from suppliers about the circumstances in which we are charging and being charged. That will help transparency.

On your two specific questions—

**Q94 Chair:** One was about the customers, so that they know that there is greater transparency on what they are paying for with calls.

**Richard Heaton:** That of course is a function of a very fast-moving telephony market at the moment, so there is only some degree to which that is within our control.

**Q95 Chair:** I accept that you have got to keep updating it, but that does not mean that it should not be—

**Robert Devereux:** It's worse than that, I am afraid. I have here a list of 50 packages, and there are almost 50 different numbers down here. So I think that the idea that we would play back by saying, "If you are on this particular package with Orange, you are probably paying 22p"—

**Q96 Chair:** No, which is why simplicity must be the order of the day.

**Robert Devereux:** But we don't control that. The market determines what it will charge for 03 numbers.

**Q97 Chair:** Nevertheless, there is the general point that 0845 costs you more on a mobile than using a landline. That is generally true, right?

**Robert Devereux:** Yes.

**Q98 Chair:** That is the limited transparency about relative costs.

**Robert Devereux:** That we can do.

**Q99 Chair:** For the different packages that people have, you can obviously always say, "Subject to your individual package." The other transparency is the provider and the money that they make out of this. The PAC and the taxpayer want to know who is getting the income if 084 numbers are being used. There is a demand in the Report for much more open book contracts around this issue, and transparency both for us, the people who look after the taxpayer's interest, and the taxpayer themselves. We should be able to see that.

**Richard Heaton:** That is something that I would hope that the working group can cover.

**Robert Devereux:** I think it's better than that because the feature of the PSN network contracts we negotiated make it clear that that needs to be transparent.

**Q100 Chair:** Okay, so you are giving us a commitment on that?

**Richard Heaton:** I can write about the precise details of the commitment, but yes, we will offer you something on that.

**Chair:** Thank you.

**Robert Devereux:** May I go back to your throwaway remark about being too embarrassed to collect the £700,000? The Report records that we decided that we did not want to have revenue for it. That revenue was just 0.3p per minute. In the same year we negotiated the same discount on the cost of the 0800 numbers so I talked to Mr Beale about it.

**Q101 Chair:** Okay. I think transparency around that would be extremely helpful.

**Robert Devereux:** It would. The Report makes it look as though we did not do some offsetting, and there

was some. I'm not sure it was quite as intelligently connected as that.

**Q102 Chair:** No, but the offsetting needs to be transparent.

**Andy Morrison:** We are clear on that point. Our understanding was that the revenue share was given up because you did not want to be seen to be taking money from benefit claimants, and the reason for the reduction in the 0800 rate was actually down to benchmarking information.

**Robert Devereux:** There was a left hand and a right hand, but the net effect was that we had the same from one or the other.

**Q103 Chair:** Good. We have ended this session with many positive thoughts from you and intent about looking across Government for a policy with some consistency, some form of mandation, particularly looking after vulnerable groups so that they do not pay a higher rate for phone calls, better performance data, and some sort of sanction policy to be implemented so that people do that, Robert Devereux's very helpful information that 03 will be an option for the new universal credit and PIPs, and your hopefully helpful note on your actual performance. That is very helpful.

I have one final question to HMRC about the Vodafone issue that is around today. Clearly, there are concerns about the deal. I just want some assurance that HMRC will go through the deal with a toothcomb to ensure that the taxpayer gets the proper benefit under the law of the tax that Vodafone should pay on the massive windfall profit that it is making.

**Ruth Owen:** You are aware that I cannot comment on this particular taxpayer's tax affairs, but I assure the Committee that HMRC plays its full role in keeping very close to every large business to make sure it pays the tax that is legally due. That is our role.

**Q104 Chair:** And you will also look at whether there is aggressive tax avoidance in this instance in using the Dutch-based company as the vehicle for filtering the profits?

**Ruth Owen:** I'm not going to be drawn into discussing this particular example, but our role is to make sure UK companies pay the tax that is legally due in this country. That is what we do very closely with large and small businesses, and individuals.

**Q105 Chair:** It is a heck of a lot of money, and it makes Vodafone's profits from 0845 numbers from the Government look minuscule. Thank you.

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### Written evidence from HM Revenue & Customs

At the PAC hearing on Customer Service Lines across Government on 2 September, I agreed to write to the Committee with further explanation of why HMRC's service levels were poor on the final day of handling tax credit renewals in July of this year and our plan to avoid a repetition of such service levels next year. This note provides an update on the lessons learned from the 2013 tax credits renewals peak and sets out an outline of the work now underway to take forward options for improving performance in future renewals exercises.

#### BACKGROUND

The tax credits system works on an annual cycle, with a legislative deadline of 31 July for all tax credit customers to confirm or revise their circumstances by that date. If customers do not renew their claim, their payments will stop, so there is a strong imperative for customers to contact us. The majority of claimants renew by phone, resulting in the largest annual contact peak in HMRC's calendar.

#### RENEWALS PEAK 2013

As I explained to the Committee, performance in the last week of July 2013 was unacceptably poor, with 24% of tax credit calls being answered in the final week of July and only 16% on the final day for renewals on 31 July.

Our plan to manage the peak in forecast demand included: looking at how many customers could be renewed automatically; bringing forward the demand to smooth the peak; moving more customers to renew using a paper form; and increasing staffing on the helplines.

Our main approach therefore focused on trying to smooth the peak of demand and it was this plan which failed to work. To smooth the demand, we started contacting customers from April to encourage them to renew early. Our analysis shows that fewer than 10% of those contacted chose to renew early and even those who did actually called back in July to confirm their claim was renewed.

Our second strand of action was to encourage customers to renew by post. With paper forms we can at least be sure that we can expect to receive one form per customer, whereas with high call demand and service levels dropping, we can expect multiple call attempts from individual customers, which creates a large difference between forecast demand and actual demand and can quickly drive service levels to unacceptable levels. When we saw the disappointing response to our attempts to bring forward demand, we put an additional message on our phone lines in June to encourage customers to renew by post. Again, the response to this message was lower than we anticipated and customers continued to call for renewals.



Finally, we built a contingency of additional staff to manage the remaining demand on the phones. We took additional staff from other helplines, processing work and other parts of HMRC and kept our helpline open until 10 pm to extend availability, but this proved insufficient for the high level of demand in that final week. The performance on the tax credit line on 31 July was clearly unacceptable but at the same time we sought to maintain the levels of service on our other tax lines, especially given at that time we were still supporting employers joining RTI. For example: performance across other lines of business ranged between 46–88% of calls answered.

One further key factor was that our original plan assumed that by July we would have introduced our new voice recognition telephony system. This system automates the security questions asked of callers and thus shortens each call by up to a minute, thus creating significant capacity to take additional calls within existing resources. We chose to postpone the implementation after testing showed some delays on the line when a high volume of calls were received, which obviously would have occurred during tax credit peak demand. This reduced the capacity we had forecast would be available for the tax credit renewals peak.

Clearly we have learned important lessons about our ability to shift customer behaviour, given the strong imperative for customers to renew their benefits by 31 July. We recognise our forecasting of demand should have been better and that should have informed the need for a larger contingency than we prepared for. In particular, the fact that nearly 50% of calls received on 31 July on our tax credit lines were not actual renewals shows the need for customers to be reassured that their payments will be continued even when they have already renewed their claim.

#### IMPROVING FUTURE PEAKS

We have been very disappointed at the level of service we offered to customers in July this year and are determined that should not be repeated. The lessons from this year have all been fed into work already under way to plan next year's peak.

Although early in its development, we are exploring a number of options, looking to remove or reduce demand, increase the range of channels through which contact could be made, smooth the demand and build contingency for likely remaining demand. The options include:

- looking at changing the policy of having a single renewal date;
- opening up new channels such as online renewals or automated telephony renewals;
- changing our communications to customers and our advertising which stresses the need to contact us by 31 July;
- increasing the number of auto renewals through the use of RTI data;
- increasing reassurance to customers (for example by SMS message) that their claim has been renewed and payments will continue without the need for repeat contact; and
- increased contingency of resources to manage the call demand if other plans are not successful in reducing the peak.

As the Committee is aware, we are committed to delivering a much improved customer service across all lines in HMRC. We invested £34 million in our contact centres last year which enabled us to answer over 90% of calls in the second half of 2012–13. We remain committed to our targets of 90% calls answered and 80% to be answered in five minutes and would prefer that service standard to be even better. However, it is clear that to do that we need to remove the peaks of high demand in our business model before we can offer a consistently good customer experience throughout the year. It is this we are now focused on and I will be happy to report progress on our plans to the Committee later in the year.

*Ruth Owen*  
Director General  
Personal Tax

*10 September 2013*

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#### Written evidence from the Cabinet Office

I committed to provide you further details of the transparency we have in current and planned contracts in response to the points raised at Q99 and Q100.

I can confirm that the active PSN Services & Connectivity Framework contracts support transparency at two levels:

- (a) PSN has adopted the “service tower” model, separating services into groups based on common functionality (for example connectivity, fixed telephony, mobile, video, conferencing). In this way we have sought to force appropriate commercial transparency into the market and reduce the risk that larger players—typically classified as Systems Integrators—seek to bundle services and obfuscate component costs, as has often been the case in the past. This model only takes transparency so far, however, and the terms of the contract then come into play.

- (b) The standard PSN framework call-off terms and conditions allow Departments to require their PSN supplier to provide a full financial model detailing all component costs and charges pertaining to the contracted services. The detailed provisions are attached at Appendix 1.

Through a combination of (a) and (b) above, Departments may establish contracts for inbound voice (and other) services with a high degree of confidence that all supply and demand side costs and profit shares are clear and unambiguous if managed properly.

The use of the PSN frameworks by central government is still growing, but most Departments will be using these Frameworks by 2015. The transition to these contracts is externally published and updated quarterly.

The existing PSN frameworks will be replaced in May 2014, the replacement PSN framework will further build on this model. A greater number of standard services will be described and published in online catalogues, driving greater transparency and competition.

There is a further framework in procurement, PSN Telephony Services, that includes a dedicated Lot for inbound calls. The approach on “financial model” differs from the main PSN frameworks as the agreement comprises few component elements and has been crafted to provide fully granular component pricing including clarity over how costs and profit for inbound calls are shared. The framework is due to be awarded in October 2014.

Finally, the BT “Citizen Contact” MoU provides a range of 0800, 0808, 0844, 0845, 0870, 0871 and 03xx numbers with associated consumer and customer costs published. The MoU is not a contract but establishes a price for the aggregate of public sectors spend, under a single volume-based agreement. Current contributing spend qualifies us for Tier 2 discounts—See table at Appendix 2.

*Richard Heaton*  
Permanent Secretary

*25 September 2013*

## APPENDIX 1

### EXTRACT OF CALLOFF SCHEDULE 5.4

#### 1. CONTENT AND CONSTRUCTION OF THE FINANCIAL MODEL

##### 1.1 The Financial Model shall:

- 1.1.1 provide sufficient detail for the Customer Authority to have visibility of the construction of the Charges to be paid in respect of the provision of the Services;
- 1.1.2 be constructed in relation to Milestone Payments and Service Charges on a monthly basis (or such other basis as the Customer Authority requires);
- 1.1.3 quote all monetary values in pounds sterling;
- 1.1.4 quote all costs as exclusive of any VAT;
- 1.1.5 provide visibility of the construction of cost of the Services throughout the Term, excluding mark-up if applied, which shall include (where applicable or as the Customer Authority requires from, but not necessarily limited to, the list below) the following:
  - 1.1.5.1 labour charges for delivering the Service Requirements and Contractor Service Descriptions broken down by each job title (eg project manager) with the number of days and daily rate shown for each job title. Labour shall also be broken down and sub-totalled by the Milestones and Tests;
  - 1.1.5.2 where required by the Customer Authority, breakdown at a unit level of hardware and software costs (including underlying telecommunications costs and rental charges), Sub-contractor costs and any other underlying identifiable costs making up the Service Element pricing;
  - 1.1.5.3 the Service Element unit pricing for the Base Services, Service Options and Service Attributes showing recurring and non-recurring pricing and service terms and volume discounts applicable, cross-referenced to the Service Requirements, Contractor Service Descriptions and Service Level Targets;
  - 1.1.5.4 depreciation policy applicable to Assets (including software and hardware) (which also applies to calculating the Net Book Value);
  - 1.1.5.5 other licence costs not included in Service Element unit pricing;
  - 1.1.5.6 other Sub-contractor costs not included in Service Element unit pricing;
  - 1.1.5.7 accommodation costs (if applicable);
  - 1.1.5.8 overheads/mark-ups separately identified and their calculation explained;
  - 1.1.5.9 pricing of risk/contingency fully explained and the quantification supported by a priced risk matrix;

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- 1.1.5.10 financing costs (if applicable) showing the interest rate and calculation and the need to apply financing explained;
  - 1.1.5.11 other miscellaneous costs including the charges for providing assistance in accordance with Paragraph 4.4 of Schedule 4.1 (Implementation Plan); and
  - 1.1.5.12 Charges associated with PSN Changes;
  - 1.1.6 provide a reasonably skilled and experienced individual with a full analysis of the Contractor's capital and operating costs and the assumptions used to develop and modify the Charges set out in Appendix 10 of the Call-Off Form;
  - 1.1.7 quote all costs, prices and revenues based on current prices;
  - 1.1.8 be constructed in a format and using a software tool as specified by the Customer Authority;
  - 1.1.9 not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
  - 1.1.10 be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. Any formulae in the Financial Model shall not contain a mixture of inputs and calculations. Any column labelling in the Financial Model shall be consistent between worksheets;
  - 1.1.11 include a cash flow statement that shows the timing and relationship between the planned cash outflows and the revenue which the Contractor expects to receive;
  - 1.1.12 include an explanation of any underlying assumptions regarding:
    - 1.1.12.1 overtime rates;
    - 1.1.12.2 standard hours;
    - 1.1.12.3 accommodation charges; and
    - 1.1.12.4 discounts applied;
  - 1.1.13 clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received);
  - 1.1.14 provide visibility of profit (and the calculation of profit) both as a value and as a percentage and show the Project Internal Rate of Return; and
  - 1.1.15 include a version control sheet that provides visibility of changes from the previous approved version of the Financial Model together with a summary reconciliation of those changes.

1.2 The Contractor shall, if requested by the Customer Authority, provide (or procure the provision of) the above level of information in relation to the costs and expenses to be incurred by any of its Sub-contractors or third party suppliers.

## 2. VISIBILITY THROUGH THE FINANCIAL MODEL

2.1 Upon request of the Customer Authority, the Contractor shall promptly provide to the Customer Authority details of the elements used to make up any Charges.

2.2 The Contractor shall provide to the Customer Authority the following (where applicable and/or as required by the Customer Authority) information in relation to the Charges:

- 2.2.1 the Contractor's total prices for the Services and/or Deliverables;
- 2.2.2 any margin (if applicable) included in that total price;
- 2.2.3 a summary of the construction of each Service Charge and/or Milestone Payment;
- 2.2.4 details of any manpower costs included in the Milestone Payments, for all project activities to be undertaken;
- 2.2.5 a resource estimating model to support the Milestone Payments/Deliverables;
- 2.2.6 a breakdown of manpower resources by the number and type of Contractor Personnel required for each Milestone, Test, Deliverable and/or Service and free of any contingency. This shall also apply to third party costs;
- 2.2.7 the total price of Services, Milestone Payments and Deliverables broken down by volume, unit cost and margin;
- 2.2.8 any additional activities, costs and risks that may impact the Customer Authority and which are not already covered by the Charges;
- 2.2.9 an explanation of the type and value of risk associated with the provision of the Services, including the amount of money attributable to each risk;
- 2.2.10 an explanation and supporting details of any financing costs applicable to this Agreement;
- 2.2.11 a statement of the Contractor's anticipated cashflow for the Term;
- 2.2.12 the actual Charges profile for each month; and
- 2.2.13 any additional information as the Customer Authority reasonably requires.

## APPENDIX 2

## BT CITIZEN CONTACT MOU PRICING TABLE

Product	Pence Per Minute			
	Baseline	Tier 1	Tier 2	Tier 3
<i>Price Tiers</i>				
	<i>0 to</i>	<i>15,417,000 to</i>	<i>20,417,000 to</i>	<i>Over</i>
<i>Total Aggregated Minutes Per month</i>	<i>15,416,999</i>	<i>20,416,999</i>	<i>30,829,999</i>	<i>30,830,000</i>
0800/0808 free to landline callers at all times, mobile tariffs vary	£0.0185	£0.017	£0.016	£0.0155
0844 charged to BT callers at 0.851ppm at all times	£0.013	£0.013	£0.013	£0.013
0844 charged to BT callers at 1.702ppm at all times	£0.045	£0.045	£0.045	£0.045
0844 charged to BT callers at 2.553ppm at all times	£0.0	£0.0	£0.0	£0.0
0844 charged to BT callers at 3.404ppm at all times	-£0.011	-£0.011	-£0.011	-£0.011
0844 charged to BT callers at 4.255ppm at all times	-£0.0195	-£0.0195	-£0.0195	-£0.0195
0845 charges vary according to plan and time of day see below	£0.000	£0.000	£0.000	£0.000
0870 charges vary according to plan and time of day see below	£0.005	£0.005	£0.005	£0.005
0871 charged to BT callers at 5.106ppm at all times	-£0.028	-£0.028	-£0.028	-£0.028
0871 charged to BT callers at 5.957ppm at all times	-£0.036	-£0.036	-£0.036	-£0.036
0871 charged to BT callers at 6.808ppm at all times	-£0.045	-£0.045	-£0.045	-£0.045
0871 charged to BT callers at 7.659ppm at all times	-£0.0535	-£0.0535	-£0.0535	-£0.0535
0871 charged to BT callers at 8.51ppm at all times	-£0.062	-£0.062	-£0.062	-£0.062
03xx charges vary according to plan and time of day see below	£0.005	£0.005	£0.005	£0.005
<i>Number</i>	<i>Daytime Mon-Fri 07:00—19:00</i>	<i>Evening/Night Before 0700 &amp; After 1900</i>		<i>Weekend</i>
0845 inside calling plan up to 1 hour	0	0		0
0845 inside calling plan over 1 hour	2.042	0.51	Same rates apply—time depending	
0845 outside calling plan	2.042	0.51	Same rates apply—time depending	
0845 identified as through Internet service providers & calling cards but customer has calling plan	2.042	0.51	Same rates apply—time depending	
0845 no calling plan	4.032	1.021		1.021
0870 no calling plan	8.076	4.032		1.524
03XX inside calling plan	As per 0845 details	As per 0845 details	As per 0845 details	
03XX outside calling plan	As per outside calling plan details for 0845	As per outside calling plan details for 0845	As per outside calling plan details for 0845	

## Written evidence from the Public and Commercial Services Union

## HMRC CUSTOMER SERVICE

1. PCS, the Public and Commercial Services union, is the largest trade union in the civil service, representing over 250,000 members including over 50,000 workers in HM Revenue and Customs.

2. As part of the SR10 Spending Review HMRC are required to achieve 25% savings by 2015. Reinvestment in HMRC to tackle avoidance and evasion also featured as part of the settlement however no investment was made in the Personal Tax Directorate—the public face of HMRC for UK citizens.

## PERSONAL TAX DIRECTORATE SERVICE DELIVERY AND STAFFING

3. This has meant that significant budget cuts must be achieved in Personal Tax to achieve savings which can then be recycled elsewhere to tackle avoidance and evasion. As a result there has been no recruitment of permanent or additional staff since 2010. Instead, there has been a reliance on a temporary workforce to mask the cuts in permanent staffing. The total workforce has reduced from 23,675 full time equivalent (FTE) as of 31 May 2010 to 20,815 as of 31 May 2013, of which 3,074 FTE are temporary.

4. The loss of nearly 3,000 posts since the SR10 period began has had a significant impact on the PT Operations service delivery. HMRC has been criticised for the poor performance in its Contact Centres—where millions of calls go unanswered every year and taxpayers are often unable to get through at all at busy times to receive help with their tax affairs and benefits.

5. Even with the redeployment of thousands of other PT Operations staff onto call taking work and the retention of approximately 1,000 additional temporary staff to bolster performance PT Operations are still unable to deliver against their commitments to improve performance. PCS believes that the target of 90% call attempts handled for the 2013–14 financial year is unattainable with current staffing levels. This appears to be supported by HMRC's own performance reports, which show, for example, that on the Tax Credits Renewal deadline day (31 July 2013) HMRC were unable to answer 89.74% of incoming calls on that line of business.

6. At the same time that HMRC is focussing efforts on improving Contact Centre performance, they are also releasing staff from other areas of Personal Tax Operations which is also causing backlogs. The “post on hand” (the department’s measure of customer correspondence still awaiting a response) is increasing and reaching critical levels, beyond which it may become unrecoverable.

7. The Public Account Committee have previously criticised HMRC for having nearly 1 million items of post on hand but we are not far away from reaching this point again. Work management items (updates and corrections to taxpayers records) are also increasing and we fear that this is storing up problems for a later date, such as we saw when HMRC got behind with reconciling previous years PAYE cases (known as open cases).

8. It is HMRC’s intention to release all staff currently employed on fixed term contracts before the end of this financial year. This will amount to a further 3,800 job cuts (3,000 FTE) over and above the 3,000 already lost since SR10 began. HMRC are also allowing natural wastage amongst the permanent workforce and sideways transfers of staff into other areas of HMRC.

#### NEEDS ENHANCE SUPPORT PILOT—CLOSURE OF ENQUIRY CENTRES

9. This poor level of performance is particularly concerning when considered in the context of the new delivery model for face to face advice and support for taxpayers currently delivered through the UK network of 281 Enquiry Centres and staffed by 1,300 employees.

10. The new operating model being piloted in the North East (also known as the Needs Enhanced Support pilot), would see the closure of the Enquiry Centre network in early 2014 and all customers including those that need extra support will be required to seek advice and support through the Contact Centre help lines. Customers that require “needs enhanced support” will only be referred to a specialist telephony team if it is identified on the initial call and only a face to face appointment by a specialist mobile advisor if HMRC deem that this is absolutely necessary. The two month pilot performance report has shown that just 87 customers managed to obtain a face to face appointment compared to 2,182 over the same period in 2012.

11. Three months into the pilot HMRC are yet to find solutions for unemployed and low paid customers disenfranchised by the new model because they either do not have a telephone, internet access or cannot afford the cost of calling a Contact Centre. Neither have they tackled the issue of the lack of internet and mobile phone coverage in the some parts of the UK, particularly affecting large areas of Wales and rural areas elsewhere.

12. PCS is concerned that if taxpayers are unable to even get through to the Contact Centres because they are rejecting a high proportion of incoming calls and their local Enquiry Centre is closed—customers, particularly those who need enhanced support, will be unable to obtain the support and advice they need. This significantly increases the risk of fraud and error and the consequent loss to the exchequer and could leave vulnerable taxpayers without any access to help and support with their tax affairs.

13. PCS maintains that it is impossible for HMRC to achieve the cuts expected under the Spending Review and to deliver an acceptable service to taxpayers. These concerns reflected in a National Audit Office report published in the 12 December 2012 <http://www.nao.org.uk/report/hm-revenue-customs-customer-service-performance/>.

14. If pressed by the Public Accounts Committee, we believe that an honest assessment by HMRC would have to be that an acceptable service to taxpayers can only be delivered if staffing in PT Operations is significantly increased.

#### HMRC’S DIGITAL VISION

15. The Government Digital Strategy was published in November 2012 as part of the Civil Service Reform plan and champions “Digital by Default” as a way of realising savings. HMRC has been specifically identified as a government department to develop digital strategies. Whilst the HMRC strategy is still being developed, four areas have been identified for focus. These are: PAYE Online, Paperless Self Assessment, Tax for my Business and Agent Online Self-serve. We believe that HMRC’s digitalisation will have a huge impact on jobs but will not improve the service to the customer or increase tax compliance.

16. We are concerned that some areas of the UK will be disenfranchised by the digital by default agenda due to the absence of or low internet and mobile coverage in certain areas.

#### SUGGESTED QUESTIONS

- What performance has been achieved year to date for Personal Tax against its targets?
- What performance do Personal Tax expect to be able to deliver by the end of the year if staffing levels do not change? How does this compare to target?
- What performance do Personal Tax expect to be able to deliver by the end of the financial year if staffing cuts continue as planned? How does this compare to target?
- Has an assessment been made of the staffing levels that would be necessary to meet all targets by financial year end?

- The two month pilot performance report on the proposed new model for providing customers with advice and support for their tax affairs shows that 87 customers managed to obtain a face to face appointment compared to 2,182 over the same period in 2012. PCS is concerned that some customers are choosing not to engage with HMRC under the new model and this is likely to affect tax compliance. How do HMRC intend to increase the number of customers securing a face to face appointment during the last two months of the pilot? If the numbers cannot be significantly increased what is HMRC's estimate of the amount tax that will fail to be collected and benefits unclaimed if the decision is taken to roll out the model nationally?
- Currently, customers are able to use the free phones and free internet service available in Enquiry Centres. How will HMRC ensure that unemployed or low paid customers are still able to seek advice and support on their tax affairs and entitlements under the proposed model to replace face to face services if they don't own a telephone/computer or can't afford the cost of a call?
- It should be noted that a significant number of staff have been redeployed to customer facing work in Enquiry Centres as a reasonable adjustment to support a disability as they are unable to do telephony work. Accepting that the majority of these staff will not be able to be redeployed into Contact Centres and will generally be difficult to redeploy, how many job cuts do HMRC estimate will need to be made if the new model to replace Enquiry Centres is rolled out nationally?
- How does HMRC intend to resolve the fact that some areas of the UK will not be able to access the proposed new model to seek advice and support on their tax affairs and entitlements due to the absence or low internet and mobile coverage in certain parts of the UK?
- What are the staff implications on Personal Tax staff numbers in processing and contact centres once digital by default has been rolled out?
- How does HMRC intend to resolve the potential of some areas being disenfranchised by the digital by default agenda due to the absence of or low internet and mobile coverage in certain parts of the UK?

30 August 2013

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### Written evidence from Ofcom

#### SUMMARY AND KEY MESSAGES

- Ofcom has concerns that the way that non-geographic calls are being priced by some operators is leading to considerable uncertainty and confusion and, in some cases, real consumer detriment.
- Alterations to the European regulatory framework for telecoms have enabled us to propose significant changes to the non-geographic calls market so that is more transparent and predictable for consumers. We are proposing that:
  - 080 numbers will be free-to-caller from mobiles as well as fixed lines; and
  - a consistent and clear tariff structure (which separates out the costs of calls into an "access charge" and a "service charge") will apply to the other non-geographic numbers -084, 087, 09 and 118.
- These changes are complex and far reaching and, consequently, we have consulted extensively to ensure that they are soundly based and understood by participants at all parts of the value chain.
- Our policy position was published in April and, following the expected publication of our final statement this autumn, will be implemented over an approximately 18 month period.
- It is not Ofcom's role to advise public or private sector users of non-geographic numbers which ranges and price points they should adopt.
- Nevertheless, we are undertaking an extensive communications programme with both private and public service providers so that they understand the impact of the changes and what their options are.
- For the public sector, we wrote to permanent secretaries of Government departments in April advising them of the changes and seeking contacts for more detailed briefings which have now been completed with most departments.
- We are now extending this contact programme to the devolved administrations and local government.

#### *What is Ofcom's role in numbering?*

Ofcom has a number of duties in relation to numbering. We manage the UK's numbering resource (through publication of the National Telephone Numbering Plan)<sup>1</sup> and set out several requirements on communications providers in relation to the allocation and adoption of telephone numbers.<sup>2</sup>

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<sup>1</sup> <http://stakeholders.ofcom.org.uk/binaries/telecoms/numbering/numbering-plan201212.pdf>

<sup>2</sup> Through the General Conditions—primarily General Condition 17, available here: <http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/>

Ofcom does not have the power to direct organisations to use particular number ranges for their services. Therefore, beyond the need to be consistent with the requirements in the Numbering Plan, the choice of number range for any given service or organisation falls outside Ofcom’s regulatory duties and is a matter for the organisation concerned.

#### *Why is Ofcom making changes?*

Ofcom is currently undertaking a major review of non geographic numbers—these are numbers such as 0845, 0870 and 0800. As part of this review we have concluded that the current system for non-geographic calls is failing consumers. The lack of transparency in the pricing of these calls has given rise to considerable confusion surrounding their purpose and cost. This has reduced trust in these services, and led to consumers making fewer calls and sometimes going to great lengths to call organisations in other ways, possibly at higher cost or inconvenience (eg going to banks rather than calling or delaying dealing with service faults).

We have also identified particular concerns about the impact of higher charges for these numbers from mobile phones on lower incomes groups who are more likely to live in mobile-only households, typically using pre-paid mobile services—15% of households are mobile-only and this increases to 26% in the DE socioeconomic groups.<sup>3</sup> These groups therefore face more costly charges to call essential services on non-geographic numbers, such as some benefit offices, councils, utility services and doctor surgeries. This risks excluding these consumers, some of whom will be on lower incomes or benefits, from access to these vital services.

There are also problems in the wholesale supply of services. We have been presented with a series of disputes (and legal appeals of those disputes) about charges that companies are levying on each other within the supply chain for the services. These disputes cannot easily be resolved without greater clarity on what the preferred outcome for consumers regarding these charges should be.

Furthermore, the existing regulations relating to these numbers apply primarily to BT and this is no longer sustainable in a market where BT is no longer in a dominant position and where calls are increasingly made with mobile phones rather than landlines (54% of all voice calls were made using a mobile in 2012).<sup>4</sup> Therefore the existing pricing messages (which can only provide a BT price) are not relevant to a significant proportion of consumers making these calls. For example, when advertising these numbers, companies can only refer to the following pricing message:

*“calls cost Xp from a BT landline, other providers may vary and mobiles may cost considerably more.”*

This means that if consumers want to know the actual cost of the call they will need to check with their individual provider in advance; something in reality that most are unlikely to do.

There is therefore a compelling case for substantial regulatory reform.

#### *What changes are Ofcom intending to make?*

To address the concerns outlined above, we intend to make fundamental changes to the structure of non-geographic numbers. We consider these changes will offer major benefits to consumers in terms of price transparency, encourage appropriate choices by companies, as well as encourage price competition and innovation in service delivery. We published our policy position setting out these changes in April this year.<sup>5</sup> In April we also wrote to the permanent secretaries of all government departments advising them of the changes and possible implications for their departments.

We are intending to implement:

- a requirement that 080 (Freephone) numbers are **free from all telephones** including mobiles;
- a new tariff structure for other non-geographic numbers (including all 084, 087, 09 and 118 numbers) where the charges will be “**unbundled**”. This will mean the caller can identify the revenue retained by the phone company (**the access charge**) and that passed on to the recipient of a call and its telephone provider (**the service charge**); and
- tariff principles which will simplify the structure of the access and service charges, and various transparency obligations for those charges, including a requirement for the service charge to be clearly presented whenever a number is advertised.

By applying a consistent, and clear, tariff structure to all 084, 087, 09 and 118 numbers we will also remove some of the existing confusion specific to 0845/0870 numbers. These numbers were historically linked to “local” and “national” call rates through regulation on BT. However, that link has fallen away over time, particularly with the changing role of BT in the market. Consequently significant confusion about the price of

<sup>3</sup> Ofcom, 2013 Communications Market report, p.353, [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK\\_5.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK_5.pdf)

<sup>4</sup> Ofcom, 2013 Communications Market report, p.333, Figure 5.24, [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK\\_5.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/UK_5.pdf)

<sup>5</sup> <http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-no/>

these numbers has developed—our changes will remove that confusion and will encourage use of the 03 range, which costs the same as calling a UK landline (see below).

*When will the changes come into effect?*

As part of the April policy position we also consulted on the amendments to legal instruments required to implement these changes (as well as some remaining aspects of our analysis). We intend to issue a final statement in the autumn.

These changes will require a significant amount of work to implement, particularly at the wholesale level, with communications providers having to make changes to their billing systems. In addition some companies may choose to migrate to alternative number ranges. We have therefore allowed an implementation time of 18 months. This means the changes are likely to come into effect in spring 2015.

We recognise that it has taken some time to reach a conclusion to this review. However, this is a very complex area and the changes will affect virtually every business in the UK, some very materially, as well as all telephone users across the country. We have therefore needed to make absolutely sure that the changes we were proposing were practicable, cost effective, and would achieve our aims of reducing consumer confusion and increasing transparency and competition.

#### IMPACT ON GOVERNMENT DEPARTMENTS

As mentioned above, following the publication of our policy position in April we wrote to the permanent secretaries of all government departments in April to advise them of our likely changes and ask that they nominate a named person to liaise with Ofcom to discuss the possible implications for their department. We heard back from and have since met with most, but not all departments and feel confident that those we have met understand the changes and what action they need to take.

No departments, or any companies, using these numbers will be forced to change their number. As noted above, it is not within Ofcom's powers to direct companies, or government departments, which numbers they can use for their services. Our primary aim in this review is to ensure that the charges for non-geographic numbers are made clear to consumers.

However, users of these numbers may decide that, in light of these changes, they would prefer to use a different number range for their service. In that case departments may look to complete any migration at the same time, or ahead of, the likely implementation of the changes in spring 2015.

Those departments that decide to remain on their existing number ranges will need to take the following into account:

#### The changes to 080

In order to make 080 numbers free from mobiles as well as fixed lines there will need to be an increase in the wholesale charges made between telephone providers for these calls. Therefore Government departments using 080 numbers will see an increase in the rate they pay on a per minute ("ppm") basis for receiving calls to their 080 number.

Currently the amount they pay for receiving calls (on a fixed line) is 0.5ppm plus any additional amount charged by their telephone provider for hosting the 080 number. When the changes to 080 come into effect, we expect the charge for receiving mobile originated calls is likely to be between 1.5–2.5ppm (again plus any hosting charges from their provider). The overall financial impact on the individual government department of this change will depend on how many calls they receive, as well as the proportion of fixed vs. mobile calls they receive.

We advise departments to discuss with their telephone providers to understand the likely impact of the changes on their costs.

#### Advertising the service charge for 084, 087 and 09 numbers

Any departments using these number ranges will be required to advertise the service charge applicable to their number where their number is advertised. For example this could be a message similar to the following:

*"This call will cost you 2 pence per minute, plus your provider's access charge."*

Departments will therefore need to ensure that this message is displayed on websites, printed literature, advertisements etc (there will not, however, be any requirement for a pre-call announcement to this effect). Departments will need to allow time within the 18-month implementation period to arrange for the re-printing or replacement of any materials to include this pricing message.



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## COMMUNICATING THE CHANGES

The changes we intend to introduce are significant. We recognise the central role that Ofcom has to play to both communicating the new regime, and in co-ordinating the communication activities of stakeholders. We will therefore be undertaking a major public awareness and industry information campaign.

We will be developing communication materials to help explain the changes, including setting up a dedicated website to provide advice to the public and industry. We will, for example, be sharing these materials with MPs (and devolved representatives) to help explain the changes to their constituents and some government departments have expressed keenness to provide links to our dedicated website on their own web sites to ensure consumers see consistent messages.

We have already begun a process of stakeholder engagement to ensure all parties are aware of the changes and start preparing for them. This engagement includes industry, consumer groups and companies using the numbers, including government departments.

This work is ongoing and will continue throughout the 18-month implementation period.

### Explanation of Revenue-sharing Arrangements

Revenue sharing is permitted on all non-geographic number ranges referred to above, with the exception of the 03 range which has been specifically designated in the National Numbering Plan as a range where the charges are linked to charges for landline numbers (01 and 02 numbers) and therefore revenue-sharing on this range is prohibited.

Revenue sharing means that there is additional revenue within the call, ie revenue beyond the normal telecoms costs of connecting a call. On the higher rated numbers such as 0871 and 09, this revenue sharing mechanism is used as a way of making micro-payments for services and companies using these numbers will receive a direct payment for each call they receive.

For the lower charged 084 numbers, however, revenue sharing does not necessarily mean that the company/department using the number receives a direct payment for each call. Instead the additional revenue in the call is often used to offset the cost of providing call handling services.

For example, for a department using a 03 number, they might be paying their telephone provider 1.5ppm for each call they receive. However, the same service provided on a 0845 number would cost them nothing. This is because the additional revenue in the call has been retained by the department's telephone provider to cover the call handling costs for the department (instead of the department contributing towards those costs).<sup>6</sup>

Under our proposed changes, the revenue-sharing element of the call (the service charge) will be directly visible to consumers, because companies/departments using the number will have to advertise that charge. There will, however, be no requirement to break down exactly how much of the service charge is retained by the telephone provider and how much goes directly to the company or department using the number.

### 03 NUMBERS

The 03 number range was introduced in 2007. It is designed to offer organisations a non-geographic number with national access to their services at call prices which are the same as geographic calls (with callers also being able to use their in-bundle minutes when calling these numbers).

The 030 sub-range is specifically reserved for not-for-profit organisations, charities and public bodies—Ofcom and a number of other public bodies use this range for their services, including the BBC and the Department for Transport. We have also reserved the 0345 and 0370 ranges for those organisations currently using 0845 and 0870 numbers who want to migrate to the same number on the 03 range. Some departments, including HMRC, have started to migrate their services to this range.

29 August 2013

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### Written evidence from Fair Telecoms

This briefing, individually and on behalf of the **fair telecoms campaign**, is to support the Public Account Committee in its inquiry covering the NAO report "Charges for customer telephone lines".

It presents a number of specific points which may be of value to the Committee in its considerations and the questioning of witnesses. We will be pleased to assist with further information, both in support of, and in addition to, that which follows.

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<sup>6</sup> Note the costs in this example are illustrative—actual costs depend on the organisation's individual contract with their telephone provider.

## SUMMARY OF POINTS

### *Ofcom and the unbundled tariff*

- The **Ofcom**-proposed “unbundled tariff” does little more than add transparency to the current situation, exposing the **Service Charge** and **Access Charge** components of the present bundled charge for calling 084/087/09/118 numbers, **confirming 03 as the “cost neutral” option**.
- **The Service Charge is fairly designated as The Telephone Tax** when imposed for accessing a service funded by taxation.
- **Ofcom’s** progress is being impeded by the telecoms industry—notably EE.

### *The BT anomaly*

- For a variety of reasons, **BT** call charges are unusual and highly unrepresentative of the calls market as a whole, of which **BT’s** share is less than 25%.
- **BT** should not be used as the general case. **“BT rates may vary from those of other providers”**.

### *The cost of a normal telephone call*

- Those who will be considering the necessary move to 03 numbers need a clear view of the saving to callers that will be achieved. (The **NAO** report figure is little more than indicative.)
- **DWP** currently argues that there will be no saving!
- The **Cabinet Office** needs to lead the work that has to be done to determine a fair figure for the average/normal cost of calling a geographic rate (01/02/03) number.

### *03 vs. 080*

- We argue that 080 (“freephone”) numbers should only be used when it is accepted that their use may be providing an unearned bonus to telephone companies.

### *Customer Service Lines—Consumer Rights Directive*

- Forthcoming regulations will prohibit businesses from using 084/087 numbers for customer service lines for businesses, but they will not apply to the public sector.
- **DWP** and **Citizens Advice** have pointed out that they do not need to consider this regulation.
- Is the government (along with its agencies and contractors) keen to be seen to be doing to its customers what it prohibits businesses from doing to theirs?

### *HMRC as a positive example*

- Following much campaigning effort, **HMRC** has accepted that the **Telephone Tax** is improper and withdrawn it, delivering this benefit to tax-payers ahead of those in “vulnerable groups”.

## OFCOM AND THE UNBUNDLED TARIFF

It is important to understand that Ofcom’s proposal for the “unbundled tariff” represents nothing more than what is necessary to bring transparency to the situation that has always existed for with the number ranges covered—084, 087, 09 and 118.

Charges for calls to these numbers consist of two elements:

SERVICE CHARGE	ACCESS CHARGE
To the benefit of the person called, paid via their telephone company	To the benefit of caller’s telephone company, retained by them

When “unbundled”, each will be declared separately by the respective party.

03 numbers will remain as the only non-geographic numbers charged at the geographic rate (ie that for calls to 01/02 numbers—distinct rates for “local” and “national” calls being long gone.)

We believe that a **Service Charge** (imposition of which is a consequence of choosing a 084/087 number) is only acceptable where it is declared and justified. When it is imposed by a provider of services funded by taxation, we refer to it as the **“Telephone Tax”**.

### *Level of Telephone Tax*

Ofcom confirms that the present levels of **Service Charge/Telephone Tax** are equivalent to the following (VAT inclusive) amounts:

- All 0845 numbers—2p per minute.
- 0844/3 numbers—up to 7p per minute (according to the particular number).
- 0871/2/3 numbers—up to 13p per minute (according to the particular number).

The 0870 range currently has no Service Charge associated with it, however **Ofcom** proposes for this to return.

The 03 range will continue to be free of Service Charge. It will remain under regulation ensuring that calls are subject to no greater charge than that for calling a geographic (01/02) number, including the terms of inclusive packages and bundles.

#### *Level of Access Charge*

At present, the level of **Access Charge** may be derived by subtracting the **Service Charge** from the “bundled” rate given under the tariff. This gives a wide variety of rates. Under the “unbundled tariff” telephone companies will have to set and declare a single rate of **Access Charge** for each tariff across all number ranges (084/087/09/118).

Whilst **Access Charge** levels are significant for many landline call providers, the greatest levels are seen from mobile providers. In many cases there is a single bundled rate for calls to all 084/087 numbers, set at 35p, 40p and 41p per minute for some leading providers.

This means that the **Access Charge** on some calls to 0845 numbers is 39p per minute.

#### *Implementation of the “unbundled tariff”*

**Ofcom** is currently preparing a response to its consultation on firm proposals for the regulatory measures to implement the “unbundled tariff”. Once this is complete, the regulations will be put in place, with an 18 month implementation timetable.

**Ofcom**’s progress continues to be impeded by extensive objections raised by some telephone companies—most notably **Everything Everywhere**. Many of us see these objections as largely spurious, being based on a desire to continue to profit from a lack of transparency and the consequent consumer confusion.

#### THE BT ANOMALY

Whilst **BT** remains as the largest single provider of telephone call services, it only operates in the landline market (less than 50% of the total) and now has a share of only around 40% of that market.

**BT** still however remains subject to regulation of its charges for calls to 084/087/09/118 numbers. This regulation effectively prohibits it from adding any **Access Charge**. For this reason, it is commonplace for the charges levied by **BT** to be quoted, with the comment “others may vary”. Because other providers are able to add an **Access Charge**, the **BT** rates are guaranteed to be the lowest (barring those who may offer such calls at a loss).

Because **BT** rates for calls to geographic numbers are unregulated, there are cases where the unregulated cost of call to a geographic number is greater than that of an equivalent call to a 084/087 number. This applies in cases where a caller incurs a “**penalty charge**” for making a weekday daytime call under the terms of a Call Plan which covers only Weekend and perhaps Evening calls. (Only the highest rated two groups of “Premium Rate Service” 087 calls are now more expensive than an “out of plan” weekday daytime call to a geographic rate number.)

Yet further confusion arose in January 2009 when, perhaps on misreading **Ofcom**’s future intentions, **BT** began collecting the **Service Charge** on calls to 0845 numbers from all call plan subscribers, so as to make these calls inclusive. This was done alongside the same move in respect of 0870 calls, however **Ofcom**’s intention to abolish the **Service Charge** for 0870 was completed in August 2009.

There are many complex points to discuss around the issue of **BT** and 0845 calls. The essential point with this, as with the other points made here, is that **the case of BT is highly anomalous**. When considering call charges in general it is fair to reverse the common phrase—“**BT rates may vary from those of other providers**”.

It is perhaps worth noting that the special regulation of **BT**’s charges, known as “the NTS retail condition” will not exist under the “unbundled tariff”.

#### THE COST OF A NORMAL TELEPHONE CALL

We are very concerned at the amount of debate and policy work that is being undertaken without a clear shared understanding of what “people” actually pay to make particular types of call.

Published tariffs are used to give ranges of costs that may be incurred, however these give no indication about where the “norm” lies. There are some published figures about the volumes of broad categories of call handled by various providers, but these are not precise enough to enable meaningful estimates of average/normal costs to be derived.

Some years ago **Ofcom** commissioned work on the “Flow of Funds” associated with calls to non-geographic numbers, however this is admittedly incomplete and focussed on a number of internal industry issues. Most significantly this did not address calls to geographic numbers, so as to provide the comparison that many seek.

The **NAO** report which prompts this inquiry attempts to suggest an amount that would be saved by callers on a move from 084/087 to geographic rate (03) numbers. There is however no clear published basis for the figures given, so as to enable a meaningful determination to be made for a particular case.

**Most calls from both landlines and mobiles to “geographic rate” numbers incur no call charge.**

Both landline and contract mobile telephone services are provided with call inclusive “plans” or “bundles”. These may be limited by time of day or volume, however the penalty charges incurred for exceeding these limits ensure that consumers select only an appropriate plan and “*generally*” remain within its terms. (The word “generally” needs some clear understanding.)

**BT** confirms that its “Unlimited Anytime” call plan is the most widely used. Its “penalty charge” for a non-inclusive weekday daytime call to a geographic rate number has doubled over the last four years—confirming these calls as exceptional. The same trend may be observed for other providers. Even regular subscribers on PAYG mobile packages now typically benefit from a bundle of calls. The distinction between “pre-paid” and “post-paid” no longer applies to calls to ordinary numbers.

It may be fairly argued that any individual inclusive call is “free”; it is certainly free of a call charge. **Sadly, there is no specific evidence to show what proportion of calls made are inclusive**, as against those which are subject to a penalty charge—because the terms of a plan or bundle are being exceeded, or those made under the terms of a tariff without any inclusive calls.

The **Cabinet Office** is currently focussed on securing good deals for migration to 03 numbers. If however Departments and others are to make this move, they must be convinced of the benefit which this will provide to callers. **DWP** has long argued that it would be of no benefit!

We see it as essential that there is strong evidence to show the extent of the saving to be achieved by callers on migration to 03, to set against whatever cost may be incurred as a result of the loss of the subsidy obtained through the **Telephone Tax**. We believe that this may be best achieved by the **Cabinet Office** working with **Ofcom** and the telephone companies to obtain the relevant data and produce some meaningful *aggregated* figures, respecting commercial confidentiality.

Having previously worked with the **Contact Council** and currently being engaged helping NHS England, we have offered to assist the **Cabinet Office** in this work.

#### 03 vs. 080

Under Ofcom’s proposals, all calls to 03 numbers will continue to be charged at the same rate, if any, as calls to 01/02 numbers. In most cases this means that there is no call charge.

The present option to charge for calls to 080 numbers (assuming that a pre-call announcement is made) will be removed. In effect, this will mean that users of 080 numbers will bear the full cost of all calls made, including those from mobiles. (DWP already does this, by special arrangement.)

We believe that, in normal circumstances, it is reasonable for a telephone caller to meet the normal costs associated with using the telephone, in the same way that someone accessing an online service meets the costs of a broadband connection and owning a suitable device. Calls to 03 numbers are included in the Call Plans and bundles, which represent the way in which normal call costs are generally covered. Users of 03 numbers do not meet any of the costs incurred by callers.

We believe that there are some services for which it is imperative that the caller incurs no call charge in any situation, eg when on a PAYG tariff, or calling outside the terms of their selected call plan. If a 080, rather than 03, number is used to meet this requirement, in cases where the caller could have called a 03 number at no charge, their telephone company is benefitting at the expense of the public purse, whereas there is no benefit to the caller.

We believe that this effect should be recognised and accepted only in important cases, by use of 080 numbers. In general we argue for use of 03, where a non-geographic number is required.

Informed decision making on this point again requires the understanding referred to in the point above. It is vital to have a fair idea of what proportion of calls to a 03 number are free of charge.

#### CUSTOMER SERVICE LINES—CONSUMER RIGHTS DIRECTIVE

On 6 August **BIS** published draft regulations which will implement provisions of the Consumer Rights Directive.

Under the provision covering numbers used **for customer service lines, businesses will only be able to use basic rate and freephone numbers. Use of 084/087/09 numbers will be prohibited.** Certain business sectors

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may be excluded from these provisions (BIS is taking comments on this), but they will not cover government and other public sector services.

We note that **DWP** and **Citizens Advice** have both commented that because they are not covered by these regulations, they need have no regard for them. We argue that it may be seen as improper for a government to prohibit businesses from doing to their customers what it is content to do to those it calls its “customers”, and allow its agencies and contractors to do the same.

It would be somewhat ironic if someone were to call the **Citizens Advice consumer helpline** (operated under contract to the government) **to complain about a business using a 0845 number for a customer helpline, in breach of this regulation. To do so they would call 0845 4 04 05 06!**

#### HMRC AS A POSITIVE EXAMPLE

In 2008 I was invited to join a **HMRC** Working Group looking at its use of 0845 telephone numbers. I proposed and argued for an immediate switch to the 03 range. Sadly my arguments were pushed aside by a representative of **Citizens Advice**, who argued for the retention of 0845 numbers for enquiries—the position taken by **DWP**. I understand that the issue went no further at that time. Indeed, as the person responsible for the **DWP** telephone number policy had recently been appointed as Chief Executive of **HMRC** one expected little to change.

In 2010–11 a Treasury Select Committee inquiry into the “Administration and effectiveness of **HMRC**” addressed the issue again. I presented evidence to the inquiry and briefed members directly on taking evidence from the Chief Executive. Despite criticism in the Committee report, no action was taken until after the same points were made in the **NAO** report of 2012.

We shared the delight of the Chairman of the Committee at the news that **HMRC** has finally decided to switch from 0845 to 03, when it was delivered to the Committee in January. This work has now largely been completed.

The Committee will doubtless be keen to hear from **Ruth Owen** about how this decision was taken at **HMRC**. Her experience in previously carrying out the same role for **DWP** will be of benefit. Many of us will be keen to know why **HMRC** believes that it is not right for it to impose the Telephone Tax on its customers, whilst **DWP** takes a different view.

One notes the different profile of the typical tax-payer as against that of the typical customer of the **DWP** agencies. **HMRC** migrated the number for its Tax Credits helpline from 0845 to 03 in early 2012, well ahead of the general move.

Whilst one cannot resent all tax-payers being relieved of the **Telephone Tax**, a look at the list of those in “vulnerable groups” who are still paying it (in Figure 15 of the **NAO** report) may cause concern about a sense of priority.

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