Building Capacity

Final Report

November 2013

1. Background

One of the key challenges facing Personal Tax is improving the service we offer our customers against a backdrop of compressed budgets.

Although performance is improving, greater flexibility in our future operating model is required to enable HMRC to target resources more precisely and efficiently towards those periods when currently there are more calls than our Contact Centres can handle to the required service standard. The use of external suppliers to help manage peaks alongside in-house resource is recognised as industry best practice. It is common in the private sector, as well as being used by several government organisations.

In January 2010, the National Audit Office (NAO) published their report; HM Revenue and Customs: Handling telephone enquiries. In the report, NAO made recommendations on improving the efficiency of how HMRC staff are used. They reflected, 'Until recently the Directorate aimed to staff its contact centres to capacity to meet growing demand. The Department does not reach industry best practice in terms of call attempts answered and staff utilisation, and performance deteriorates during peaks in demand. The Department should consider different ways of working to manage demand during peaks, including outsourcing…" .

The Building Capacity Project was initiated in response to the NAO report. A trial using two private sector providers began on 6 February 2012 and finished on 5 February 2013.

2. Aims and Objectives

The primary objectives of the trial were to:

1. Establish whether HMRC and third party suppliers had the operational capability to work together to deliver a service to customers within its legal and administrative framework, without compromising departmental standards;
2. Evaluate the benefits and issues of using a third party supplier – the associated costs and financial, performance and customer experience impacts;
3. Further develop HMRC's thinking around peak management and future operating models – is the use of third party suppliers a viable option; and
4. Provide an opportunity to learn from other contact centre operators, adopt best practice and develop an understanding of the skills and tools used by suppliers and how they could contribute to HMRC performance.

3. Location and Scope

Following an open procurement exercise in November 2011, HMRC appointed two suppliers to take part in the trial.

The suppliers were each provided with 90 desks in fully equipped accommodation in two HMRC Contact Centre locations; one supplier in Lillyhall, the other in Bathgate.

Each supplier operated as a stand-alone unit with its own culture, management structure and performance management tools in place. They followed all HMRC processes and security requirements.

HMRC provided the suppliers with IT hardware, telephony, routing and access to the necessary IT systems to enable them to handle the full range of calls from customers about Tax Credits.

HMRC stipulated that the suppliers should follow HMRC's operating model in order to compare performance on a like for like basis, where possible. Consequently, the suppliers did not have the discretion to implement their own operating models or adopt new approaches to the work. As a result, the trial presented only limited opportunity to learn from the external providers' methods of working, including, in particular, any innovative ways of working not already used by HMRC.

4. Recruitment

Once appointed, the suppliers assimilated the requirements of the trial quickly, mobilising effective and responsive implementation teams. After a short lead time, they each began their initial recruitment campaign in early December 2011, which was successfully completed in 6 weeks. This was a challenging timescale, made more challenging by the fact that it overlapped the Christmas holiday period. Furthermore, the suppliers were required to follow the HMG Baseline Personnel Security Standard (BPSS) for recruitment. Although the BPSS was new to them, its requirements were well understood by the suppliers and a high level of compliance was achieved.

Each supplier recruited around 70 staff (advisers, team leaders and support staff) in readiness for training starting on 16/17 January 2012 followed by go-live on 6th February 2012. Recruitment continued steadily in 8-9 tranches through to August 2012 when staff on both sites peaked at around 95 FTE.

5. Training, Coaching and Ongoing Support

As part of the tender process, it was agreed that HMRC trainers would train the suppliers' trainers who would, in turn, train their own advisers.

Both suppliers used HMRC's training material to develop their training and support strategies. Without altering the key content, each supplier re-worked the HMRC material to suit their particular needs, method and style of delivery.

The Train the Trainer programme began in December 2011 and continued into January 2012. At the end of the programme the suppliers' trainers conducted a 'Teachback' session to HMRC trainers to test their knowledge of material and proficiency in delivery. The sessions demonstrated effective assimilation of the training material by the suppliers' trainers. As a result, both the suppliers and HMRC were assured that the training standard demonstrated was fit for purpose.

At the start of the trial, the suppliers had to build the capability of their advisers, managers, trainers and quality support staff simultaneously to deal with the full range of calls about Tax Credits. They rose to the challenge, with ongoing HMRC support and demonstrating a strong focus on continuous improvement in order to drive performance upwards.

6. Resource Requirement and Scheduling

Each supplier was provided with the same schedule setting out the number of productive hours they were required to supply over the period of the contract. The resource profile was determined by the forecast profile of calls received during the annual Tax Credit cycle, matching its peaks and troughs accordingly. This enabled the suppliers to demonstrate their flexible approach to resourcing; increasing staffing numbers to cover peaks and then reducing numbers as demand reduced.

The suppliers produced their own staffing shift schedules in order to deliver the required hours, using a range of working patterns to meet their needs.

The full range of Tax Credit call types were routed to the supplier staff using an 'under-flow' model. This meant that for routing of calls, calls were routed to the suppliers' staff first and then routed to HMRC advisers when all supplier advisers were busy.

Towards the end of the trial the number of hours to be provided by the suppliers was increased slightly from the original baseline to reflect an increase in HMRC requirement. Both suppliers were happy to accept this change.

7. Key Performance Indicators (KPIs)

Supplier achievement was measured against three KPIs:

- KPI 1: Average Call Handling Time (ACHT);
- KPI 2: Utilisation (Productivity); and
- KPI 3: Quality.

They were set transitional KPIs to be achieved during the first two months and then required to achieve HMRC's target KPIs from month three onwards.

8. Results

KPI 1: Average Call Handling Time (ACHT)

Towards the end of the trial, the suppliers' combined average call handling time of 9 minutes and 13 seconds was consistently higher than HMRC's time of 7 minutes and 1 second. On review, there were a number of reasons for this.

The performance pattern observed regularly showed an increase in ACHT aligned with the arrival of new recruits, reducing as the advisers gained experience over time. Consequently, due to the multiple tranches of recruits, and the resultant impact on ACHT, achievement of the target KPI during the trial proved difficult for both suppliers.

By comparison, without the challenge of ongoing recruitment, HMRC performance held consistently around the target call handling time.

Suppliers also sought to balance customer service levels with the complexity of the scripts and processes to be followed, which meant that their advisers generally took longer to handle a call.

KPI 2: Utilisation (Productivity)

During the trial, three different productivity KPI's were measured. These targets applied to both HMRC and the suppliers.

The suppliers achieved a higher agent utilisation rate than our internal centres (82% compared with 78%), although they missed the KPI we set them at 83.9%.

However, it is not possible to compare supplier performance directly with HMRC due to a number of factors:

- calls were underflowed to the suppliers;
- the nature of the contract, where suppliers were only paid for time spent taking calls (or waiting for calls) may have driven different behaviours; and
- there were differences in the way the productivity KPIs were calculated for both HMRC and the suppliers.

There is also no direct comparison between the productivity of the two suppliers as they both used different staffing models. For example, one supplier's results were sometimes higher than the other due to a practise of offering additional working hours to staff to cover sick absence and also overtime. This allowed an adviser to deliver more than 1 x Full Time Equivalent (FTE) standard hours and hence more than 100% productivity.

The suppliers answered approximately 1 million calls in total throughout the period of the trial.

KPI 3: Quality

The full range of Tax Credit call types were routed to the suppliers' staff.

The suppliers' performance against all of the quality measures improved considerably during the trial period and by the end of the trial reached a combined average of 91.55% compared to 99% in HMRC. As with ACHT however, the ongoing cycles of recruitment, requiring regular coaching of new recruits from more experienced staff, periodically impacted overall quality performance and made achievement of the quality target difficult to deliver.

HMRC's Quality KPIs measure how accurately an adviser follows the guidance scripts. The suppliers were both unfamiliar with this approach to quality management and it impacted their scores when assessed using the HMRC marking system.

Both the suppliers and HMRC invested a considerable amount of time in both the continuous improvement and assurance of quality standards. The suppliers set up dedicated Quality Managers, invested heavily in coaching and HMRC put in place a Quality Support structure using Subject Matter Experts who worked directly with the suppliers' Quality teams.

9. Costs

The terms of the contract with the suppliers meant that HMRC paid their initial start up costs only when live call handling commenced. The start up costs reflected both the relatively short duration of the contract and the fact that the lead in time before taking calls was approximately 8 weeks.

The suppliers were paid an hourly rate based solely on the aggregate of time spent dealing with calls and time spent waiting for a call.

The unit costs (cost of handling one phone call) for each supplier were similar. It proved difficult to compare supplier unit costs to those for HMRC as the comparison is not like for like. Both suppliers' unit costs exclude their start up costs and contain all of their management costs, which are excluded from HMRC's model.

The supplier costs for the twelve month trial can only be taken as indicative for any future contract. It is likely that suppliers would negotiate a different pricing structure depending on the terms of the contract on offer, particularly in relation to contract duration.

10. Analysis of Results: Performance and Financial

In terms of performance, the trial requirements made it difficult to develop a like for like comparison with HMRC. In particular, ongoing tranches of recruitment served to impact supplier results on a regular basis. Interpretation of the results therefore proceeded with caution.

Although stronger than HMRC in productivity, both suppliers found the KPIs for Quality and ACHT more difficult to achieve. The supplier view of a good customer experience, based on a longer call, not driven tightly by script adherence, impacted their performance against the HMRC Quality and ACHT measures. In particular, their lack of familiarity with a quality management system based on compliance with guidance scripts impacted their scores against the Quality target and also made their calls longer.

The suppliers' higher productivity rates indicate an area of possible improvement for HMRC. However, the overall advantage, in unit cost terms, of better productivity was moderated through longer call handling times and the inclusion of management overheads, even though both suppliers paid their advisers less then HMRC and had higher management spans.

11. Lessons Learned

The general consensus from both HMRC and the suppliers was that achievement of KPIs could have been accelerated if the following had been implemented;

- Build a more effective understanding of HMRC's business during initial set up. For example, ensuring supplier understanding of the target recruitment population would have helped ease attrition and retain adviser experience;
- Allow suppliers more time to train their managers and consolidate learning before training the support staff and advisers who will be taking calls;
- Provide HMRC staff to deliver dedicated technical support on an ongoing basis after Go Live;
- Provision of a broader resourcing profile, matched to the main peaks and troughs, but requiring fewer recruitment tranches, so allowing more time to focus on KPI achievement rather than on recruitment and training
- Enable suppliers to work in a less constrained way, innovate and use industry best practise to maintain compliance rather than require strict adherence to HMRC's processes and guidance.

12. Conclusions

The objectives of the trial were met as follows:

1. The trial proved that HMRC can successfully procure private sector call handling services based on adherence to a fixed set of requirements.

2. The trial's findings were limited in that we required the suppliers to adhere to HMRC processes rather than enabling them to work innovatively. However, it still generated much insight into the contribution that private sector suppliers can make to the management of peaks of inbound call traffic;

- The suppliers' view was that, by requiring absolute adherence to HMRC's existing practises, we constrained them too tightly and limited innovation
- They found HMRC business more complex than anticipated, so increased investment in helping them understand the nature of the work during the initial set up period would have enabled them to better prepare.
- Building early supplier understanding of the target recruitment population, in line with the complexity of the work, would assist staff retention, retain adviser experience and accelerate KPI achievement.
- The requirement to match staff numbers to multiple peaks and troughs throughout the trial led to an ongoing cycle of recruitment, training and coaching. Less ramping up and down would have permitted increased focus on consolidation of learning, rather than on recruitment and training.

3. The trial demonstrated a number of areas of best practise, for example recruitment, resourcing and scheduling where HMRC could learn from the suppliers. The suppliers suggested that there are many innovations (including tried and tested ways of working) that they could bring to HMRC, including making more use of a first contact resolution model, better workforce scheduling and increased focus on customer service skills to complement the strong technical knowledge of HMRC's advisers.

4. The trial clearly demonstrated that while HMRC is capable of outsourcing contact centre work, the work is more complex and variable than the average contact centre business. Therefore, defining the right relationship with a private sector supplier, in order to achieve the right outcomes for both HMRC and its customers, is essential if further outsourcing is to be considered and this can be informed by the findings of this report.