

**HMRC Large Public Bodies**

**Customer Research**

**TNS-BMRB Final Report**

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# Summary

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## Introduction

TNS-BMRB was commissioned by HMRC to conduct a qualitative study of Large Public bodies across five customer groups – charities, government departments, NHS trusts, universities and Local Authorities. Building on previous research conducted in 2009, this work aimed to identify changes in their experience of HMRC and their compliance capability since the introduction of Customer Relationship Managers (CRM) and Customer Coordinators (CC). The research also explored wider influences on compliance and tax behaviour. Specifically, the research aimed to explore:

- how the current economic climate and proposed public sector reforms have impacted on customers' attitudes and behaviour towards compliance;
- the key drivers of customers' satisfaction and compliance;
- customer experiences with dealing with HMRC, and whether there have been any changes in their experience since the previous research with public bodies;
- the effects of the introduction of Customer Relationship Managers (CRM) and Customer Coordinators (CC) on experiences and satisfaction with HMRC; and to
- identify priority areas for improvement, including practical changes HMRC could make that would improve customer satisfaction and compliance.

Fifty qualitative depth interviews were undertaken with Heads of Tax or Finance Managers of public body organisations during February and March 2012.

## Contextual influences on compliance

Public bodies were conducting their tax affairs in an environment of change. Both the economic downturn and reductions in public sector budgets had led organisations to seek savings through activities such as restructuring, shared service arrangements and new partnerships, while universities and charities were also undertaking more commercial ventures. This increased the workload for the teams managing the organisation's tax affairs, such as in considering VAT treatments for new ventures, or new PAYE arrangements for the staffing of shared services. Respondents were most concerned by the uncertainty and potential for errors stemming from new VAT requirements in an already complex regime and felt this posed a potential risk to compliance. Smaller organisations also felt more vulnerable to these pressures as they were more reliant on small teams and did not benefit from sophisticated payroll software which could reduce administrative burdens.

Despite these increased pressures, few dedicated tax teams had experienced staff cuts, with staff reductions focussing more on back office functions. However, respondents did not consider that attitudes towards compliance had changed. Compliance continued to be seen as an organisational imperative as it was critical to their reputation, and enabled them to fully recover any VAT owing and avoid penalty fines during a time of financial stringency.

## Experience of dealings with HMRC

Public bodies' relationships with HMRC varied a great deal, which was reflected in the

degree of contact that respondents had at a senior level with HMRC. In terms of building a relationship with a CRM or CC, respondents identified seven key steps. These were: awareness of the CRM / CC role; a desire to engage with HMRC; a potential need to access PBG specialists; the development of rapport between the CRM / CC and the public body; the ability of the CRM to mediate and speed up issues; the CRM being seen as a trusted 'go to' contact; and continuity of the CRM role.

On the basis of the contact that organisation had with HMRC, they could be categorised into one of three groups:

*Little contact with HMRC through a CRM or CC:* These respondents either preferred independent advice, or were not aware that they had been assigned a contact. This arrangement worked well for those with simpler tax arrangements or were content to rely on external advisers, but others would have preferred to use a CRM or CC and wished to make more use of this role.

*Using the CRM as a primary contact with HMRC:* Overall, organisations that operated through a CRM or CC generally found this had improved their dealings with HMRC. The contact had helped them to obtain relevant and accurate information, had improved response times, and also made them more confident about what HMRC's requirements were. CRMs and CCs had also helped provide direct access to PBG tax specialists, which was highly valued. However, where an issue was escalated for a policy decision, satisfaction with HMRC fell. This was because the need for a policy decision often meant a protracted period of indecision, without any timeframe for resolution. This could hinder an organisation's development of a new service or initiative, with serious financial consequences. This caused a great deal of frustration and could sour an otherwise excellent working relationship with HMRC.

*Using a CRM as a secondary contact:* those who already contacted PBG specialists directly in most circumstances did not tend to make contact via their CRM.

The research identified the key drivers of compliance and satisfaction with HMRC. These were attributes and behaviours they felt HMRC should demonstrate, in order to enable organisations to comply; to minimise the burden of compliance; and to optimise their experience of dealings with HMRC. Respondents wanted:

- a CRM / CC that understood their organisation and its aims;
- certainty and consistency. This meant HMRC giving a clear answer and an appropriate interpretation of tax legislation in response to queries, as well as consistency of response between individuals within HMRC;
- a proactive, helpful approach that provided a solution-focussed approach to resolving issues. Some described this as an 'open' style and manner;
- HMRC to be responsive, work efficiently and provide timeframes for providing support.

## **Suggestions for improvement**

Respondents suggested ways that would improve their experience of dealing with HMRC and enable them to comply more effectively. Their suggestions were grouped around four themes:

### **To access assistance**

- refresh introductions to CCs and CRMs
- enable direct contact with PBG tax specialists for those who sought it
- where issues are escalated for a policy decision, to make it clear what the remit of the CRM is
- offer sector-based information and good practice sharing, possibly through forums
- use the CRM or CC to notify organisations about changes of tax policy
- inform customers of changes to CRM or CC personnel

### **Quality**

- provide consistency of advice and guidance
- update the HMRC website guidance and information, especially for VAT issues
- aim for continuity of CRM / CC contacts for customers.

### **Timeliness**

- provide timeframes for responses to queries, particularly where the organisation has indicated the issue needs an urgent response
- provide clear routes for the escalation of decisions
- provide a means of flagging urgent queries

### **Tone**

- ensure consistency in tone among CRMs and other personnel (although it is recognised that negotiations must of course take many forms).

# 1. Introduction

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## 1.1 Research background

HMRC's Public Bodies Group was established in 2009 to support large public bodies' tax customers' dealings with HMRC. A public body may be Government Departments and Non Departmental Public Bodies, Local Authorities, Universities and Further Education Colleges, NHS Trusts, Police and Fire Authorities, Trades Union and Political Parties and Charities. The relationships and roles for charities are shared with HMRC Charities who have responsibility for managing HMRC's relationships with the charity sector, for corporation tax, income tax and Gift Aid and provide customer helpline facilities for all charities.

Customer Relationship Managers (CRMs) were introduced in Public Bodies Group to follow the spirit of the approach for large business, which has proved successful. The relationship management model is based on mutual trust, transparency and resolving issues in real time, as a cost-effective way of improving both tax compliance and the customer experience. Non-low risk customers experience an increased level of agreed compliance activity to address tax risk and move them to a low risk status.

In the Public Bodies Group the CRM is the primary senior point of contact with HMRC for larger organisations (except charities as explained above), aiming to manage and build a relationship across all taxes and duties and provide education and support as well as deal with any non-compliance. They are also the tax lead on sensitive, political or particularly complex technical issues and liaise with other HMRC tax specialists, as well as identifying sector risks. CRMs are supported by a range of Tax Specialists within the Public Bodies Group PBG Tax Specialists who work closely with customers on specific tax issues.

Qualitative research with large public bodies was conducted as part of HMRC's 2009 Large Business Customer Survey. This provided a baseline study on a customer group whom HMRC had little information about. Since then, HMRC's Public Bodies Group has increased its resource enabling more compliance activity, consolidated its role and the roll-out of CRM function has been embedded. Customer Coordinators (CC) were introduced from June 2011 in Public Bodies Group as a direct response to issues raised in the 2009 customer research. The CC acts as a way into the Public Bodies Group and first point of contact for large entities (except charities as explained above) who do not have a CRM, providing answers to straight forward queries and taking referrals from customers when there are more complex issues to resolve, letting customers know who is dealing the query and, if possible, the date by which a reply should be expected.

## 1.2 Aims and objectives

This research aims to build on the previous study, identifying any changes that have occurred in public bodies' experiences of dealing with HMRC since 2009 as well as exploring wider influences on compliance and tax behaviour. HM Revenue & Customs commissioned TNS-



BMRB to conduct research amongst five customer groups – charities, government departments, NHS trusts, universities and Local Authorities – to explore:

- how the current economic climate and proposed public sector reforms have impacted on customers' attitudes and behaviour towards compliance;
- the key drivers of customers' satisfaction and compliance;
- customer experiences of dealing with HMRC, and whether there have been any changes in their experience since the Large Business Customer Survey;
- the effects of the introduction of Customer Relationship Managers (CRM) and Customer Coordinators (CC) on experiences and satisfaction with HMRC; and
- identify priority areas for improvement, including practical changes HMRC could make that would improve customer satisfaction and compliance.

### **1.3 Approach**

The research comprised fifty depth interviews equally divided between five sector groups: charities; NHS trusts; Local Authorities; government bodies and universities. Organisations were sourced from a sample provided by HMRC and selected on the basis of sector group, whether they had been assigned a CRM or a CC. The use of external tax agents was monitored in order to ensure a range of experiences.

Interviews were arranged with the individual most able to discuss either PAYE or VAT issues; in most cases this was a Finance Manager or Head of Tax. Of the fifty interviews conducted thirty-five were conducted face-to-face, with the remaining fifteen interviews conducted by telephone and arranged with public bodies that were located in more distant parts of the UK. Fieldwork was conducted between 15<sup>th</sup> February and 16<sup>th</sup> March 2012. Interviews, each lasting around an hour, were structured using a topic guide. They were digitally recorded, transcribed and analysed using Matrix Mapping, TNS-BMRB's proprietary method of analysing qualitative material. Further details of the recruitment, interview and analysis processes, including the fieldwork materials used, may be found in the Appendix.

## 2. Background context to the customer groups

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This chapter provides a brief overview of each of the five public sector groups participating in the research. For each of the sectors we describe their current activities, the organisation of their tax affairs, whether and how they used tax agents, and their key concerns for the future. Any comparison with the way they used to work in 2009?

### 2.1 Charities<sup>1</sup>

**Current activity:** Charities' income streams and organisational structures varied a great deal. The charities participating in the research could be categorised in one of three different ways:

1) *Work as a business, not a public body:* identifying themselves as a business with a social purpose of delivering public services, this group operated as businesses, but with charitable associations attached. These organisations were seeing reductions in public sector grants, and were responding by increasing their commercial income generation. Their organisational structures and tax dealings were changing as a result.

*“We are a social business ... we do understand that some of the funding is less and less these days - we may have 20% of funding these days...what the group is doing on the commercial side is to try to generate money because we are not getting the grants.”*  
(Charity)

2) *A charity that relies on donations:* this group had a strong public identity as a charity and were often global brands, with extensive operations overseas. Overall, the downturn in the economic climate had not had a major impact with donations remaining stable, and in some cases increasing. Any structural changes that were occurring in the sector were mainly due to mergers with other charities.

3) *Work like a public sector body:* with greater dependence on government grants and contracts for service delivery, this group of charities were more dependent on central and local government funding. Spending reviews had reduced their funding, creating large budget shortfalls and making tax repayments more important for their financial solvency. Of the ten charities interviewed this group were the smallest in number.

**Organisation of tax:** Many of the charities operated over multiple sites, some with separate payroll and VAT processing but with a central overview of payroll, VAT, CT and Gift Aid being provided by a tax or finance manager / director.

**Affiliation to representative bodies:** All the respondents were members of either the Charities Tax Group or the Charity Finance Directors Group.

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<sup>1</sup> Note: HMRC Charities have responsibility for managing HMRC's relationships with the charity sector, and deal with corporation tax, income tax and Gift Aid.

**Use of agents:** Charities relied heavily on external agents for specialist expertise on ad hoc VAT issues such as partial exemption calculations, questions related to section 106 (for housing associations) or where they were developing new activities or setting up subsidiary businesses. Agents also undertook their financial audits. The sector was keen to keep up to date with changes in tax policy, and mainly did so through the use of advisers. This approach meant that they remained distant from HMRC, more so than organisations in other sectors, as they considered that agents would reflect their interests better than HMRC.

*“HMRC’s business is to collect as much tax as possible whereas we’re in the position of staying within the law but trying to minimise our exposure, and we feel that’s best served by having professional advisors. In fact, probably more fairly, HMRC doesn’t give tax advice of course. It gives you an interpretation of the law; they won’t give you advice, that’s the bit that we’re missing so that would be underpinning a lot of those discussions.”* (Charity)

**Key concerns:** All the charities found the complexity of the taxation framework to be the biggest challenge they faced. Grey areas and issues lacking a precedent or clear interpretation drove dependence on external advisors. By way of example, one charity was concerned about which types of care practice were liable for VAT, within the wider provision of care services, an issue that seemed to them to be a grey area and open to interpretation.

*“I think the whole regulatory regime, in terms of rules relating to VAT, are much more complex. So the impact of VAT on charities is so important and there is so much more room for issues to arise.”* (Charity)

## 2.2 NHS trusts

**Current activity:** With the restructuring of the NHS, respondents found their tax situations were in flux. PCTs were being split, NHS trusts were merging, and moving towards shared service contracts and also contracting out other services. In the context of a required 4-7% saving per year, central and back office functions were being heavily scrutinised and under pressure.

**Organisation of tax:** While in some cases there had been cuts to payroll teams these had been managed because payroll was said to be generally straightforward, as automated systems held no specific risks. Where complexities to PAYE arose it tended to be due to NHS mergers and the subsequent integration of separate payroll systems.

*“Other than the payroll staff inputting coding changes and things, the actual calculation process, the changes to personal allowances etc, it’s all quite straightforward.”* (NHS)

**Affiliation to representative bodies:** Some of the respondents were members of the Healthcare Finance Management Association and CIMA.

**Use of agents:** All NHS trusts used agents for ad hoc queries, with some also outsourcing their payroll and PAYE. Their use of advisers was fairly unchanging over time. In a few cases, organisations were substituting agents for internal resources that had been lost as well as providing training.

*“Our HMRC visits have hopefully shown that we’ve reasonably compliant measures in place, but we go to external people to ensure that they would remain of a reasonably good standard.” (NHS)*

**Key concerns:** While there were many structural changes that were happening in the NHS, which brought a strain to workloads, most felt that there was sufficient resource for tax teams to oversee these transformations. Respondents felt most questions arose around the VAT implications of restructures; dealing with partial exemptions and capital schemes, and occasional issues with subsidiaries.

## 2.3 Local Authorities

**Current activity:** In the light of cuts to their budgets, Local Authorities were undergoing radical restructuring including partnerships with private sector providers and sharing services, such as HR, with other Local Authorities. The main structural changes with tax implications were moving to shared service structures that retained separate legal entities with their own accounts, budgets and VAT returns.

**Organisation of tax:** Internally, there was little liaison between staff who managed VAT and those who oversaw PAYE – the latter may be dealt with by HR, or outsourced.

**Affiliation to representative bodies:** CIPFA and a VAT committee for Local Authority finance managers were organisations to which respondents belonged.

**Use of agents:** Advisers were used extensively, ranging from agents’ help lines for short queries, to advice for more complex activities such as the transfer of housing stock.

**Key concerns:** With the changing financial landscape, Local Authorities were concerned about managing these changes in a planned manner so that they could be given appropriate consideration from a taxation perspective. Changes in organisational structures raised questions about the appropriate tax treatment of newly affiliated organisations, for example how VAT would be charged on shared services and whether other organisations would be treated as an external customer. While Local Authorities had always taken on projects and schemes which required tax expertise, the challenge was to manage these changes with reduced staff.

## 2.4 Government bodies

**Current activity:** In the light of the public sector reforms, respondents had seen significant cuts in department budgets resulting in some loss of staff. However, the effect of the cuts had to some extent been mitigated by improving the sophistication of their payroll and other operations in larger departments.

*“Wherever we can streamline and modernise processes, we are streamlining and modernising them.” (Government body)*

Since 2009, several respondents mentioned an increase in their efforts to ensure that all staff within their departments were aware of the tax implications of decisions, before they were made, such as working with colleagues in HR to educate them on the tax implications of the

employment of different types of staff. In addition, the increasing media attention to senior members pay and benefits packages had brought greater transparency to the tax team's work, such as in monitoring expenses reimbursements, which created further work.

**Organisation of tax:** Larger bodies had more sophisticated systems, while smaller bodies had few dedicated staff and more basic processing. Without automated payroll systems, the move to real time information and greater transparency around expenses had brought relatively large increases in administrative burden for the smaller bodies.

**Affiliation to representative bodies:** Only general professional bodies were mentioned.

**Use of agents:** None of the Government bodies used agents for their tax affairs, expressing a preference for contacting HMRC rather than using independent advisers. In some cases respondents considered that HMRC encouraged them to seek assistance from HMRC rather than using an external adviser. However, at least one government department was considering using external advice if they could not come to a satisfactory agreement with HMRC by themselves.

**Key concerns:** For the most part, PAYE queries were thought to be relatively simple, and many had faith in their systems and the record. They did not expect to find faults, and felt they were quite well protected against them through the systems and checks in place.

*"It's engrained. The system is set up to comply, so you would- if you follow the system you comply so it's not- providing everybody follows the system, everything's fine. We don't have a lot of issues. It's a very low risk. People do comply. There are checks to the systems to make sure of that so, in theory and in practice, everything goes smoothly." (Government body)*

However, issues did arise, such as where staff were working overseas for 12 months, it could be unclear whether their allowances are taxable, or other dealings related to joint EU, Local Authority or charity partner issues. The more keen concern was that respondents felt new policies or initiatives were developed by government, often without clarity as to the VAT implications – this then made it very difficult to manage as any advice from HMRC would be delayed while VAT policy decisions were made. Respondents felt they needed HMRC's support to comply, in some cases.

*"In terms of giving us the support for getting things right first time and save us a lot of effort, you know? Given the few staff that we've got, it would make a great difference and not have to waste time." (Government body)*

## 2.5 Universities

**Current activity:** The universities in the study were developing a much more commercial outlook, evident through the increase in student tuition fees, growing commercial research capacity and entering new partnerships with medical institutions and the private sector, and for larger universities, developing overseas subsidiaries.

**Organisation of tax:** The way in which tax was organised tended to be related to the size and complexity of the organisation. Those with less complex tax affairs tended to rely on their

internal resources, whereas those with more complex tax issues tended to rely more on external advisers. Generally, the larger organisations were moving towards more sophisticated and automated payroll systems.

**Affiliation to representative bodies:** Most of the interviews were members of the British Universities Finance Directors Group (BUFDG).

**Use of agents:** Overall, agents were used for complex VAT issues on an ad hoc basis, and were more heavily relied upon by smaller organisations with less internal expertise.

**Key concerns:** As mentioned above, universities were developing their commercial activities, forming partnerships and in some cases developing overseas subsidiaries. The tax implications of these new commercial activities and issues such as shared staffing arrangements brought about many novel and grey areas for interpretation of how the PAYE and VAT rules were to apply. Universities needed openness and clarity of decisions; a key concern was the likely time taken for HMRC to make the appropriate policy decisions.

## 3. Wider influences on compliance

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In the context of the recent downturn in the UK economy and expenditure cuts to the public services, this chapter considers whether public bodies' ability to remain compliant with its VAT and PAYE liabilities has been affected in any way. During the interviews, respondents discussed the ways in which the recent changes were influencing their compliance capability and behaviour. While overall, organisations considered that their attitudes towards compliance were unchanged they recognised that there remained a number of risks to their being compliant. In addition, they had perceived that HMRC were tightening their approach to collecting tax thereby reinforcing the notion of compliance.

*"I think there has been an increased push at the moment for the Revenue to maximise revenue...there is possibly a little less scope...if you were a day late with the returns, straight away they would levy interest – they seem to be sticking to dates and deadlines quite rigidly."* (Government body)

### 3.1 Changes to staff

While many of the public sector bodies had experienced reductions in staff overall, few organisations experienced reductions in dedicated VAT or PAYE staff. In some instances there were increases in staff and training to shore up internal expertise and reduce reliance on external advice. Where there had been cuts to some payroll and back office functions in many NHS trusts, most of the public bodies in the study felt that they were able to streamline their processes sufficiently to offset greater risks of non-compliance.

However, a minority of organisations across the sector groups had felt budget cuts in their finance departments more directly, with redundancies or changes in personnel. Of concern to the smaller organisations was the loss of experienced staff; less experienced replacements were risky, external help was expensive.

*"We are not big enough to have a team of people doing this, so you rely very much on how good the VAT advisor [within their organisation] is."* (Government body)

As discussed earlier, many of the public bodies, particularly NHS Trust, universities, charities, and Local Authorities were restructuring their services or developing new ones. This in itself brought major changes to the organisation which tended to soak up valuable time and increased workloads considerably. Some of respondents felt that their heavy workload allowed less time to be spent on returns, with a risk of under claiming VAT and a loss of money to the organisation.

Respondents were also concerned about what would happen if the budget cuts continued, requiring cuts – further cuts in some instances - to finance department staff and whether they would have the resources to ensure compliance.

*“The economic climate affected income so that is a potential risk down the road – not necessarily now but so many months and years out.” (Charity)*

*“I have still got broadly the same team. I have got one accountant less than I had when we started... it hadn’t materially changed things at all.” (Charity)*

### **3.2 Attitudes to compliance**

Across all the sector groups, respondents felt there had been no changes in attitudes to compliance. It remained a top priority on their agendas, driven by several imperatives:

- Protecting reputation – particularly for universities and charities, but across organisations as a whole, the reputational risk of non-compliance was too great to consider any reduction of attention to tax and payroll issues.
- Avoiding fines at a time of reduced finances.

NHS respondents also felt it was self-evident that they should be assiduous in their approach to compliance, as net recoverers of VAT. While the patient was prioritised above other concerns, the pressure to save money meant people looked to VAT as a way to pay for improved treatments and help make savings.

Taking a longer view, respondents felt that attitudes to compliance had changed over the past years, particularly within the Higher Education sector, with organisations now focusing much more on tax, recognising risk, and increasing compliance as a result of this. In a few instances, respondents felt compliance was becoming easier, with senior management increasing ‘buy-in’ to avoid fines.

### **3.3 Impact of financial constraints on ability to comply**

Organisations did not consider that their ability to be compliant with their VAT or PAYE obligations had been affected by expenditure cuts and the economic downturn, but several organisations did indicate that the current financial environment had increased their workload and was reducing the ease of compliance. This was occurring in three ways:

- First, changes to the structure of organisations were causing dedicated tax teams extra challenges and pressures, on top of other day-to-day responsibilities. These extra tasks included getting up to speed on VAT issues raised by shared services, Local Authorities considering the tax implications of ‘localism’ and academy schools, and NHS trusts altering staffing arrangements within new partnerships.

*“You don’t necessarily charge VAT to other NHS bodies, but when you’ve got limited companies coming in with NHS logos on the letterhead, it’s a lot more difficult to find out what the true status of the organisation is...it’s fine if they are providing healthcare, because it’s exempt, but if they were doing some other service – education and training, maybe – there might be more of a risk of mistreatment of taxation.” (NHS Trust)*

- Second, for the minority of organisations that had lost staff, issues were not always being picked up as efficiently and effectively as previously, giving rise to concerns about compliance.



*“In the last 12 months a huge amount of corporate knowledge has just walked out of the door with redundancies – they tend to be the older and more senior people.” (NHS Trust)*

- Third, new ventures often had VAT implications, which were often not considered by the originators of the initiatives. In these cases, respondents felt that the onus fell on them to raise awareness of VAT among other staff who were considering new business opportunities, in order to avoid mistakes or loss of money. In these cases, respondents were increasing their internal communications on issues as well as briefing staff on technical aspects such as VAT codes to help other staff to fill in forms correctly. Ensuring policy teams took tax considerations into account was considered harder for smaller departments and teams.

*“People are so busy with developing policy and managing the budgets that they don’t think, “Oh, VAT!” you know – that’s not important. It goes back to bite them...It needs to start at the top.” (Government body)*

*“A lot of pressure on universities to enter into shared services agreements with third parties...Local Authorities, other charities, but nobody really thought about the tax implications.” (University)*

### **3.4 Risks of non-compliance**

The greatest risks were identified in areas of change, particularly in staying abreast of the precise requirements for VAT. Respondents lacked confidence in interpreting certain changes that threw up VAT issues, which was compounded by their impression that HMRC would not always commit to a binding response. For example, in the NHS PCTs were being split and made community interest companies rather than a part of the NHS, with unclear implications; and Local Authorities were uncertain of the appropriate tax treatment of voluntary aided schools and were afraid of making mistakes in the absence of information and guidance. In view of this, those without a dedicated specialist team felt they would always heavily rely on external advisers on an ad hoc basis, and that this would remain the case.

*“It’s important that we’re aware of what the requirements are and that’s not always straightforward.” (Charity)*

Respondents felt their reliance on new partners created unavoidable risks, as smaller institutions may not be aware of their tax responsibilities, for example. For Government bodies, internal risks to compliance were harder to control, for example if local centres submitted incorrect VAT returns due to being less au fait with variations in what was taxable.

The small number of organisations that had lost tax staff during cuts were aware of the risks this posed to compliance, but respondents were aware of the personal pressure upon them to mitigate this.

*“You’ve got less people doing at least the same amount of work, there’s more scope for error that’s the bottom line, that’s how it works you know and hopefully those errors on*

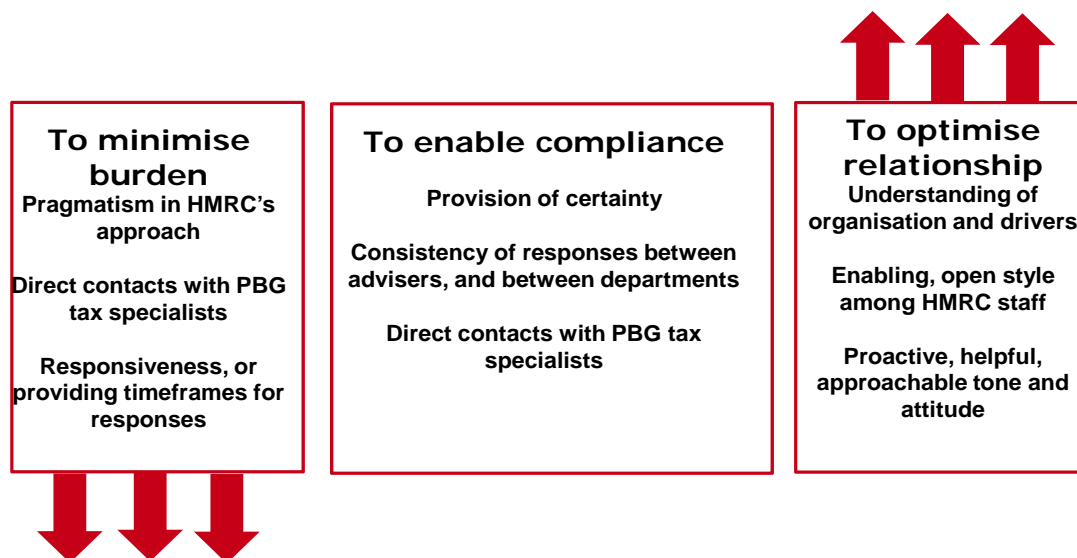
*VAT if there are any I'll be able to pick them up if I can but I don't know what the solution to it is." (Local Authority)*

*"Things happening internally can put pressure on departments...people react perhaps by in certain circumstances cutting corners or not getting advice when they should, all those things. So yes, you could find instances when that might happen to us in general. (Charity)*

## 4. Key drivers of satisfaction and compliance

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Respondents identified three sets of key drivers of a successful relationship with HMRC: being **enabled to comply** with their tax obligations, with a **minimum burden** on their organisation, and **optimising the relationship** with HMRC overall. Drivers were influenced by HMRC actions that had the power to enable or to hamper their achievement of these objectives, and are outlined below.



### 4.1 Enabling compliance

#### 4.1.1 Provision of certainty: giving a clear answer and appropriate interpretation of tax legislation in response to queries

Overall, respondents wanted to be certain that they had been given the correct advice and a correct interpretation of a tax treatment by HMRC. Not only was this essential for compliance, but incorrect advice, or advice that changed could have major financial implications for the organisation.

Respondents also recognised that in some instances their tax affairs were very complex and may require a policy decision to be made at the highest level within HMRC. They recognised that this may take time; respondents wanted a definitive decision and to an agreed timetable, as this would provide certainty. For example, where an organisation was considering a new development respondents sought to liaise with HMRC at an early stage to make sure that the VAT implications were fully known as this could have a large bearing on their costs and influence the decision about whether to go ahead or not.

Overall, certainty and compliance were related - the less certain respondents felt about HMRC guidance, the less confident they were that they were compliant.

#### 4.1.2 Consistency of responses between tax officers and between departments.

Inconsistencies in advice provided by officers outside of PBG, tax specialists and HMRC in general created uncertainty and extra work for organisations. This tended to occur for

organisations with regional offices that independently managed their tax affairs, following advice that proved to be different to that provided by HMRC Head Office.

Respondents were aware that 'grey areas' in VAT could easily give rise to these differences of interpretation among tax specialists (within the PBG). For example, when an HMRC contact who had provided a VAT interpretation left their post, respondents did not feel they could assume that their successor's interpretation would be the same. Not only did consistency in advice enable compliance but it also provided considerable reassurance to the organisation and increased overall satisfaction with HMRC's service.

*"A local officer came in and we talked everything through; then we'd been passed on to someone else...[HMRC use] so much personal discretion that just because you've convinced one [officer], it doesn't follow that you can convince the next one."*  
(University)

#### **4.1.3 Direct contacts with tax specialists within the PBG**

Respondents felt lucky when they had personal access to a PBG tax specialist who was an expert in their area, as this tended to translate into faster response times and a degree of certainty about a query – crucial for their compliance.

## **4.2 Minimising burden**

### **4.2.1 Pragmatism in HMRC's approach: HMRC taking a practical, constructive and solution-focussed approach to resolving issues**

Respondents were keen to resolve issues as quickly as possible and with the minimum necessary burden to both the organisation and HMRC. Respondents also wanted HMRC to approach tax issues from a pragmatic point of view, recognising that delayed decisions could have a major financial impact on the organisation.

Similarly, respondents were also keen for HMRC to keep a 'sense of proportion' when HMRC was considering tax issues. In this respect they considered that HMRC needed to fully understand how their organisations operated. Where the organisation was very decentralised, complex and difficult to coordinate, it may be impossible to get 'everything' perfect. For example, where universities were dealing with new EC rules, it was thought likely that small errors would occur. Respondents hoped that HMRC would show an understanding of the constraints they were working under and adopt a pragmatic approach to resolving issues, especially where any errors that had occurred were small.

*"It has to be a sensible, business-like approach."* (Charity)

### **4.2.2 Responsiveness and providing timeframes for responses**

For all tax queries, respondents sought timely responses as this would help them to complete returns and organise their affairs to achieve compliance. Any delays in receiving advice or guidance from HMRC added to the administrative burden of compliance, which drained organisation's resources. While organisations recognised that some issues were very complex and would take time to resolve, they were concerned that some decisions took a very long time to reach which meant that in some cases the organisation could not implement new programmes or initiatives. Respondents felt that in these cases, HMRC could reduce the

burden and frustration caused if they gave early notice of the likely length of time the organisation may need to wait, which would help them to manage internal expectations and programme development.

*“It’s the indecisiveness and slowness of making that decision which has caused these problems.” (Government body)*

For example, an NHS Trusts’ salary sacrifice scheme was suspended after the Finance Manager was unable to get clear guidance for over five months from HMRC. By contrast, respondents with access to a ‘proactive’ CRM and a couple of direct contacts with HMRC tax specialists found that they were able to obtain answers to complex VAT issue within 7 to 10 days.

*“The query had been with them since November and they have been unable to give a clear and unequivocal piece of advice. If they had said to us in November, ‘look there are lots of issues around this – it’s going to be March before we can give you an answer’, then we could say to our staff, ‘the scheme is suspended ‘til March until we get a firm answer’. But it’s felt like it’s drifted and drifted.” (NHS Trust)*

### **4.3 Optimising the relationship with HMRC**

#### **4.3.1 Understanding of the organisation and its drivers**

Where CRMs and / orPBG tax specialists had learned about an organisation and the nature of the activities it undertook, respondents found the guidance and treatment they received to be much more helpful than when this was not the case. It meant that the CRM / specialist could call on their sector-based experience and answer specific queries with a greater degree of precision. Given the complexity and variation in the tax affairs of public bodies, respondents emphasised the considerable value of CRMs and tax officers who understood the peculiarities of their sector. This applied to organisations using CCs to a lesser extent, as their contact tended to be regarding less complex issues and was based on a shorter time in post.

#### **4.3.2 Enabling, open style among HMRC staff, with a proactive, helpful, approachable tone and attitude**

Organisations approached HMRC in different ways. Some wanted very little contact with HMRC, preferring to rely on their own expertise or that of a professional adviser and keep HMRC ‘at arm’s length’. Others were keen to have an open dialogue with HMRC, especially where the organisation was developing new initiatives and programmes that were outside their usual scope of operation. In these cases, respondents found that if they could a build useful and positive relationship with HMRC staff – and both sides were willing to have an open ‘two-way discussion’ – then issues could be discussed and resolved in a mutually satisfactory way.

*“You’d build up a rapport and a relationship, and they would get to know us, see what services we provide, and they would be able to identify any high risk areas – say you need to consider this, consider that.” (Local Authority)*

## 5. Experiences of HMRC

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### 5.1 Contact with HMRC

Respondents' level of contact and engagement with HMRC varied a great deal between organisations<sup>2</sup>. This was due to their attitudes towards HMRC, whether they required access to specialists within the PBG, and the complexity of their tax affairs. In terms of contact with HMRC, respondents can be grouped into three broad types: those with little contact, relying on other sources for information and advice; those that use the CRM or CC as their sole conduit in HMRC; and those that contact HMRC by directly accessing tax specialists.

Organisations that had **limited contact** with HMRC, did so for a number of reasons:

- Previous experience of inconsistencies in information from HMRC, such as disparities in helpline advice, that had discouraged them from contacting and relying on HMRC;
- Reliance on internal expertise;
- A preference for external support rather than that offered by HMRC, given a greater trust in the interpretation of external advisers;
- A lack of awareness of having a CRM assigned to them, or disengagement from this contact route; or
- The organisation had relatively simple tax affairs and found very few issues arising that needed discussing with HMRC.

*“They don’t interfere with us at all, you know? And we don’t want them to – or we don’t need them to.” (Government body)*

Organisations whose senior level team relied on a **CRM or CC as their main contact** did so because:

- They had established a good working relationship with their CRM;
- Both the CRM and the respondent initiated contact in different instances, so these opportunities were used to deal with any other issues arising at the same time; or
- The CRM was the only port of call, as respondents lacked direct access to tax specialists within PBG.

*“Having that one-to-one relationship is very helpful, because you know who to talk to.” (Government body)*

*“Our experience of them has always been that the relationship has worked well...we are very happy and we like the way that they work and that they interact with us. Yes, we are very pleased.” (Local authority)*

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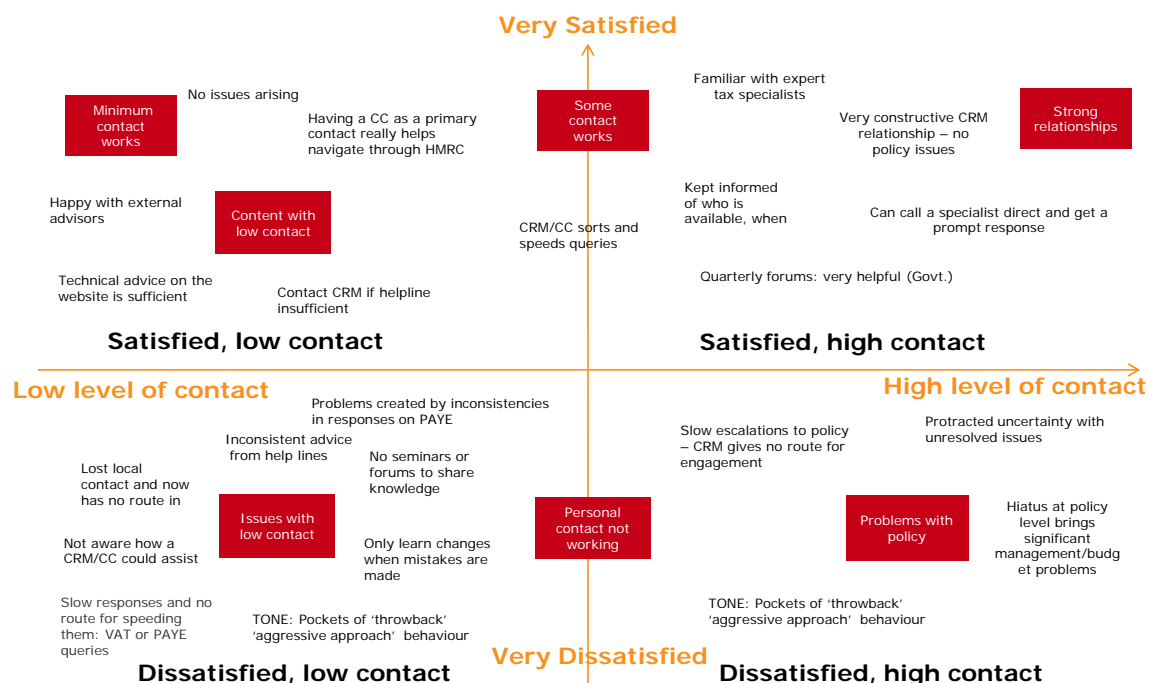
<sup>2</sup> It should be noted that this study is focussed on the high level contact between senior public body staff and HMRC. While there was often contact with HMRC by administrative staff, either through one of HMRC's helpline or via the HMRC website, these contacts are not considered here.

Organisations that **directly contacted individual tax specialists** within the PBG did so because:

- They had an established relationship, sometimes including face to face contact, which encouraged them to make use of these individuals and to trust their responses;
- The specialist expertise of direct contacts had a better 'fit' with the respondent's sector, as the CRM assigned did not have sector knowledge;
- As they were able to access tax specialist directly, there was generally little need to contact the CRM, except for issues on a tax area that the specialist did not deal with (e.g. either PAYE or VAT).

## 5.2 Current experiences of dealings with HMRC

The level of contact that an organisation had with HMRC did not always bring satisfaction. As shown in the diagram below respondents in different organisations wanted different amounts of contact with HMRC depending on their circumstances and their attitudes towards HMRC. For some organisations, a low level of contact with HMRC was entirely satisfactory, but for others, this was one cause of dissatisfaction. Similarly, while other organisations were very satisfied with the frequent contact they had with HMRC, for others, this had not fulfilled their needs. The factors influencing this variation in satisfaction are discussed below. The quadrants below could be linked to organisation type – for example, a Local Authority and a Government body typically inhabited different quadrants. These tendencies are also noted below. However, given this analysis is based on qualitative data, findings cannot be interpreted as statistically representative of proportionate to the population.



**Satisfied with low contact** (most associated with Charities and NHS): Respondents who were content to rely on independent advisers and found the HMRC website sufficient for their needs were satisfied with the few dealings they had with HMRC and found no cause for further contact. Several respondents commented that their CC had helped them to navigate through

HMRC in relation to PAYE addresses and queries, but there were few other complex issues arising which required contact.

*“As long as they’re happy, we’re happy.” (Charity)*

*“We’ve never had any problems – the submission always goes through, we’ve never had any problems putting figures in, it’s very straightforward to use.” (Local Authority)*

***Dissatisfied with low contact*** (most associated with Local Authorities; also Universities and Charities): Discontent with low contact with HMRC arose where respondents experienced inconsistencies in information and advice from HMRC, found errors in the information HMRC held on their system about them, or experienced problematically slow response times, but felt they had no route for speeding up or resolving these issues.

*“The duplicate tax codes...I have no idea whether I should write to my MP...it is now six months, and it is still happening, but if HMRC are dealing with it then we don’t need to do that, but there is no feedback. It goes into a well and there is no splash at the other end so we don’t know if it’s hit something.” (University)*

Within this group of organisations, some respondents were only vaguely aware of the introduction of a CC or CRM, and had received nothing more than an introductory letter from them. In some cases, these individuals acknowledged that they had not taken the initiative in progressing these contacts, and felt that a CC or CRM could have been useful to them.

*“Frustrating, I think, [but] it’s more a fault on my side, not knowing who to contact about what.” (Local Authority)*

*“I don’t think we’re sent much written advice or assistance, it’s more that I have to approach them...I get odd bits from the big four [accountancy firms]...it would be nice to get some of that from HMRC so you weren’t feeling like they were just hoping to catch you out, but that they wanted you to be compliant as well. I do think sometimes because we don’t hear from them, they’re hoping to get you,” (Local Authority)*

In some instances the limited contact with HMRC had come about because of the loss of a previously established contact within HMRC.

*“Somebody who was on our account disappeared, they were supposed to be in the middle of this work, it took me weeks to actually track them down and get somebody else to start to advance the case. And in that example I ended up having to search the web for the telephone number of an office.” (Charity)*

There were some instances where HMRC were said to have not corrected or updated contact information about the organisation held on their systems. Respondents found that this obstructed the processing of queries, caused repeated errors on HMRC’s part, mainly in relation to payroll and tax codes. In addition, as HMRC had also not updated their system with the authorised individual within the respondent’s organisation, this resulted in individuals being denied contact with the relevant part of HMRC and meant that they were unable to complete returns



*“To phone up with a reference number and be told, well I can’t talk to you...but then I can’t send the return or respond, because I don’t know what it relates to...I’m left in an impossible position.” (Charity)*

**Satisfied with high contact** (most associated with Government bodies) Respondents who made use of direct contacts with tax specialists or their CRM often reported satisfaction in their dealings overall with HMRC. The factors that made these relationships satisfactory were:

- HMRC were seen as a source of assistance and clarification;
- HMRC staff were helpful and willing to engage in a dialogue;

*“Our experience has always been that the relationship has worked well...we like the way that they work with us. We are very pleased.” (Local Authority)*

- CRMs and CCs helped to speed up queries;

*“We get clear and detailed answers to emails we send in a reasonably short space of time. We don’t always get the answers we want, but at least we get an answer and we can understand it.” (Government body)*

- Where contacts in HMRC changed, respondents were informed in advance, so they knew who to go to and what to expect.

**Dissatisfied with high contact** (most associated with organisations that had complex tax affairs): Respondents that had a high level of contact with HMRC but remained dissatisfied tended to be those with complex tax affairs that required policy-level decisions to be made. Typically, there was an uncertainty because they had not been given a timeframe for a response, or indication of likely outcome. In some instances, the issues had been on-going for many months, in some cases years - this protracted uncertainty was often of significant material importance to the organisation and respondents struggled to manage impatience among stakeholders within their own organisations. The administrative costs and burdens associated with work on the issue also impacted on the organisation, which brought frustration when issues were not resolved successfully.

*“There’s three of them [issues] and they’re all been referred to policy...it’s a bit of a black hole. So I’m getting pressure from my manager to find out when we’re going to get an answer, so I’m trying to find that out from HMRC and I still haven’t, and this has been going on for nearly a year.” (Local Authority)*

Respondents’ perceptions of the CRM role in these situations could compound their dissatisfaction, if they did not feel the CRM was taking the initiative or seeking to expedite the process in any way. The expectation that the CRM should be able to act in this context created considerable disappointment and dissatisfaction.

*“To be told continuously that ‘I can’t make a final ruling’ but not actually instigating or saying, ‘OK we understand this is a problem, we need to find a way of actually finally getting a resolution on this.’” (Charity)*

### 5.3 Changes in experience since the previous research

Respondents’ perceptions of changes in their experience of contacting and dealing with HMRC over the past two years and since the introduction of the CRM role hinged on the nature of their contact with HMRC (as described in Section 5.1 above), which varied a great deal. This section focuses on organisations’ perceptions of change over the past two years and is discussed in relation to the way in which they currently deal with HMRC - those having little contact with HMRC; those primarily contacting the CRM; and those contacting tax specialists within PBG primarily, before discussing broader changes across the customer groups.

Organisations that currently had **little contact with HMRC** tended to find little had changed in their experience – the HMRC website had not markedly altered, and response times to queries lodged had changed little. Charities and Local Authorities commented that HMRC had become more stringent and rigorous in the assessment of claims for VAT savings, while charities queried whether HMRC’s approach to Gift Aid<sup>3</sup> had become more aggressive – but these were seen as relatively minor aspects which had not significantly impacted on their experience.

Respondents whose **primary contact was the CRM** reported positive changes brought about by the continuity that this contact brought. The CRM’s familiarity with the organisation, their role in improving response times and acting as a signpost to specialist contacts were all found to have eased the experience of compliance, and brought greater confidence as to what HMRC needed from the organisation in order to comply.

Organisations that had **gained direct access to PBG tax specialists** through their CRM, or through development of their own contacts, found this had positively impacted on their experience of dealing with HMRC. However, there were also negative impacts on those who had lost their tax specialist contacts without regaining a replacement. The introduction of CCs, where respondents were aware of these, had also improved respondents’ experience of navigating through HMRC and getting the information they needed.

However, it was also noted that personal contacts, whether CRM or tax specialist, appeared to be stretched across many areas of taxation and some respondents felt this was delaying response times. They placed no blame on the individuals, who they believed had significant workloads, but felt this was unlikely to improve. Given this, Government bodies in particular queried whether HMRC was still able to provide the level of information and guidance to which they had been accustomed. Where rapid responses were needed, it was suggested an independent adviser may be better placed in future to provide answers within the timeframe required rather than HMRC.

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<sup>3</sup> It is recognised that Gift Aid is out of scope of the Public Bodies Group.

From the perspective of the different customer groups, universities, NHS trusts and Government bodies identified a shift in their relationship with HMRC, towards a more enabling and helpful approach. For universities, the demise of planning schemes had improved their attitudes towards compliance, and respondents across these three customer groups thought that HMRC had also supported more open and constructive dealings within the sector.

*“I think that a good working relationship and communications have always been really important. I think the old image of HMRC, it’s long gone.” (University)*

Among NHS respondents, the settling of methodologies on partial exemptions and other areas had helped dealings to be ‘more cordial’, and several respondents in this sector considered that this had also improved HMRC’s perceptions of their organisation.

*“The impression was that we, that our aims was to try to get money back, and for that reason, everybody wants nth degree proof...but as a recent example, we put in a substantial reclaim, it was accepted with minimal questioning, whereas beforehand it would have been the Spanish Inquisition.” (NHS)*

Overall, the public sector bodies that chose a greater level of contact with HMRC found their experience of this contact to have improved. HMRC was seen overall as more approachable and open.

*“I think now, certainly the experience I’m having now is a considerable amount of that enabling back again...I feel very at ease with the CRM and yes, definitely I get the impression that they do want to help in any way possible” (Government body)*

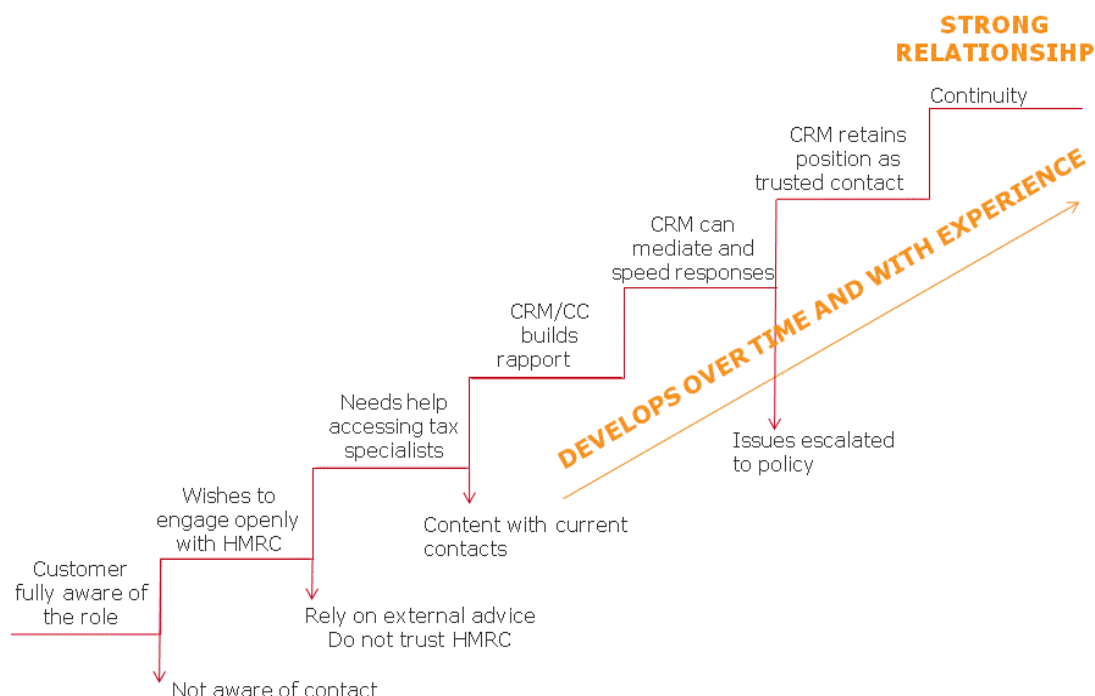
However, some of the public bodies in this study had a residual mistrust of HMRC, and because of previous negative experiences, chose to keep HMRC at arms’ length.

## 6. The roles of the CRM and CC

The perceived impact of the introduction of the CRM and CC varied a great deal, and as with other areas of interaction with HMRC, depended upon respondents' communication preferences, as well as the complexity of their tax affairs. To understand the impact of the CRM, it is helpful to consider when the CRM had an influence, and what allowed this to happen. Customers wanted and needed different things – this section explores when and why the role could be more or less important to customers, and what it achieved for them.

### 6.1 Influence of the CRM

The diagram below illustrates the seven progressive steps CRMs were said to take in developing a relationship and having a significant influence on customer experience. This pattern reflects organisations' more general preferences for level of contact, discussed in section 5 above. During the interviews it was clear that some of the public bodies strived for a strong, positive, continuous relationship with HMRC through the CRM; others wanted to use the CRM simply as a portal to PBG tax specialists; and others did not want to develop a relationship with HMRC at all. The downward arrows in the diagram below indicate where a customer's situation or perspective meant the CRM role was not required. The first four stages of the diagram also reflect the experience of public bodies with CCs. For clarity the findings related to CCs are discussed separately.



The various steps in the development of a relationship with HMRC through the CRM are discussed below.

### **6.1.1 Awareness of the CRM role**

Most respondents who had been assigned CRMs were aware of this and had had the opportunity to develop a relationship. In a few instances, the respondent was new to the position or the CRM had introduced themselves a year or 18 months ago but had made no subsequent contact.

*“We did meet a lady...who said she was our CRM manager and this was way back at the start of the unitary process...2009, but then we never got any more contact from her...she came to see us, introduced herself, and then that was it, basically.”* (Local Authority, CRM)

Respondents' perceptions of the CRM function were fairly consistent, with three roles emphasised: first, to undertake risk reviews, monitor risk, and advise on how to move to a low risk rating; and second, to act as conduit, or 'funnel' for information between the customer and various staff within HMRC, as well as identifying specialist contacts where required. Third, and less commonly, respondents suggested the CRM should help escalate issues where they arose, and work to bring about their speedy resolution.

### **6.1.2 A desire to engage openly with HMRC**

For respondents who were inclined to a low level of contact, achieving a low risk rating was taken as a signal that further contact with HMRC was no longer required. They saw no need for a CRM, or any reason to contact them - and were content with this.

*“Our CRM doesn't need to ring us for anything specific because we are classified as low risk, so unless there are any developments from HMRC that we should know about then I really wouldn't need any communication I wouldn't have thought.”* (Charity, CRM)

### **6.1.3 Need for access to PBG tax specialists**

The CRM was seen as a route to contacting tax specialists, and for respondents who needed these contacts, this had been very useful for their dealings. Apart from this, this group of respondents saw no further role for the CRM.

*“Having that one to one relationship is very helpful, because you know who to talk to. And particularly with an enormous organisation like HMRC, if you start from scratch and you pick up the phone and hope to speak to somebody who'll be able to answer your question – experience in other places suggests that's not going to happen...a lot of tax does require specialist knowledge, so I wouldn't necessarily expect them to be able to answer a query on the spot, but I would expect them to know where to find it out and to put me in touch with the right people.”* (Government body, CRM)

Where respondents already had sufficient links in their view, they saw less potential for the CRM to provide them with much assistance - particularly where a CRM was not familiar with the sector. These respondents tended to retain their specialist contacts, making minimal use of the CRM. Less commonly, respondents were unsure how to balance their contact with specialist tax officers and CRMs. Most felt free to contact people directly, but occasionally respondents had the impression that this was not appropriate.

*“Most of the issues we have aren’t in her field of expertise, so the response is usually ‘I will need to speak to someone else’, and the person she needs to speak to, I can pick up the phone and speak to in Cardiff anyway.” (Government body, CRM)*

#### **6.1.4 Building rapport**

Many respondents with pre-existing direct specialist contacts still saw a role for the CRM as a conduit who could bring continuity, understanding of the organisation and act as a ‘post-box’ to collect queries and pass them to the appropriate people. This depended upon the rapport and relationship that had been built. Here, respondents were confident in the CRM’s understanding of their organisation, and felt comfortable contacting the CRM on an informal and ad hoc basis. However, not all respondents felt their CRM showed an interest in building rapport, and this was identified as an area which could be improved upon.

*“I just have to say who I am and immediately he is on the same page.” (Charity, CRM)*

*“There was a big thing that we had a customer relationship manager and they want to come and meet us and to get to know us. We’ve not heard anything from them for nine months...if they’re going to have that system, they need to have a system that includes a follow-up and so on, not just introduce themselves and [then] not hear from them again.” (NHS trust)*

#### **6.1.5 Mediating and speeding up responses**

CRMs had reportedly been very helpful in speeding up queries and helping to provide responses. For example, in a few cases, CRMs were recognised to have provided a response within 4-5 weeks, whereas under normal circumstances this would have taken 4-5 months

Similarly, the use of email with CRMs was also thought to have increased clarity and reduced turn-around times for queries. For example, a Local Authority’s proposal for changes to the calculation of VAT recovery rates on fuel received clarification and confirmation in a much clearer and timely way through the use of email or phone communications with their CRM. Preferences for phone as opposed to email varied among respondents, but either method was considered ideal.

However, the individual approach taken by CRMs appeared to vary, and not all respondents felt they received the assistance they had expected. Some felt their CRM was lax in progress chasing, took a ‘passive’ role and did not appear to be willing to help resolve issues or provide them with any feedback on progress.

#### **6.1.6 Limits: issues escalated to policy**

Respondents’ expectations of the CRM were often frustrated in the rare occasions that issues were escalated for a policy decision. Although this was not always the case, there was a general view that once an issue required a policy decision the CRM was no longer part of the process and was generally unable to provide any information on the likely outcome or timescale. This could sour the relationship between the organisation and the CRM. There were exceptions however:

*“The critical queries, some that have been hanging around for a while, [the CRM] has escalated those and helped us resolve them effectively...she has responded when we push.”* (Government body, CRM)

### **6.1.7 Continuity**

Respondents that desired a close and open working relationship with HMRC were keen for continuity of individual contacts and hoped that the CRM would remain their point of contact for the foreseeable future. An individual CRM's tenure in the role was considered to be a very important aspect in maintaining a relationship with HMRC.

However, it is recognised that long-term relationships may not always be 'healthy' for either the organisation or HMRC, in which case it is useful if there is a recognised 'hand-over' process so that the incoming CRM understands the history and context in which the organisation is operating.

## **6.2 Experiences of the Customer Coordinator**

### **6.2.1 Awareness of the CC role**

Overall, a large proportion of respondents who had been allocated a CC were not aware of this; a tiny minority were aware but not interested; while some respondents had already gained good value from their dealings with their CC. These groups are explored in turn.

In some cases, low awareness was attributed to having been in the post for a short period of time and the respondents assumed that their predecessors had not passed the contact information on to them. In other cases, respondents recalled the letter they received informing them of the role, but had forgotten to act on it, or had not read it fully, or not realised that the CC role was available for contact on an ad hoc basis. These respondents could see the potential value to them of a CC, and concluded that the role could be useful to them. The CC's value would be in helping to speed up responses. They also hoped the CC would help address any inconsistency in interpretation provided by different contacts in HMRC.

*“It would just speed things up and gives you more assurance that you've done things correctly...I'd say if you had access to a high quality adviser, you knew that you'd get the response within a certain time, you'd use them.”* (Local Authority, CC)

*“Hopefully you are guaranteed compliance if you are following specific advice rather than your interpretation of a website.”* (University, CC)

### **6.2.2 A desire to engage with HMRC**

Most respondents who were aware of their CC contact were glad that the role had been introduced. They expected, and had found, that the CC would provide a first point of contact, to signpost them to relevant staff for queries, and to help to speed up responses.

The few respondents who were aware, but not interested in, their CC tended to rely on independent advisers and could see little role for a CC.

*“I don’t think it’s useful because we don’t have any problems with our submissions so I can’t imagine why I’d need to talk to a Customer Coordinator.”* (Local Authority, CC)

### **6.2.3 Influence of the CC**

Respondents who made use of their assigned CC felt they had made a positive impact on their dealings. The CC role was understood to be a conduit - a first port of call who would direct queries to the appropriate contact in HMRC. They had established a good rapport, used them to obtain progress updates, and in some cases discussed a number of wider issues with them.

*“He is very transparent in his operations with me and absolutely fine. I find him really easy to deal with. I have no problems going back to him and asking him where we’re at with anything that is going on.”* (University, CC)

However, in several cases, respondents’ access to their CC was impeded as there was only one assigned contact within their own organisation. This was not felt to fit their organisation’s needs, and had resulted in lower use of the CC than would have been preferred.



## 7. Respondents' suggestions for improvements

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In considering respondents' suggestions for improvements to the operation of the CRM and CC roles, four key themes emerged: easy **access** to services they needed, high **quality** assistance, that HMRC demonstrated **timeliness** in its treatment of them, and that the **tone** supported a constructive relationship. In some cases, these were already occurring in certain areas or relationships, and so constitute good practice that could be followed more consistently. Based on respondents' experiences of their relationships with a CC/CRM, they also identified what constituted a 'good' CRM/CC. As these behaviours were integral to the experience of HMRC as a whole, they are included in the discussion below.

### 7.1 Access

**Refresh introductions for full awareness of CRM and CC routes:** Many respondents who were not fully aware of their assigned CRM/CC were interested in pursuing this further and thought that HMRC should renew the contact, either through a telephone call or a short 'get to know you' meeting.

*"If I'd met her, I'd more likely have it in mind to contact her, but she's not even on my radar because I don't hear from her."* (Local Authority)

**Enabling direct contact with PBG tax specialists<sup>4</sup>:** Access to tax specialists was identified as a key driver of compliance for many of the organisations participating in this research and a way to minimise its administrative burdens. Where a CRM had not already facilitated direct access, respondents were keen to identify individuals within HMRC who they could consult on specialist queries.

**Clarity about CRM influence to assist in escalated issues:** The frustrations associated with delays in obtaining rulings or other decisions stemmed in part from the perception that the CRM should take a stronger role in resolving these. Respondents conceded that the CRM role may be more of a conduit but nevertheless thought that they could provide more clarity about the parameters of their role, and perhaps suggest alternative options where decisions were taking a long time to be made.

**Proactive notification on changes to tax policy:** Organisations were keen to obtain early warning of any impending changes to the PAYE or VAT regimes. In this respect, more sector-based communications, such as proactive notes on changes to legislation, were suggested, ideally channelled through the CRM or CC.

**Inform customers of changes to personnel:** While changes to personnel were fully expected, respondents considered it good practice, and extremely useful, when they were

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<sup>4</sup> We recognise that this might not be welcomed as tax specialists could find themselves overwhelmed with queries and that the CRM / CC can act as a filter and gatekeeper for the tax specialists.

informed of their HMRC contact's departure. This saved confusion, gave them the chance to seek a new contact if appropriate and manage their communications.

**Sector-based forums:** Among Local Authorities and Government bodies in particular, there was enthusiasm for opportunities to share good practice through face-to-face forums. HMRC was considered well-placed to provide or facilitate this. Government bodies noted that seminars may not be possible given resource constraints, but would be glad if they continued.

## 7.2 Quality

**Prioritising consistency: resolving inconsistencies in advice.** Respondents saw the CC/CRM as helping to prevent and resolve inconsistencies in both the information held on HMRC systems, and the information and advice given to customers by different members of HMRC's staff. Where this was not yet happening, respondents found these issues a source of frustration. Providing consistent advice was an imperative.

**Updated website guidance and information:** Across all the public body sectors, but particularly among Government bodies, respondents felt that the guidance notes provided on the HMRC website should be more regularly updated. This was felt to be a particular issue for VAT.

**Continuity of contacts:** Respondents tended to be more satisfied with relationships that had been built up over time, and most importantly, where staff were consistently available. Respondents whose contacts had frequently changed found this frustrating and made it difficult to maintain an open dialogue with HMRC; they felt that consistency of contacts was worth prioritising within HMRC.

## 7.3 Timeliness

**Timeframes for responses:** Respondents understood that tax policy could be expected to change, was liable to be revised and may remain unclear for periods of time. However, this made it very difficult for them to run and develop their business (particularly in the university, charity and NHS Trust sectors), as well as remaining compliant. They needed HMRC to consider ways to support or help them in managing these situations in ways that minimised the administrative burden upon them, allowed them to develop their business and to help manage expectations within their organisations. For policy issues, a timeframe for a decision would be extremely helpful.

**Clear route and timescale for escalation of decisions:** Where issues were escalated to policy teams, respondents sought a means of retaining a sense of progress and engagement with the issue. They wanted assurance that where an issue was known to require policy involvement, that this was escalated as efficiently as possible, to minimise the delays caused.

*“What we need in terms of the administration, we need a process which can escalate quickly, smoothly, without embarrassing, without causing additional conflict to somebody who can actually make a decision” (Charity)*

### ***A means of flagging urgent queries and early feedback on likely response times:***

Respondents looked to the CRM to mediate within HMRC, communicating the relative urgency of an issue from the organisation's perspective. In this way they hoped that the CRM help to indicate that some issues were of a higher priority than others to the business; this was particularly so where timescales were the tightest.

## **7.4 Tone**

Negotiations can take many forms with the dialogue taking a range of different tones. HMRC have indicated that the style and tone of a negotiation is often specifically related to the issue in hand. Many of the organisations participating in this research had noticed a change in style and tone of their interactions with HMRC over the past couple of years and in some instances the tone of the interaction was welcomed and seen as enabling. However, respondents reacted against individuals in HMRC where they found the tone of their communications to be antagonistic, didactic or unconstructive in resolving the issue at hand. These types of behaviour were commonly described as 'old-fashioned', implying HMRC had improved its culture of service overall, but individual CRMs were occasionally seen as behaving in ways that were associated with the past.

*"[A senior contact from HMRC was] a typical tax guy...very straight-faced and very 'this is the way things are', and HMRC seriously have to break down that personal barrier...you know, grey suited...that's the image they need to remove, it's not expected anymore. They have to come across almost like a client liaison point...you feel as if they are not being entirely open with you and that they are one sided conversations: this is the rules, this is how we apply them' and it's very difficult to try to change that 'process' policy." (Government body)*

*"The tone has changed over the years. When they did the audit five years ago, it was extremely formal. It was very old civil service...They'd address you by your surname. Now it's less so. It makes them seem more approachable. But what I'm not entirely certain on is whether that's just my relationship, or whether it's something general that's happened within HMRC." (Government body)*

## 8. Conclusions

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**Compliance has remained a high priority** across all the public body sectors - in some cases it has been accorded more attention in order to avoid penalties and recoup VAT.

Most tax teams felt **optimistic about their current capabilities** and did not envisage specific risks, but an important **minority felt a new vulnerability and sought additional support** from HMRC. In the context of fairly rapid changes and transformations, organisations have expressed concern that long delays in HMRC responses, or being given inconsistent answers, is liable to result in errors. CRM resources should therefore be targeted at those that express this need, as a form of interim support within the broader goal of organisations managing compliance themselves. These are customers clearly willing to engage openly and explain the challenges they face in order to gain the clarity needed to 'get it right first time'.

**Timeliness** in HMRC responses is crucial to enable compliance and bring satisfaction to dealings. There is a clear role for CRMs and CCs to oversee the provision of quicker responses in circumstances of greater urgency, especially where large scale projects with large budgets are waiting for a decision from HMRC before they can go ahead. Evidence of good practice and satisfied customers shows that in some cases this does already happen. However, improvements can be achieved by making this a more consistent practice, building on the example of proactive CRMs by ensuring others follow their lead.

Organisations are under pressure to get issues that have important budget implications resolved, and the protracted delays following **escalation to policy is a serious impediment**. Even if a delay cannot be helped, communication could be improved. Provision of a timescale for likely resolution would ease the internal strain, allowing organisations to plan. The tone of communication is also important; where the tone of a CRM's contact helped build constructive relationships, this significantly increased organisations' satisfaction with dealings. Proof that the customer's concerns were recognised, and any degree of transparency to the process they could bring by way of explanation, would improve satisfaction.

**High quality, reliable information** means providing consistent responses, and this is another key area where the CRM and CC can drive up satisfaction where they have not already done so. Where discrepancies are found between helpline/specialist advice or in information held on HMRC systems, customers with strong CRM / CC or specialist contacts have a means of redress. Others with poorer satisfaction in this area can be helped by activating, or re-energising their CC and CRM contact.

Clearly, customers have different preferences and those who are content without a CRM or CC consider that they need nothing more. Where CRMs and CCs are 'active', respondents find the **relationship to have brought real improvements** to their experience. The system is working very well in some cases, but is absent in others, and is clearly influenced by the approach that the individual CRM takes. Customers who are not aware of their contacts also need to be approached again to see if they would benefit for a closer CRM / CC liaison.

## Appendix

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### Methodological details

The research was qualitative in design, adopting in-depth interviews in order to examine interviewee's experiences of dealing with HMRC, and explore drivers of satisfaction and tax compliance. The in-depth interviews were carried out by qualitative researchers who have extensive experience and have been trained in the techniques of non-directive interviewing. Each interview was exploratory and interactive in form so that questioning could be responsive to the experiences and circumstances of the public body organisation. Interviews were based on a topic guide, which listed the key themes and sub topics to be addressed and the specific issues for coverage within each. Although topic guides help to ensure systematic coverage of key points across interviews, they are used flexibly to allow issues of relevance for individual respondents to be covered through detailed follow-up questioning.

All members of the research team took part in a briefing to ensure the interviewing approach was consistent across the interviews. The interviews were conducted at the respondent's place of work. All interviews were digitally recorded and transcribed verbatim.

Material collected through qualitative methods is invariably rich but unstructured. The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived. The analysis of the in-depth interviews was undertaken using a qualitative content analytic method called 'Matrix Mapping', which involves a systematic process of sifting, summarising and sorting the material according to key issues and themes. Information from each interview transcript was summarised and a map was produced which identified the range and nature of views, experiences, and issues for development and form the basis of this report.

### Sample composition

	Charities (10)	Government Departments (10)	Local Authorities (10)	NHS Trusts (10)	Universities (10)
CRM / CC	32 organisations were assigned a CRM; 18 a CC				
VAT / PAYE responsibility	Interviewees of 29 public bodies had responsibility for both PAYE and VAT; the remainder were responsible for one area of taxation				
Tax agent representation	26 public bodies had tax agent representation				



## Topic guide

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### Topic Guide: HMRC Public Bodies Customer Research

**Aims:** Explore current customer experiences, including key drivers of satisfaction;

- Explore customers' needs in relation to customer satisfaction and compliance, including drivers of tax behaviour;
- Explore the effects of the introduction of Customer Relationship Managers (CRM) and Customer Coordinators (CC) on customer experiences and satisfaction with HMRC;
- Explore how the current economic climate and proposed public sector reforms impact on customers attitudes and behaviour towards compliance; and
- Identify priority areas for improvement, including practical changes HMRC could make.

#### 1. Introduction

3 mins

- Commissioned by HMRC; TNS-BMRB an independent research agency
- Nature of research - to explore customers' experiences of their dealings with HMRC
- Purpose of interview (see above)
- Emphasise confidentiality; their views will be used, but not identifiable
- Interviews will be audio recorded and only available to research team
- Length of the discussion: approx 1 hour

#### 2. Background information

3 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.*

- Explore details of the organisation: nature, type
- 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, Charities Tax Group, Confederation of British Industry, Chartered Institute of Public Finance and Accountancy, Health Fund Managers Association) NB: Currently no representative body exists for Government departments

#### 3. Management of tax affairs

4 mins

- Briefly explore organisational management of tax issues

- How taxes are organised; probe re scale of admin / governance (e.g. in-house tax department; split responsibility for tax areas; use of intermediaries, payroll agents etc)
- Briefly explore use of agents in managing tax affairs
  - Do they use an agent in any/some/all of their dealings
    - Explore which issues an agent is used for, and why

#### 4. **Key drivers of satisfaction and compliance** 10 mins

- Ask interviewee to identify what they feel to be the **key drivers of satisfaction** in their relationship with HMRC
  - Critical behaviours and attributes they need and value from HMRC
  - Behaviours and attributes that inhibit a helpful and constructive relationship with HMRC
- Building on the discussion above, explore their **needs** in their dealings and relationship with HMRC, **to support compliance/getting things right**. Spontaneously, and in relation to:
  - Accessing people with the right technical expertise to assist
  - The level of personal contact with staff
  - The level of assistance and advice provided
  - Access to information and guidance
- Explore any changes to management/what has been done over the past 12 months to improve tax compliance/has tax knowledge improved
  - Establish whether this was done in conjunction with HMRC
- Explore views on overall satisfaction in their dealings with HMRC. *Ask interviewee to use examples to illustrate their points, wherever possible.* Spontaneous, then probe:
  - Style and tone of interactions
  - Methods of communication
  - Level of expertise
  - Usefulness of interactions
  - Effectiveness in assisting compliance
- Explore overall experience of **changes** in customer experience of relationship with HMRC; identification of particular benefits and downsides. If necessary – probe:
  - Level of compliance activity; level of support and education from HMRC
  - Customer satisfaction generally
  - Provision of certainty
  - Speed and timeliness of response
  - Culture of HMRC
  - Staff expertise and awareness of organisation's needs

#### 5. **Contact with HMRC** 10 mins

- Explore the range of typical contact and liaison with HMRC



- When do they contact HMRC; for what reasons
  - How this varies by issue
- Explore awareness of HMRC contact point – what type of contact point they use? If necessary probe whether they have a CRM/CC/Tax Specialist (whichever applicable)
  - Explore whether used; why/why not
  - [IF NO CRM/CC OR ARE NOT AWARE] – any single point of contact within HMRC (named designated liaison contact)
    - Why/when do they contact this person

*[Researcher note: for customers without a CRM or CC, SKIP the section below and go straight to section 7]*

## **6. Experiences with CRM 10 mins**

- Explore views about current experiences of the CRM/CC relationship
  - How is the CRM used, in relation to what issues
  - What is the main value of the CRM to them
    - Do they feel working on the Business Risk Review and Action Plan is a collaborative process; and how could this be improved
- Explore understanding and interpretation of the CRM/CC role; and explore understanding and interpretation of Tax Specialist role
  - Ask respondent to describe/explain the function of the CRM; the Customer Co-ordinator and of the Tax Specialist
  - The type and nature of issues that they would consider it appropriate to contact/ request advice/consult/advise the CRM
  - Which issues would they contact the Tax Specialist rather than the CRM about; and why
- Explore the overall influence of the CRM/CC on satisfaction and experience of HMRC, in meeting overall customer need. Request examples where possible. Spontaneous, and probe:
  - Ways the CRM has enabled management of tax affairs
  - Any barriers/problematic issues associated with the CRM relationship
  - Any gaps in service delivery; or is HMRC meeting expectations

## **7. Wider influences on tax behaviour 10 mins**

- (Briefly) explore overall views on the handling of tax by their organisation – how do they feel their organisation is managing its performance in relation to compliance. E.g. are they managing their returns correctly and on time; how 'risky' are they seen to be.
- Explore the external factors influencing tax behaviour – how easy/difficult is it to be compliant? Spontaneously, then probe (where not spontaneously discussed):

- **General economic climate**
    - Issues, including examples
    - Impacts on tax behaviour and ease of compliance
      - Feelings about these issues, currently and looking to the future
  - **Public sector reforms**
    - Issues, including examples
    - Impacts on tax behaviour and ease of compliance
      - Feelings about these issues, currently and looking to the future
  - Any other changes over the past three years
- Explore the influence of internal organisational factors on their tax behaviour. Spontaneously, then probe:
    - Levels of expertise/ capability
    - Resources and capacity
    - Attitudinal: how compliance is prioritised in relation to other issues
  - Explore perceptions of the impacts of internal factors (above) on satisfaction and compliance
    - Feelings about these issues, currently and looking to the future
  - Building on the discussion above, ask interviewee to sum up the key issues influencing their ability to consistently achieve compliance

## 8. **Suggestions for improvement** **10 mins**

- Explore what changes, if any, organisations would like to see in relation to 'customer experience' (in the context of HMRC / taxation)
  - 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
- Invite suggestions for **feasible** (accounting for resource constraints) improvements in interactions and relationship with HMRC, to support compliance and increase satisfaction
  - Encourage interviewee to outline what practical changes could be made to meet these expectations/barriers identified
    - Identify the impact this change would have on customer satisfaction and/or tax behaviour
- Any other thoughts relevant to the discussion

**Thanks and close**