

Public Bodies Customer Research

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Executive summary

TNS-BMRB was commissioned by HM Revenue & Customs to conduct a qualitative study exploring Public Bodies' experiences of their dealings with them. Specific objectives were set in order to understand the customer group and why they contacted HM Revenue & Customs; their current experiences and needs; drivers of satisfaction; and suggested priorities for improvement, including practical changes HM Revenue & Customs could make. The research comprised 50 qualitative telephone interviews with Finance Directors or Heads of Tax. These were conducted among five main types of customer: charities; government departments; NHS trusts; universities and Local Authorities.

Overall, variations in approach to tax management related to levels of internal tax expertise and human resource. Agents were used in two principal capacities: for annual audits, and for specialist advice.

Methods of contact depended on the nature of the query, and were made on an ad hoc basis throughout the year. For VAT issues, contact tended to be made to a named tax officer via email, and the website was used for generic information. The main reasons for contacting HM Revenue & Customs in relation to VAT were checking interpretations were correct; specific queries in relation to formal clearances; and when a significant under or over payment had occurred.

The HM Revenue & Customs website was used extensively for PAYE as a first port of call, or the helpline was called for specific questions which required an immediate response. Named tax officers were contacted where available and were highly valued, as a means to ensure that responses to queries were consistent.

Many customers felt it was too early to comment on their experience of customer relationship managers (CRMs), as these had been very recently introduced. A wide range of other sources of information and advice were used by participants, and the role of representative bodies was emphasised for provision of information, updates and seminars.

Varying perspectives on compliance reflected individual approaches and the 'culture' of their organisation's management of tax, but compliance was generally considered to be a principle as well as a practical necessity. Representative bodies also exerted a strong influence on compliance behaviours and understanding across the five customer groups.

In relation to advice and expertise, the helpline was found to be useful for day-to-day queries, but inconsistent advice caused participants to use other information sources for more complex queries. The website was praised for recent

improvements, particularly for universities, although the retrieval of specific documents could be time-consuming.

Views on the quality of advice provided by specialist tax officers varied a great deal. The style and tone used in HM Revenue & Customs' interactions and correspondence was considered excellent. Those with ongoing contacts praised their level of understanding of the organisation, as knowledge of their sector was important to the utility of the interaction. A single point of contact also ensured consistency of response, whereas officers around the country were found to give different interpretations. Continuous contacts could help to direct customers with complex queries and developed open, trusting relationships with them. Specialist expertise was particularly sought by organisations undergoing changes to help with understanding what was required of them. Preferences for levels of contact with CRMs were mixed.

Speed of response was generally considered fine, though resource constraints were found to have had an impact. Where delays occurred, participants suggested their impact would be greatly reduced if an alternative timeframe was offered and reasons for delays were given.

Drawing on customers' experience, four areas were identified as key drivers of compliance and satisfaction. These were directly related to suggestions for improvements.

Firstly, raising the profile of the Public Bodies Group within each sector through increased communications. This was hoped to increase familiarity and confidence in the service.

Secondly, the provision of open, early support through proactive, preventative explanations of changes to legislation. Seminars to prepare organisations for changes and the re-introduction of quarterly, sector-specific VAT bulletins and detailed, sector specific updates, was suggested.

Thirdly, continuity and trust in relationships, which hinged on consistency of contact, built over time. CRMs were encouraged to initiate closer contact, whilst clarity on channels of contact was suggested to increase confidence in HM Revenue & Customs' accessibility.

Fourthly, it was suggested that officers could share their experience and knowledge of the sector, and opportunities could be created to share experience of approaches to administration between organisations, such as responses to changes in legislation. For example, HM Revenue & Customs could maintain or increase their presence at meetings or events held by representative bodies, and dedicate sections on the website for each sector.

Introduction

TNS-BMRB was commissioned by HM Revenue & Customs to conduct a qualitative study exploring public bodies' experiences of their dealings with HM Revenue & Customs.

1.1 Policy background

In 2006, Sir David Varney undertook a review of the relationship between large business and HM Revenue & Customs, with the aim of addressing concerns about the nature of this relationship and the tone of engagement. The resulting report, *Review of Links with Large Business*, set out desired outcomes to benefit both large businesses and HM Revenue & Customs.¹ Underpinning these outcomes was a commitment for culture change within HM Revenue & Customs to equip staff with the range of skills, competencies and support needed to understand the perspective of large business.

In line with these developments, a new operational body was established within HM Revenue & Customs to provide a co-ordinated approach to managing the relationship with public bodies. The Public Bodies Group was set up in April 2008 with the aim of providing public bodies with a single point of contact, support and education, and to deal with non compliance. The primary focus of the Group is on Employer Compliance and VAT, although the unit also liaises with appropriate parts of HM Revenue & Customs for other tax issues relating to its customers including Corporation Tax. The Group's customers include: charities; local authorities; NHS trusts; government bodies; and universities.

The Public Bodies Group's allocation of customer relationship managers (CRMs) was underway at the time of research, so respondents were at different stages in their experience of CRMs. This ranged from three years' experience of CRMs, a notification within the last year, those awaiting notification or unaware they were to be introduced, and those who were not eligible for allocation.

1.2 Aims and objectives

The overall aim of the research was to explore Public Bodies customers' experiences of their dealings with HM Revenue & Customs. Specific objectives were set in order to:

- Understand the Public Bodies Group's customers, including why they contacted HM Revenue & Customs and drivers of tax behaviour;
- Explore current customer experiences, including key drivers of satisfaction;

¹ HM Revenue & Customs (November 2006) 2006 Review of Links with Large Business. Norwich: HMSO

- Explore customers' needs in relation to customer satisfaction and compliance; and
- Identify priority areas for improvement, including practical changes HM Revenue & Customs could make.

1.3 Methodology

The research comprised 50 qualitative telephone interviews with Public Bodies Group customers, conducted in the period September – October 2009. Interviews typically took place with either the Finance Director or Heads of Tax. The sample was primarily organised to include 10 interviews with each of the five main types of customer. These were:

- Charities;
- Government departments;
- NHS trusts;
- Universities; and
- Local Authorities.

Quotas were also set to ensure the sample included a spread of the following characteristics: allocation of a customer relationship manager (CRM); representation by an independent tax adviser (an agent); and interviewee responsibility for VAT, PAYE or both tax areas.

1.4 Report outline

The report findings are presented in four sections. Following this introduction, **section two** explores public bodies' tax behaviour, outlining their approaches to tax management in the use of agents and contact made with HM Revenue & Customs. It then considers customers' views on the priority of compliance to their organisation, and influences on their tax behaviour. **Section three** explores public bodies' experiences of dealing with HM Revenue & Customs, including: the quality of advice and expertise received; experiences and views on the channels of contact they used in communications; the style and tone of staff in interactions; and views in relation to speed of response are considered. Section four analyses customers' views and experiences in relation to the key drivers of customer compliance and satisfaction alongside suggestions for improvements in these areas. Finally, conclusions of the research are briefly considered in **section five**.

2 Public bodies' tax behaviour

This section explores the tax behaviour of public bodies involved in this research, including descriptions of their varying approaches towards tax management and key influences on tax compliance. These issues provide context for subsequent sections which go on to explore the experiences and needs of Public Bodies Group customers in relation to their dealings with HM Revenue & Customs.

2.1 Management of tax

Public bodies' management of their tax affairs was explored in relation to their internal resources and use of external agents, their contact with HM Revenue & Customs, and access to sources of tax information and advice.

Overall, variations in approach to tax management were strongly related to the variation in the level of internal tax expertise and human resource. In particular, universities reported an increase in the resources invested in staff and systems to ensure compliance in recent years. Similarly, the posts of several participants in the charity sector had been created with the aim of increasing internal expertise in VAT, but for other sectors there had been no recent change in their management of tax.

External agents and advisers were generally considered substitutes for a lack of either internal expertise or personnel. The varying extents to which organisations relied upon agents for advice largely reflected these internal resource differences. In the main, participants sought to minimise the use of agents and considered it preferable to build internal resource both to save costs and to retain money with the public sector, but attitudes towards the use of agents were mixed.

Agents were used in two principal capacities: for annual audits, a very common arrangement; and for specialist advice. Separate companies tended to be contracted for these roles, according to procurement regulations or skills sets. Organisations with little internal expertise in VAT or resource in personnel depended upon agents to represent them in all or the majority of their dealings with HM Revenue & Customs. This was the case for charities and local authorities in particular.

"...there's limited involvement of the company itself in dealings with HMRC- much of it is done at arm's length through [tax advisor]..." [Charity, VAT, No CRM].

Several NHS trusts used a shared provider of accounting services provider for PAYE, and assumed this was common practice.

"Any queries or anything like that, I don't have the knowledge here ...we literally just pay what they [the shared service provider] tell us to pay." [NHS, VAT, No CRM].

Those with greater experience tended to balance their own role with the use of advisers, and would liaise directly with HM Revenue & Customs, whilst highly experienced and qualified tax professionals felt able to resolve most issues themselves.

"We've always tried to make sure that we do it ourselves" [NHS, VAT, CRM].

In addition to audits, agents were also deferred to for advice on complex tax issues and transactions, such as in relation to Fleming Claims², or advice on new business models. Typically, participants would contact their agents for advice; and a specialist tax officer in HM Revenue & Customs for factual issues.

"If it's a fairly straightforward query then I don't think there would be any issues about phoning up or looking on the website, and asking for a specific piece of advice ... but we would refer anything technical to our tax advisers" [Charity, VAT, No CRM].

Methods of contact with HM Revenue & Customs depended on the nature of the query, and were made on an ad hoc basis throughout the year. For VAT issues contact tended to be made to a named tax officer via email, for convenience and creation of a record. Phone calls were also made for minor queries or to follow up email correspondence. Paper correspondence tended to be used by those who made rare contact and considered it a formal interaction. Helpline staff were not seen to have the sector specific information required to answer queries, so tended not to be used in relation to VAT. The main reasons for contacting HM Revenue & Customs in relation to VAT were to check interpretations were correct; specific queries in relation to formal clearances; and when a significant under or overpayment had occurred.

The HM Revenue & Customs website was frequently or intermittently used by all participants. It was used extensively for PAYE as a first port of call for clarification and access to general information, and for VAT in relation to generic information such as notices and exemptions. For issues which could not be answered through the website, such as clarification on benefits in kind and dispensations, the helpline was then called. Because these customers tended to require an

² In the Judgment of House of Lords in Michael Fleming t/a Bodycraft and Condé Nast, the House of Lords ruled that the three-year time limit on VAT claims could not be imposed on input tax claims relating to accounting periods ending before 1 May 1997. HM Revenue & Customs accepted that the terms of the judgment also meant that the three-year cap could not be imposed on claims for output tax overpaid or over-declared in accounting periods ending before 4 December 1996. This led to claims from many organisations.

immediate response, the telephone was used rather than email unless it was a query which needed to be documented.

Named tax officers were contacted where available and were highly valued. In the event of a query, customers tended to contact their specialist officer for VAT, or a known officer for PAYE in the first instance, including those customers with Customer Relationship Managers (CRMs). Over and above the CRM, contacts were also used as a means of ensuring consistency of responses to queries relating both to VAT and PAYE.

Contact with CRMs allocated in the past year varied according to the time of allocation, the approach of the CRM and customer preferences. Overall, there was limited experience and many participants felt their role and value had not yet been fully realised. For those undergoing risk reviews, the related discussions and visits had provided the opportunity to develop rapport, familiarity and open working relationships. Approximately six discussions or meetings over the year had commonly occurred with contact instigated in both directions.

Customers with previous experience of CRMs were confident in their understanding of the role. They were generally perceived as effective 'fixers' who could 'mend' or 'patch up' administrative errors or delays in the system, with the expectation they could be contacted if this assistance was required. For those without this experience, understanding tended to be lower. It was felt the role had not been adequately explained in the correspondence at the point of their introduction, and little subsequent contact had been made. Consequently, the reasons for the allocation, what the role entailed, and the implications for their organisation were uncertain and they hoped that a clearer explanation would be given. For others, minimal contact with their CRM was attributed to the few problems encountered which required their assistance.

A wide range of other sources of information and advice were used by participants. These included web-based forums, representative bodies' mailing lists and seminars, accountancy firms' updates and seminars, and print media. Participants administering VAT tended to emphasise the importance of representative bodies' forums for information, and to depend upon accountancy firms' provision of updates and seminars in advance of changes to legislation.

2.2 Views and influences on compliance

Many participants considered compliance to be a principle, as well as a practical necessity, driving their organisation's approach to tax management, as well as their perception of the readiness of HM Revenue & Customs to penalise errors following changes to penalties legislation. Government bodies and Local Authorities in particular referred to regulations regarding their status which meant they felt non-compliance was not a consideration.

*"As a civil service department we are obliged to abide by all the rules and regulations...compliance is a non-event, there is no question of not complying."
(Government body, VAT, no CRM)*

"As a public body, our financial regulations require us to be wholly tax compliant, and not to get involved with any tax evasion issues." [LA, VAT, CRM]

Less commonly, participants also felt driven by a competing duty to get the 'best deal' for their organisations by minimising costs in payment of tax. These differences in perspective varied across sectors and were seen to reflect individuals and the 'culture' of their organisation's management of tax. However, participants working in the NHS sector suggested there had been an increase in the number of 'ropey', 'high risk' tax opportunities being encouraged by accountancy firms.

*"It will always be there to a degree but it's quite a big degree at the minute."
(NHS, VAT, CRM)*

Within the higher education sector, participants reported a recent move towards closer working with HM Revenue & Customs within the sector as a whole, and a changing attitude towards high risk behaviour.

"Planning is a thing of the past, and we are very much more focussed on the costs involved and maximising the exemptions we're entitled to." (University, VAT, CRM)

All organisations were mindful of their public profiles and responsibilities to the tax payer or donor. Those most concerned with this issue described a consequent tendency to 'err on the side of caution' rather than risk public penalties and wasted resources. Charities in particular referred to an ethos, a 'social conscience' or 'conservative' culture which prioritised compliance and 'doing the right thing', and participants with previous experience in commercial organisations now found comparatively little pressure to maximise returns.

It was considered a practical necessity to avoid incurring heavy penalties. For this reason, organisations felt urged to ensure total compliance, as resources were considered too scarce to take risks. The effect of the economic downturn on approaches to compliance was not generally seen to have influenced approaches to compliance, but where mentioned, was seen to have further increased its importance.

Agents exerted a strong influence on approaches to compliance among organisations that relied on their expertise in a lot of their dealings. Among organisations with stronger internal expertise, approaches were guided by agents on complex issues such as the creation of business plans. Certain participants considered agents best placed to advise on their organisation's interests because

they would give them 'the best deal' for the organisation. In particular, those who doubted that HM Revenue & Customs was prepared to provide a 'balanced response' tended to base this view on previous negative experiences of resolving issues. This had led to wariness to enter into dialogue, particularly within the higher education sector, because of the exposure to possible problems during the next visit. Therefore, an agent would always be indispensable in providing a technical response.

Others felt their individual and organisational ethos differed to that of their agent. These participants affiliated themselves with the public sector as a whole, and felt their approach to compliance was not solely focused on tax minimisation. Rather, they preferred to work with HMRC to develop a joint understanding of the issues and to avoid the use of intermediaries.

work with HM Revenue & Customs to keep money in the public sector, and avoid money 'leaching' into commercial advisers hands.

Representative bodies exerted a strong influence on compliance behaviours and understanding across the five customer groups. Participants commonly cited membership of the bodies listed in figure 2, below. They were heavily utilised to inform approaches to compliance in several ways, including the dissemination of guidance and information on changes in the sector; seminars and conferences; the provision of forums for organisations to share practice; and through consultation with HM Revenue & Customs as both 'sounding board' and generator of policy ideas. HM Revenue & Customs' consultation with representative bodies was considered a fruitful and well-managed interface for sectors to influence policy, and a means for organisations to provide feedback on issues and needs arising.

"Basically if we hadn't those to call on, it would be much harder for us to make sure that we were being tax compliant" [Local authority, VAT, No CRM].

"It's just a good way of recording other people's experiences and being able to plan ahead for that, rather than finding out when it happens to you in 12 months' time" [University, VAT, No CRM].

Across sectors, changes to penalties legislation were seen to have increased the pressure on their organisation to ensure total compliance and avoid small mistakes.

"Now, I get the impression that Customs... are saying penalties must be issued in every applicable instance" [LA, VAT, CRM].

This was given as a reason why it was now more incumbent on organisations to use agents, as a safety measure to avoid penalties.

"From our point of view it's safer to do that than to go to customs and find yourself in some form of liability" [University, VAT, No CRM].

Figure 2: Membership of representative bodies

Charities	Govt depts	NHS trusts	Universities	Local authorities
<ul style="list-style-type: none"> Charities Tax Group Charity Finance Directors' Group 	(None mentioned)	<ul style="list-style-type: none"> Healthcare Financial Management Association 	<ul style="list-style-type: none"> British Universities Finance Directors Group Higher Education Tax Group 	<ul style="list-style-type: none"> Chartered Institute Public Finance Accountants

3 Experiences of dealing with HM Revenue & Customs

This section explores participants' experiences and views on their contact with HM Revenue & Customs, both to meet their needs and support compliance. It begins with views on the quality of advice and expertise provided; considers issues relating to channels of contact used for interacting with HM Revenue & Customs; the style and tone of communication; and speed of response. These themes reflect the issues prioritised by participants in discussions of their experiences.

3.1 Advice and expertise

HM Revenue & Customs' advice and expertise were discussed in relation to the helpline; the website; other communications; and to that received from specialist tax officers.

The helpline was considered useful on a day-to-day basis for PAYE queries or simple general points for VAT. These 'mundane' issues would give quick responses and could be answered by relatively junior staff, and much of this material could also be found on the website. The helpline was not considered useful for issues beyond this generic information, as it was seen to employ staff of variable levels of expertise.

"People on the helpline just haven't the knowledge of LA and the issues LAs have." [Local authority, VAT, No CRM]

Time was also wasted in repetition of information to various staff on the helpline service, because they were put through to different officers each time they called. A lack of trust in the HM Revenue & Customs helpline following inconsistent or contradictory advice, particularly in relation to PAYE queries, caused participants to contact agents or other information sources rather than HM Revenue & Customs. Because of the inconsistencies between responses received on the helpline, participants described documenting responses given, either in emails or written communication, to increase its defensibility in the event of later contestation.

"The definitions on contracted out services for VAT that's reclaimable tends to bend with the wind. Perhaps that's a slight exaggeration but you know what I mean. And also when you get into very technical stuff they don't understand it and you can't have a sensible conversation with anybody on the phone." [NHS, PAYE, No CRM]

The HM Revenue & Customs website was described as much improved in the content and level of detail available overall. Universities in particular praised an increase in the provision of clear guidance for the sector. This was felt to have

helped give the sector greater certainty in their approach to management of tax to assist compliance.

"HMRC have published some quite helpful documents around university exemption, corporation tax guidance etc, so then if we have a difficulty in understanding what the strategy should be around that, we've got the option of going directly to HMRC and discussing within the sector, whatever." (University, VAT, CRM)

The search engine was considered better for basic information and operations, but participants found it harder to retrieve documents with a greater level of detail. Website searches were seen to give too many results for PAYE searches, and were considered too generic for highly specific VAT queries. Targeting the website to audiences according to customer group sector was suggested to improve this. Though aspects of the website were considered current, a lag in HM Revenue & Custom's updating of leaflets to reflect the latest editions of documents had caused errors, for example in NHS employee documents on expenses.

Other communications received were felt to be particularly minimal within the NHS, where participants regretted the discontinuation of the quarterly VAT e-bulletin, which had been found very helpful.

"The newsletter falling away – I think this is another example where this good relationship could start to weaken, without a little bit of goodwill from HMRC's side." (NHS, VAT, CRM)

Views on the quality of advice provided by specialist officers varied a great deal. To some extent, differences in experience reflected whether participants had points of contact who had been relatively consistent over time. Those with strong relationships praised the level of understanding of the organisation. Where issues were felt to be complex and risking error, such as contracts for the provision of new services or large schemes for a Local Authority, participants felt they needed access to a familiar officer with knowledge of the organisation and the sector. For many participants, their officer's awareness of the practical constraints they faced, such as issues around cost apportionment, greatly enhanced the utility of the interaction. Participants' provision of an early explanation and overview of their plans, and receiving feedback on this, was seen to have averted errors.

Where the sole HM Revenue & Customs contact was lost through office relocation, their organisation knowledge was sorely missed. All participant groups emphasised that the tax affairs of their sector were highly particular and sometimes complex. Resultantly, many officers' understanding of the sector was felt to be quite low. This issue was also attributed to a lack of HM Revenue & Customs resource for specialist advice.

"It's not about their lack of knowledge or understanding of the subject, it's simply that as an overall organisation, they appear not to have sufficient resources to be able to deal with things, particularly at the policy end." [Local Authority, VAT, CRM]

Inconsistencies in the responses given by different tax officers were problematic for those who did not have continuous contacts. This added to the inconvenience of losing a valued point of contact, where inconsistencies of interpretation between new officers and their predecessors created confusion and extra work in a few cases.

"We used to be able to go [to] the local office in () and go to their expert. They would make a ruling and at least you had something. Still, though, if they were between officers, the other office could interpret it differently." [NHS, PAYE, No CRM]

The concern that advice from individual tax officers was too subjective or lacking authority within HM Revenue & Customs, caused participants to depend on agents rather than HM Revenue & Customs. Agents were considered to have 'more clout' in the sector and provide a consistent, defensible view, whereas different officers around the country were found to give inconsistent responses to similar queries.

"Quite a few of the big 4 firms have education specialists as well, and they are always quite helpful in that sense - if there is anything new they are almost touting for business." [University, PAYE, No CRM]

More generally, a reluctance to provide sector or organisation specific interpretations of guidance, or to commit to a point of view, was seen to limit HM Revenue & Customs' usefulness in dealings with them. Yet where HM Revenue & Customs advisers made assumptions in their advice which were wrong and had to be corrected, this caused delays and problems for organisations. These issues were seen to have been exacerbated by high staff turnover in HM Revenue & Customs, as efforts had to be invested in educating officers about the tax operations of individual organisations.

"It's like a merry go round really and you don't feel particularly inclined to invest a lot of time in getting to know them because you think, well they won't be there for very long...but hopefully what we have seen is just the impact of a loss with the reorganisations that have taken place within HMRC, and hopefully going forward it will settle down a bit more and we can start to build a relationship with somebody for a longer period of time." [Charity, VAT, No CRM]

A greater need for HM Revenue & Customs' expertise was felt by organisations which had recently undergone substantial changes. They were aware this would raise their risk profile, and required help in this area to assist them in preparing

and understanding what was required of them. Here, tax officers' expertise and awareness of the implications of these changes had been experienced as lacking.

"I appreciate that issues like VAT are very complex and what applies in one circumstance doesn't necessarily in another, I just find it a bit frustrating that we don't get a clear response sometimes to our queries." [Local Authority, VAT, No CRM]

For example, increased contracted out services for NHS trusts or local authorities caused participants concern that they would make errors, which would be harder to immediately address if HM Revenue & Customs was not abreast of the implications of the changes for their treatment. The level of specialist knowledge was a particular concern for local authorities.

"Some very ropey decisions come out because they have not realised they are giving advice to section 33 [LA] bodies." [Local Authority, All tax, CRM]

3.2 Channels of contact

In participants' experiences of the channels of contact they used for interacting with HM Revenue & Customs, several themes emerged as particularly important. Knowing where to direct queries; raising complex issues; the consistency of responses; and levels of trust and openness with channels of contact are all explored below.

In knowing where to direct their queries, participants who had a single point of contact or nominated tax officer found this individual extremely important to meeting their needs. A direct telephone number or email was seen to greatly speed queries and resolution of issues. This allowed participants to follow up queries, and in the event of delays, would help to speed any problems by checking whether more information was required. Participants who did not have a single point of contact felt they did not have a clear understanding of who they could contact for specific queries. For this reason, CRMs were welcomed as the point of contact to use in this situation.

"I am not sure which office I should be dealing with, which is one of the frustrations." [NHS, PAYE, No CRM]

Participants who did not have access to a contact for specialist advice felt this directly lessened their ability to comply in these situations. They relied upon the helpline, which it was found did not provide the quality of expertise and tailored help required.

"You ring them up and they just give you standard advice as though they were talking to a company, and that doesn't necessarily apply to local authorities." [Local authority, VAT, no CRM]

It was felt that trust and openness had been fostered through continuous relationships with tax officers, where this was possible. The greater the trust and understanding, the more able participants felt to make early contact with CRMs or tax officers and to admit to mistakes or problems arising, as well as greater readiness to use them as a source of advice. Organisational knowledge and trust built up with learning over time had allowed participants to avoid the use of external advisers, such as in setting up VAT claims under Procure 21.

"Having previously had somebody in HMRC who dealt with us over a number of years and they knew our business I felt, you know, I would have gone to them, but I feel now that I don't have anybody with that sort of experience and knowledge within HMRC, so in some ways it's too much hard work to try and explain stuff from scratch" [Charity, VAT, no CRM]

3.3 Style and tone

Generally, the style and tone used in HM Revenue & Customs' interactions and correspondence was considered excellent. The main issues for discussion concerned the treatment of public bodies in comparison to the private sector; the level of contact with CRMs; and opportunities for engagement and consultation with HM Revenue & Customs.

As outlined previously, it was considered self-evident that public bodies would prioritise compliance. Participants felt it should be acknowledged that they had nothing to gain by non-compliance, and HM Revenue & Customs should recognise errors were likely to be honest mistakes.

In relation to CRMs, participants' experiences and preferences for levels and style of contact were mixed. A light touch, distanced approach was appreciated where this was interpreted as a positive indication that they were trusted. This was assumed to be a result of being rated low risk.

"I have felt that they have trusted us to just get on and do things and manage tax ourselves...I haven't found a problem at all with them sort of taking a step back and not having a proactive approach." [Charity, VAT, No CRM]

However, replacement of CRMs in some situations had lost customers a strong relationship which they had greatly valued. Where the successor CRM had made little or lapsing contact or appeared to be less willing to build understanding of the organisation, participants were concerned this signalled a distancing and more aggressive approach to their organisation by HM Revenue & Customs.

"They are trying to find things wrong, rather than having a relationship to try and make sure things don't go wrong." [Charity, VAT, No CRM]

These customers wished for more contact, needing reassurance that they were 'doing things properly', and a sign from the CRM that they were on the right footing.

"It's a comfort zone; its just letting you know that you are doing things right and it's something that I've always enjoyed." [NHS, VAT, CRM]

Participants who had experienced any opportunities for consultation on their sector with HM Revenue & Customs had greatly valued this higher level of information sharing and contact. For example, the Employer's Consultation Panel was used as an example of decreased communications and consultation; participants were disappointed it had been disbanded and sought an alternative means of feedback. In addition, repeated requests for updates to out-of-date notices had gone unheeded by several participants, who felt this indicated a lack of interest in meeting their needs for compliance.

"I've raised it on a few occasions and get told that it's not on their agenda...but if you actually look at how much time is being wasted within the sector and within HMRC, you would think it would be a worthwhile exercise to update it." [University, CRM, VAT]

At a general level, participants in the higher education sector described a 'sea change' in the nature and tone of the sector's relations with HM Revenue & Customs. This was seen to have been achieved through its opening of channels of communication with the BUFDG, increased communications and a shift towards 'fruitful joint projects' to assist universities in improving their compliance. HM Revenue & Customs' interaction with the British Universities Finance Directors Group and other representative bodies was seen to have greatly improved the utility of advice and information provided by both institutions to support compliance. This was also seen to have increased consistency in approach to the sector.

"Discussions are taking place at the right level, ensuring consistency from a policy perspective." (University, VAT, CRM)

3.4 Speed of response

Speed of response was generally considered to be fine in core areas such as simple queries for PAYE and resolution of issues. NHS participants mentioned the time taken to set up a Procurement 21 had been particularly improved. However, experiences of agreeing partial exemption methodologies was very mixed across sectors, and several charities commented on the long time period taken to resolve related dealings.

Resource constraints were perceived to be an issue affecting both speed and quality of response in some instances. Participants considered their highest priority was to ensure that their systems assisted compliance, and there was some acceptance of the level of administrative burden created as a consequence of this emphasis, from their perspective as well as that of HM Revenue & Customs.

"My view is that they (NA) probably have to refer it up anyway, so we would use them only for fairly straightforward things." [University, All tax, No CRM]

"...isn't allowed to provide an answer, they aren't allowed or aren't able to, because they may say something that isn't policy, and it is so frustrating that it takes quite a long time to get a response." [University, All tax, No CRM]

Participants were sympathetic to this problem; but in these circumstances, delays and a lack of transparency in HM Revenue & Customs' resolution of issues or errors caused some frustration. In particular, the time taken to agree partial exemption methodologies had taken 3-4 years for a number of participants, who felt an explanation as to the reasons for this would have allayed concerns and frustration. It was felt that the impact of these delays could be greatly reduced with better management. Ideally, HM Revenue & Customs would contact customers when timescales for responses were to be exceeded, offering reasons for the delay and providing an alternative timeframe for the response to the query.

It was acknowledged that the workload for HM Revenue & Customs created by Fleming Claims could take time to complete and participants empathised with the issue; no other issues in relation to these claims were raised.

"You can appreciate that the [HM Revenue and] customs have got the extra workload, and they've only got as many staff, the same as us." [NHS, PAYE, no CRM]

The experiences outlined in this section form the basis for further analysis into the needs and ideals of public bodies customers. These are explored in detail, alongside suggestions for improvements, in the following section.

4 Ideals and improvements

This section considers participants' overall views about their dealings with HM Revenue & Customs, identifying key drivers of compliance and satisfaction, ideals for interaction and suggestions for improvements emerging from the findings.

4.1 Key drivers of compliance and satisfaction

Drawing on customers' experiences, it was possible to identify key drivers which assisted compliance and areas which drove satisfaction with tax administration. These included acknowledgement of shared goals; open, early support; continuity and trust in relationships; and sharing experience and knowledge of the sector. Each of these drivers, explored below, is followed by a description of the related ideals for contact with HM Revenue & Customs given by participants.

Acknowledgement of shared goals

Commonly, a 'partnership' approach between HM Revenue & Customs and public bodies was aspired to. As an ideal, participants suggested that HM Revenue & Customs could do more to demonstrate greater trust in their dealings with them.

Open, early support

Proactive, 'preventative' contact and explanation in advance of legislative changes for the sector was hoped to foster a closer working relationship and increase customers' awareness of new procedures. This was considered essential for those who felt they did not have the internal resources to ensure against errors.

"As long as HMRC tell us in advance what is going to happen and when ... and don't come down on people like a tonne of bricks if they don't fulfil the criteria straightaway. As long as they give us a bit of flexibility, then it is always going to be fine." [Charity, PAYE, CRM]

As an ideal, it was felt HM Revenue & Customs should recognise the variation in internal resources among organisations within the same sector. It was felt that more than ever, due to forthcoming changes in legislation, organisations needed detailed and tailored information to manage their tax affairs.

Continuity and trust in relationships

Strong relationships were seen to hinge on consistency of contact, built over time. In turn, this continuity was seen to ensure tailored information provision and knowledge of the sector. Initial face to face contact to develop rapport and a contextual knowledge base of the organisation was also considered important for a degree of trust and openness.

As an ideal and in certain experiences, CRMs and specialist tax officer relationships were considered the main factor shaping customer experiences and determining perceptions of HM Revenue & Customs. Participants who were impressed by this individual tended to extend their evaluation of progress to the whole department.

"Parts of HMRC have changed in their approach, so you do feel like there is a genuine effort in certain quarters, I think, to take a more balanced view... there was a tendency in the past where whatever answer produces the most revenue would be the answer...in that scenario, then actually you are incredibly reluctant to write to them... Now I do feel that there is a genuine desire on their part to be more even handed if they can." [University, VAT, CRM]

Beyond this, there was a widely held ideal to make a transition from dependence on advisers to greater independence and closer working with HM Revenue & Customs. Strong internal resources, coupled with a trusting and open dialogue with a CRM or tax officer, were hoped to obviate the need for agents.

"If you have got every university spending 10, 20, 30 thousand pounds a year on professional advisers when all we need is proper guidance of how we apply rules in our education sector, then there would be a lot of money saved." [University, VAT, No CRM]

"It just comes down to the level of trust that you have where you could go to them with a problem you think you have found and you want to put right, and you are not penalised for how it has been interpreted in the past." [University, VAT, No CRM]

Critically, this interaction was seen to depend upon trust that tax officers and CRMs would provide a 'balanced' response – that is, that they would show efforts to identify areas of overpayment as well as underpayment, for example. It would also depend on a two-way initiation of contact.

"Earlier contact in an open way on our part as well, which says look, we think we've made a mistake, we owe you some money, but knowing that we will be treated sensibly and I'm not going to be taken to the cleaners on it!" [University, VAT, CRM]

Sharing experience and knowledge of the sector

Participants particularly valued advisers who drew upon knowledge of other organisations' recent experience within their sector. It was seen to reflect service provision based on an understanding of sector specific issues. This was recounted as a key attribute of agents for local authorities, but also of certain nominated VAT specialist tax officers.

"...so they can give advice and guidance based upon not only their specific LA knowledge, but also their experience of how it may already have applied to other LAs." [Local authority, VAT, CRM]

A range of participants identified the use of forums and peers' experience as a key source of information and advice. Knowledge sharing was understood to be invaluable as a means of assisting compliance, and took place primarily through the online forums and meetings that representative bodies held, as well as the individual relationships flowing from this.

As an ideal, facilitating knowledge sharing was an area which it was felt could be further developed to increase participants' knowledge and assist compliance. HM Revenue & Customs' interaction with representative bodies was considered a key means of maintaining and improving its relationship with the sector as a whole.

4.2 Improvements

Building on the key drivers of satisfaction identified above, certain concrete suggestions for improvements were identified. These were derived directly from participants, as well as drawn out through analysis of overarching themes.

Acknowledgement of shared goals

Raising the profile of the Public Bodies Group with its customers to increase their familiarity with its role is important. Sending an introductory background and later updates on their progress in relation to customer management was suggested.

Open, early support

Going further to ensure organisations were aware of forthcoming changes would be considered both a practical means of improving compliance and symbolic evidence of HM Revenue & Customs' commitment to supporting its customers in several ways.

Firstly, seminars to prepare organisations for changes which would impact on the sector were suggested. These would include explanations of HM Revenue & Customs' expectations and provide guidance on what organisations must do in response. Specifically, this entailed information on the system of rules for VAT recovery, agreeing methodologies, clearer resolutions and directions on changing legislation.

Secondly, to increase general communications, the re-introduction of quarterly, sector-specific VAT bulletins and detailed, sector specific updates, which could compete with those of accountancy firms was suggested.

Thirdly, greater clarity and transparency around timescales for responses in the event of delays was seen as a means of reducing the inconvenience created in these circumstances.

Continuity and trust in relationships

CRMs should initiate contact, explain their roles and show a willing to develop a personal understanding of the organisation. This would also counter a perception of greater distance and aggressiveness. The offer of biannual meetings with a CRM was requested; participants were mixed as to whether face-to-face or teleconference methods were preferred.

Greater clarity on points of contact for organisations, where possible, would increase confidence in the accessibility of tax officers.

Sharing experience and knowledge of the sector

Continuing and increasing HM Revenue & Customs' presence at meetings or events held by representative bodies.

Dedicated sections on the website for each sector would improve the accessibility of tailored information. The creation of forums or anonymous question posts would encourage greater sharing of information, and increase the approachability of HM Revenue & Customs as a source of unbiased information.

5 Conclusions

This research sought to explore public bodies customers' experiences of their dealings with HM Revenue & Customs. Specifically, it aimed to understand why they made contact and drivers of their tax behaviour; their needs in relation to customer satisfaction and compliance; their current experiences, including key drivers of satisfaction; and to identify priority areas for improvement, including practical changes that HM Revenue & Customs could make. A summary of the findings in relation to these aims is outlined below.

Customers tended to contact HM Revenue & Customs on an ad hoc basis, in order to gain general information and to confirm interpretations were correct. In this, nominated tax officer contacts were highly valued where available. The level of internal tax expertise and human resource strongly influenced the use of agents for tax management. Compliance was a high priority for all organisations, and customers were strongly influenced by representative bodies to inform their approach.

Customers felt they needed access to up-to-date information, including communications, in advance of legislative changes that could impact upon the sector. It was felt that sectors required tailored information and advice, both in relation to written communications or resources, and in the advice received from tax officers. HM Revenue & Customs' assistance in relation to compliance was seen to depend upon their understanding of the organisation, and knowledge of the particular tax administration for the sector.

Customers were generally satisfied with their dealings with HM Revenue & Customs. Perceived efforts by HM Revenue & Customs to improve the level of online information and communications were praised, as was the style and tone of tax officers. Although tax office relocations had disrupted channels of contact, it was hoped the quality of service would increase with time and consolidation of relationships. Participants with regular contact with HM Revenue & Customs described CRMs and tax officers as more even-handed, with interest in a two-way relationship. HM Revenue & Customs' interaction with representative bodies was already seen to work well, and their use to promote, explain, and make organisations aware of changes was valued.

In order to improve customer satisfaction and compliance, it was felt that the Public Bodies Group should do more to engage organisations. More open and early support was required, particularly in the event of changes, to avoid errors being made. The development of trusting relationships was considered essential to encourage organisations to use HM Revenue & Customs rather than advisers in certain instances. In the long-term, this was hoped to create savings within the public sector. Sharing experience and knowledge within the sector was hoped to

be supported and increased, in part through HM Revenue & Customs' interaction with representative bodies.

Appendix 1: Methodology

Interviewees were recruited from samples of Public Bodies Group customers. Purposive selection, based on a number of quotas, was used to reflect a range of organisations. The table below indicates the primary quotas that were identified for this research and the breakdown of participants.

Public Body	CRM Status	VAT & Agent Rep	VAT & Non-Rep	EC & Agent Rep	EC & Non-Rep	Total
Charities	CRM	2/2	1/1	1/1	1/1	5/5
	Non-CRM	2/2	1/1	1/1	1/1	5/5
Government	CRM	N/A	N/A	N/A	N/A	N/A
	Non-CRM	3/3	2/2	2/2	3/3	10/10
NHS	CRM	2/2	1/1	1/1	1/1	5/5
	Non-CRM	2/2	1/1	1/1	1/1	5/5
Universities	CRM	1/1	2/2	1/1	1/1	5/5
	Non-CRM	1/1	2/2	1/1	1/1	5/5
Local Authorities	CRM	2/2	1/1	1/1	1/1	5/5
	Non-CRM	2/2	1/1	1/1	1/1	5/5
Total		17/17	12/12	10/10	11/11	50/50

The recruitment was managed by TNS-BMRB Social Research's qualitative field team. The field managers were fully briefed on the project and provided with detailed recruitment instructions and a screening questionnaire in order for the recruiter to assess respondents' eligibility to participate in the research. Respondents were recruited using telephone recruitment. All recruiters are members of the IQCS (Interviewers Quality Control Scheme).

Interviews were carried out by five experienced qualitative researchers who have extensive experience and are trained in the techniques of non-directive interviewing.

It is important to note that the methods employed in this element of the research were qualitative in nature. This approach was adopted to allow for individuals' views and experiences to be explored in detail. Qualitative methods neither seek, nor allow, data to be given on the numbers of people holding a particular view nor having a particular set of experiences. The aim of qualitative research is to define and describe the range of emergent issues and explore linkages, rather than to measure their extent.

Verbatim quotations are used throughout this report to illustrate points made; such quotations are referenced according to relevant quota characteristics.

The analysis of qualitative material using Matrix Mapping

Material collected through qualitative methods is invariably unstructured and unwieldy. Much of it is text based, consisting of verbatim transcriptions of interviews and discussions. Moreover, the internal content of the material is usually in detailed and micro-form (for example, accounts of experiences, inarticulate explanations, etc.). The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set while retaining a hold on the original accounts and observations from which it is derived.

Qualitative analysis is essentially about detection and exploration of the data, and making sense of the material by looking for coherence and structure within the data. ***Matrix Mapping*** works from verbatim transcripts and involves a systematic process of sifting, summarising and sorting the material according to key issues and themes. The process begins with a **familiarisation stage** and includes a researcher's review of the audio files and/or transcripts. Based on the coverage of the topic guide, the researchers' experiences of conducting the fieldwork and their preliminary review of the data, a **thematic framework is constructed**. The analysis then proceeds by **summarising and synthesising the data** according to this thematic framework using a range of techniques such as cognitive mapping and data matrices. When all the data have been sifted according to the core themes the analyst begins to **map the data and identify**

features within the data: defining concepts, mapping the range and nature of phenomena, creating typologies, finding associations, and providing explanations.

The analyst reviews the summarised data; compares and contrasts the perceptions, accounts, or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. Piecing together the overall picture is not simply aggregating patterns, but it involves a process of weighing up the salience and dynamics of issues, and searching for structures within the data that have explanatory power, rather than simply seeking a multiplicity of evidence.

Appendix 2: Researcher Materials

(Note: sections of the topic guide highlighted in yellow indicated the importance of these subject areas)

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HMRC Public Bodies Topic Guide

Aim: To explore Public Bodies customers' experiences of their dealings with HMRC.

Specifically the research aims to:

- Explore Public Bodies customer experience issues and identify key drivers of satisfaction
- Explore the reasons why public bodies customers contact HMRC
- Explore the main influences on public bodies customers' behaviour
- Identify the needs of public bodies in relation to:
 - compliance;
 - customer satisfaction;
 - and the relationship between these two needs
- Identify customers' priority areas for improvement and their model of an ideal relationship with HMRC

INTRODUCTION

- Short intro to research: To explore and evaluate Public Bodies customers' experiences of their dealings with HMRC
- Commissioned by HMRC; BMRB independent research agency
- Purpose of interview (see box above)
- Recording interviews; recordings only available to the research team
- Confidential – their views will be used, but not identifiable
- Length of the discussion – approx. 45 mins

Note to researcher: Clarify that the research is focused on customers' experiences in relation to tax administration. Tax legislation issues are beyond the scope of this research.

BACKGROUND INFORMATION

- Explore details of organisation; nature/ type of organisation
- Briefly explore details of interviewee
 - Nature of current role; length of service; tax areas interviewee is responsible for
- Explore organisational membership of representative bodies (e.g. Higher Education Taxation Forum, Charity Commission, Confederation of British Industry – CBI)

MANAGEMENT OF TAX AFFAIRS

- Briefly explore **organisational management** of tax issues
 - How tax issues are organised; probe re scale of admin / governance (eg in-house tax department; split responsibility for tax areas; use of intermediaries, payroll agents etc)
- Explore **awareness of CRM** – probe whether have a CRM; for how long
 - [IF THEY ARE AWARE OF HAVING A CRM] – explore whether used; why / why not
 - [IF NO CRM OR NOT AWARE] – any single point of contact within HMRC used (i.e. named designated liaison contact)
- Describe **current relationship** with HMRC – probe re key channels of contact: CRM; tax specialists; other
 - Type and method of contact – probe: formal v informal; direction of contact (whether they contact HMRC or HMRC contacts them); preferred methods of contact (e.g. use of website, telephone, email, paper correspondence)
 - Whether varies by type of tax – direct vs. indirect tax
 - Main reasons for contacting HMRC – probe: specific queries; information on guidance; specialist technical expertise; reassurance over compliance issues
 - Frequency of contact; when in the tax year contact occurs, probe re key points (end of tax year; reporting periods)
- Explore **use of agents** – whether represented by agent in relation to organisation's tax affairs; probe reasons why/ why not (e.g. level of internal expertise; cost; convenience)
 - Names of specific agencies used

- Relationship with agent – probe: frequency of contact; when in the tax cycle contact is made; whether varies by tax area
- What agents are used for – probe: extent of use; specialist expertise; administrative burden; any changes to use in recent past

ATTITUDES TOWARDS COMPLIANCE

Note to researcher: *If necessary, clarify that by compliance we mean paying the right amount of tax at the right time.*

- Explore views about **priority of compliance**
 - Organisational priority of compliance
 - Perception of government priority of compliance (i.e. its importance in comparison with meeting other government / political targets)
- Explore **influences on behaviour** in relation to compliance; probe:
 - Organisational influences – probe: organisation’s tax approach, influence of strategy and priorities of executive board, internal governance
 - External influences – probe: agents’ advice and approach; representative bodies’ guidance and advice; other organisations; broader political / economic drivers (e.g. timescales for delivery, resource limitations)
 - Explore impact of current economic climate on views
- Which of these drivers (above) are most influential; reasons why
- Views about which **representative bodies** are most influential
 - How should these bodies interact with HMRC – probe: consultation; information dissemination; other

TAX INFORMATION AND ADVICE

- Explore whether tax information and advice is **sought**
 - Why / why not – probe: internal expertise; use of agents / representative bodies
 - What for – probe: specific areas of information and enquiries, e.g. changes to guidance
- Explore experience of **information and advice sources**
 - Awareness of sources of information and advice

- HMRC sources of information / advice – probe: National Advice Service (telephone/ post); Charities helpline; HMRC intranet; CRM
- Other sources of information / advice – probe: agent; representative bodies; internet; colleagues
- Who would be contacted in the first instance, i.e. CRM, agent etc; reasons for this (e.g. accessibility, trust, awareness of routes of contact)
- Explore perceived gaps in available information and advice from HMRC, e.g. level and detail of guidance; level of expertise; specific tax areas
 - What is needed from HMRC – *respondent to outline specific information needs, with examples*
 - How this should be provided – preferred interface; contact
- Views on current tax support and advice provided by HMRC; probe:
 - Clarity of advice and guidance; reassurance; complex issues

EXPERIENCE AND VIEWS OF CURRENT RELATIONSHIP WITH HMRC

- Explore views about **current relationship** with HMRC – probe re key channels of contact: CRM; tax specialists; via agent; other
 - Understanding of the CRM (if relevant); whether this meets customer need; any gaps in service delivery
 - Views re aspects of relationship with HMRC that work well / less well; provide examples; probe re:
 - Style / tone / frequency / engagement of HMRC communication
 - Organisation knowledge / expertise of HMRC contacts
 - Sector understanding (whether HMRC contacts take sector specific considerations into account when dealing with organisation)
 - Variations between different points of contact within HMRC
 - Suggestions and priorities for improvements
 - In cases where a CRM (or equivalent allocated officer) has been lost – probe: positive / negative impacts
 - Perception of factors driving changes – probe: changes to organisation; external changes (political / economic environment; other)

- Views of **accessibility of HMRC** services more generally – probe: website navigability / quality; helplines; response times
- Views about **HMRC internal communications / joined up working** – probe: perceptions of information-sharing; signposting; integration and co-ordination of customer service within HMRC
- Explore views about **speed of response** from HMRC
 - Views about resolution of outstanding issues
 - Providing rulings / clearances
 - Issues with Fleming claims – probe: involvement in claims; views

Note to researcher: *if necessary, explain background to Fleming claims - refer to briefing notes*

EXPERIENCE OF CHANGES TO HMRC SERVICE

- Explore **awareness of Public Bodies Group**

Note to researcher: *If necessary, explain this was established in April 2008 to manage tax issues for public bodies.*

- Awareness; how heard
- Perceptions of / reactions to Public Bodies Group
- Experience of **changes in customer experience** of relationship with HMRC – probe: changes since April 2008; longer term changes
 - Identification of particular benefits and dis-benefits
 - If necessary – probe: effects on ease of compliance; customer satisfaction generally; provision of certainty; speed and timeliness of response; culture of HMRC; staff expertise and awareness of organisation's needs

EXPECTATIONS AND VIEWS OF IDEAL RELATIONSHIP WITH HMRC

- Explore **needs of the business** in order to: expedite compliance; support activity – probe: access; level of contact; advice
- Explore what organisations are looking for in relation to '**customer experience**' (in the context of HMRC / taxation) – spontaneous views; if necessary, probe:
 - Ideal mode of engagement – probe: frequency, tone of engagement; routes of contact; level of knowledge and expertise of staff; accessing information

- Form of support – advice; clarification; reassurance; provide certainty
 - Expertise – organisational / sector knowledge; technical expertise
 - Impact – reduce administrative burden of tax compliance
 - Response – speed and timeliness of response; accuracy
 - Other – culture / professionalism of HMRC
- Expectations of **Public Bodies Group** – probe: views on role in facilitating compliance and overall customer satisfaction
 - Views about new ways of working for improving compliance – probe: lighter touch; proactive communications; preventative role.
 - Eg. open and early dialogue by phone; letters about specific compliance issues; educational workshops and seminars
- Views on the ability of HMRC to **meet customer expectations**
 - In general – probe: potential barriers / supports
 - Future progress in view of recent changes
 - Outline what practical changes need to be made to meet these expectations; suggestions on how HMRC could overcome problems / barriers identified)
- Overall evaluation of HMRC progress; expectations of future improvements

Note to researcher: if respondent was unaware of the Public Bodies Group and expresses interest in receiving more information, offer a contact:

THANK AND CLOSE