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**Presented to Parliament by the Exchequer Secretary to the Treasury by Command of Her Majesty
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TREASURY MINUTES DATED 18 DECEMBER 2007 ON THE
FORTY EIGHTH TO THE FIFTY FOURTH, AND THE FIFTY SIXTH
REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS
SESSION 2006-2007

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Forty Eighth Report

HM Treasury

The Efficiency Programme: A Second Review of Progress

1. The Government's Efficiency Programme is designed to release to front-line services efficiency gains across the public sector of £21.5 billion a year by 2007-08, to reduce Civil Service posts by more than 70,000 and to reallocate a further 13,500 posts to front line services.

2. Departments are responsible for delivering and quantifying the efficiencies achieved. HM Treasury checks the robustness of figures put forward and provides support to help departments deliver their gains. The £21.5 billion target is a mix of cashable and non-cashable gains. Cashable gains are defined as reductions in inputs, which do not adversely affect the quality of outputs. Overall, around two thirds of the £21.5 billion target is expected to release resources in this way. The remainder of the £21.5 billion target will be in the form of non-cashable gains, where additional outputs such as enhanced quality of service are obtained for the same level of inputs.

3. When the Committee took evidence on 26 February 2007, departments had reported efficiencies up to 30 September 2006 of £13.3 billion. In Budget 2007¹ the Government announced that by 31 December 2006 £15 billion of efficiency gains had been achieved and in the 2007 Pre-Budget Report and Comprehensive Spending Review² the Government announced further progress of over £20 billion had been achieved by end June 2007.

PAC conclusion (1): Some £13.3 billion efficiency gains have been claimed, but while £3.5 billion represent efficiencies there are some doubts, and measurement weaknesses, around the reliability of the remainder. The programme has brought a greater focus on efficiency in departments, but the lack of sufficiently reliable data, reliance on estimates and inconsistency in the way costs are treated mean that some 74 per cent of efficiencies remain uncertain. Departments need to improve their measurement of efficiency by establishing reliable baselines, taking account of all additional costs involved in achieving efficiencies and having supporting evidence, which is subject to independent challenge by, for example, internal audit.

4. The Government is pleased to note the recognition that the programme has brought a greater focus on efficiency in departments. However, the conclusion that 74 per cent of efficiencies remain uncertain is not consistent with the finding of the National Audit Office (NAO) Report: The Efficiency Programme: A second Review of Progress.³ This stated that over 75 per cent of the reported efficiency gains represent efficiency, but that some of them carry some measurement issues and uncertainties. The NAO report also acknowledges the difficulty of measuring with total accuracy projects that are not stand-alone initiatives, and that in some areas efficiencies might actually have been understated owing to weaknesses in departmental data systems and complex relationships between inputs and outputs.

¹ http://www.hm-treasury.gov.uk/budget/budget_07/bud_bud07_index.cfm

² http://www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

³ <http://www.nao.org.uk/pn/06-07/0607156.htm>

5. HM Treasury have been working hard with Departments on outstanding measurement issues. All but one of the initiatives examined by the NAO now either conform to HM Treasury guidance⁴ or have been removed from the programme. No gains will be counted towards the final total unless the HM Treasury has received adequate assurance that they meet the Government's criteria for valid efficiency gains.

6. To this end, the Government requires the data returns provided by departments to be signed off by Ministers or Permanent Secretaries to confirm that they comply with the published guidance. The use of internal audit resources by departments is strongly encouraged and there is growing evidence that this forms a key part of departments internal assurance prior to sign off.

PAC conclusion (2): There is evidence that some efficiency projects may be having an adverse impact on service quality. The Department of Health, for example, claims efficiencies through patients spending less time in hospital despite the rate of readmissions rising. The relationship between efficiency and quality of service is complex and not always susceptible to precise measurement, so departments need a portfolio of indicators to identify more accurately factors contributing to changes in quality. These should include baselines against which to assess changes in quality, cover the critical elements of service quality such as timeliness, accessibility and customer satisfaction, and demonstrate the impact on achieving key outcomes such as improved healthcare or standards of education.

7. The Government agrees that for efficiencies to be counted as part of the Efficiency Programme the service quality must at least have been maintained. It also recognises that this can present a complex and difficult measurement challenge. In their in-depth study of the programme the NAO said:

- 'there are many examples across the programme where service quality has been maintained or has actually improved';
- 'new reporting process embeds the need for reporting quality indicators alongside efficiency gains'; and
- they note several instances of improved performance in the presence of efficiency reforms in HM Revenue and Customs (HMRC).

8. The Government does not count efficiencies unless there is a strong, evidence based assurance that quality has not been impaired. This needs to be signed off by departmental Permanent Secretaries or Ministers. Any evidence that service quality has declined is looked at in detail by departments and HM Treasury. If it is found that this is a result of the efficiency programme, the relevant efficiency gain will not be scored.

9. any departments have chosen to use sharply focussed quality indicators to make it easier to isolate the impact of the efficiency programme from the range of other factors influencing departmental performance. These are scrutinised and approved by HM Treasury, who will check that any wider consequences are taken into account.

⁴ http://www.hm-treasury.gov.uk/documents/public_spending_reporting/efficiency_programme/measurement/eff_meas_index.cfm

10. In the case of Health, the trend of rising patient readmissions was evident for at least three years (the extent of available data) prior to the commencement of the Gershon programme. The NAO recognised in their report that ‘there is not conclusive evidence the deterioration has been caused by efficiency initiatives’.

11. The Department of Health (DH) is confident that long-term movement in readmission rates is most likely linked to a combination of:

- population health changes (Patients now live longer by surviving illness or conditions so they will suffer from more chronic conditions and require more admissions (and readmissions) to hospital during their extended later years);
- changes in the hospital population (as less ill patients are treated in other settings); and
- changes in the way chronic care patients are treated. Chronic care patients now tend to be discharged when stable and readmitted only if symptoms recur rather than remaining in hospital for observation).

12. All discharge decisions are led by clinicians and medically based. They do not compromise care standards or health outcomes. The department is undertaking further research that will be independently validated, to more fully understand causality in this complex area.

13. Recognising the risks of relying on single and not wholly attributable quality measures, the department selected a basket of indicators against which front line service efficiencies would be assured. All other indicators have remained positive, including patient satisfaction and mortality rates (deaths within 30 days of hospital discharge). Latest indicators show an improving health service with mortality rates down, waiting times reduced and patient satisfaction scores increased.

PAC conclusion (3): Improvements in efficiency may not be sustainable. Some projects, such as the Ministry of Defence’s early decommissioning of some of its fast jets have achieved one-off financial savings rather than improving efficiency for the long term. If lasting change is to be demonstrated departments need to develop measures, which reflect the unit cost of delivering key services and outputs over time. In this way departments would be better equipped to focus on underperformance where it occurs.

14. The Government defines efficiency gains as sustainable if they are the result of a permanent change in the way a department does its business.

15. The early decommissioning of Fast Jets saves the MOD substantial sums of money in 2006-07 and 2007-08 that can be diverted to other Defence priorities. The draw down of the Jaguar aircraft was in line with the major review of defence capability announced in July 2004, which found that the Government’s Defence priorities could be delivered with fewer fast jets. The aircraft will not be re-introduced. As the NAO report makes clear, this initiative is therefore consistent with the HM Treasury (then OGC) definition of sustainability.

PAC conclusion (4): By not including on-going costs six of the ten largest departments may be overstating their efficiency gains. Despite a recommendation by this Committee departments still report efficiencies without netting off the expenditure incurred to achieve them. The Department for Work and Pensions, for example, did not subtract the £164 million cost of the Post Office Card Account, which it incurred in 2005-06 as part of its efficiency initiative to move customers to cheaper methods of payment. The Treasury has announced that for the next spending period such costs should be taken into account, but this requirement should also apply to the remainder of the current period to 31 March 2008.

16. In many cases efficiency gains are being realised after many years of investment in complex programmes with many benefits. The Government accepted at the programme outset Sir Peter Gershon's view that it would be difficult and inefficient to isolate all the historic costs relating to a specific efficiency gain. To attempt to do so might also discourage departments from making valid gains.

17. The Government has always been transparent about the basis on which the targets were set and the gains calculated.

18. The Department for Work and Pensions (DWP) treatment of the costs of the Direct Payments Initiative (DPI) is entirely consistent with the agreed methodology for reporting Spending Review 2004 efficiency savings. In any event, it would not have been appropriate to attribute Post Office Card Account (POCA) costs to DPI. This is because POCA costs (which were around £164 million for DWP) were reported through the Universal Banking Business Case, which was agreed before DPI was set up as a 'standalone project' and which does not form part of the Efficiency Programme.

PAC conclusion (5): Headcount reductions are being secured, but the use of different starting points partly diminishes confidence in what has been achieved. Five departments secured the Treasury's agreement to use staffing baselines prior to 1 April 2004, which was the starting point for the programme. The Department of Health for example, used a baseline of March 2003 enabling it to claim an additional 450-headcount reductions. Adopting a similar approach the Department for Work and Pensions reported an additional 2,060 reductions. Across the programme 3,205 headcount reductions were delivered prior to 1 April 2004, representing 7 per cent of reported progress. A single starting point would improve the clarity of what has been achieved, though previous performance in reducing headcounts should be reflected in setting departmental targets.

19. Baselines, including dates and definitions of what was in-scope, were agreed at the time of target setting in the Gershon Review. These were sometimes set at earlier points in order to avoid penalising Departments for early progress. HM Treasury agreed these points at the time and it would be unreasonable to change them once the Programme is up and running. The Government has been open about all baseline dates through departmental Efficiency Technical Notes (ETNs).

20. The Department of Health commenced its internal change programme in March 2003, a year earlier than most other government departments. This programme was wholly aligned with the emerging recommendations of Gershon to streamline central administrative functions and resources. It was therefore appropriate that an earlier baseline was agreed for both headcount and operating costs so that the full impact of Gershon related efficiency projects were captured. Targets were also agreed on this basis.

21. DWP's headcount efficiency target was announced in the Budget Statement on 17 March 2004, before the conclusion of the 2004 Spending Review. It was appropriate to use a baseline date of 1 March 2004 in order to both reflect the latest staffing position at the time the announcement was made and to accurately measure subsequent headcount reductions. The progress made in managing the reduction in headcount since the baseline date reflects the wide-ranging efficiencies made as a result of the Department's Modernisation Programme.

PAC conclusion (6): Reported reallocations of staff to the front line are less reliable. Inconsistencies in the definition of the front line (the definition used by HM Revenue and Customs includes some managers, administrative support and IT staff), and reliance on projected rather than actual numbers (the Department of Work and Pensions relies on projected numbers of personal advisers who have moved to the front line) throws doubt on reported reallocations to the front line. The Treasury should set a clear and consistent definition of what constitutes a 'front line' role, and departments should only report reallocation when they have actually been achieved.

22. HM Treasury agrees with each department what counts as frontline. HMRC and DWP deliver very different services and so this is different for the two departments. DWP have selected customer-facing units for its reallocations, whereas HMRC have agreed with HM Treasury a programme of reallocations to front-line areas covering clearly identified business strategies and initiatives. These include: VAT Compliance Strategy; Spend-to-Raise; Project Cyclamen (a counter terrorist initiative to detect and deter the illicit importation of radioactive materials entering the UK); Construction Industry Scheme; and other strategies, for example, to combat smuggling.

23. The Government considers that the best way for HMRC to conduct its wide ranging business portfolio is to continue to better target and focus resources, including greater reliance on improved intelligence and risk assessments to, for example, ensure the right amount of tax is collected. Posts reallocated into such activities will not always have direct contact with its customers, but provide an essential ingredient in developing a modernised tax collection system to help ensure society's financial wellbeing. Reallocations made include some managers, analysts, risk and intelligence officers, administrative support and IT staff, working directly on agreed initiatives, whose work is necessary to make best use of deploying limited resources and to increase HMRC's front-line effectiveness.

24. The Government takes a different view from the Committee on the planning and reporting of HMRC's reallocations. Departmental plans project the number of reallocations into business areas as an integral part of the overall planning process. These may not match the final and actual staff-in-post figures, but it is only the actual staff-in-post figure that is scored as a reallocation. HMRC believes that overall they have the evidence, through activity monitoring, to support this contention.

25. DWP counts as “front line” only roles that have direct customer contact, either in person or by telephone. In Jobcentre Plus, these include:

- Personal Advisors, working with customers in Jobcentres to help them find work;
- Financial Assessors, offering customers an expert service to ensure that Jobcentre Plus receives correct information from them to enable claims to be processed quickly and accurately;
- Floor Managers, ensuring that customers visiting Jobcentre Plus offices are directed to the right source of help;
- Contact Centre staff, enabling customers to make benefit claims through the most convenient channel and improving levels of service and support compared with the previous postal claims service.

26. In April 2007 Jobcentre Plus introduced a new management information system. This has enabled more accurate identification, monitoring and reporting of all job roles, including the Personal Adviser role and has already removed the need to rely on projected rather than actual figures when reporting the number of reallocated posts.

PAC conclusion (7): There remains evidence that the basis for some claimed efficiencies have been insufficiently challenged. The Department of Health with OGC’s agreement, for example, made a statistically unsound adjustment to a baseline, which added £300 million to reported efficiencies. Over the past year the challenge provided by the OGC has, in many respects, become more targeted and informed. In assuming overall responsibility for efficiency from OGC the Treasury should adopt a still more rigorous process for reviewing the supporting evidence for department’s claims, using qualified analysts and statisticians when required.

27. Several layers of challenge already exist and many improvements have already been undertaken:

- Sir Peter Gershon agreed the outline of departmental efficiency programmes as part of his 2004 independent review;
- comprehensive measurement guidance has been issued and departments are using this to measure their gains. The NAO clearly say that measurement has improved and that the guidance is used to rate the gains. The NAO were involved with the production of HM Treasury guidance;
- Permanent Secretaries and Ministers sign off all gains and many departments have used their own internal audit functions to scrutinise progress;
- all local authority gains are subject to annual Audit Commission scrutiny; and
- NAO have examined the programme twice and found the overwhelming majority of gains to be real efficiencies, in some cases with more work to do on finalising measurement. The Government is ensuring that this work takes place.

28. HMT provide dedicated challenge and support to departments, and have taken a number of actions to improve the verification and validation system as a whole, such as removing initiatives from the programme where they are unable to robustly demonstrate efficiency and reviewing measurement approaches in difficult areas.

29. The NAO report recognises that an adjustment to the baseline for calculating savings from reduced hospital length of stay was necessary due to volatile historical data. The department accepts that the methodology subsequently agreed with NAO is more statistically sound, but has the disadvantage of creating a one year lag on calculations. However, the £300 million additional efficiency claim highlighted in the committee's report is based on there being no adjustment to the raw base data. In fact, with the statistically sound moving average methodology agreed with NAO, the actual error is about £100 million.

30. The NAO report does recognise the difficulties and complexities of calculating efficiencies in healthcare, and also notes the department's contention that other difficulties with this particular set of hospital data result in understatement of gains that potentially further offset any over reporting error.

PAC conclusion (8): The full potential to achieve efficiencies is not being realised. Almost every week the Committee is confronted with the problems departments have in delivering public services efficiently and effectively. Efficiency improvements in the current spending period are, however, being sought from the narrow basis of a small collection of projects in each department, which does not encourage departments to look at efficiency in the round. While the basis for seeking efficiency improvements in the next spending period may be wider, the Treasury should work with departments to put in place a more coherent performance framework including targets and benchmarking to reduce corporate overheads and administrative functions, with unit cost and productivity measures for all key outputs. There should also be regular opportunities for front line staff to have a say in how service quality and efficiency can be improved.

31. The Government agrees there is further to go in the next spending period. Sir Peter Gershon himself said that there was scope for further efficiencies beyond his £20 billion target after 2007-08. The Government has set further, more challenging targets for the next Spending Review period.

32. Departments will set out details of how they are making their contribution to the £30 billion target in VFM Delivery Agreements, to be published by the end of the year.

Forty Ninth Report

Home Office

Identity and Passport Service: Introduction of ePassports

1. This report examined the successful transition from issuing machine-readable British passports to issuing all British passports (currently some six million per year) as ePassports. These contain a contact-less electronic chip embedded in the passport booklet, which stores the same biographical data as included in the passport, together with a digital facial image of the passport holder. The ePassport is designed to be read at border controls and means that the British passport is now one of the most secure in the world. The successful introduction of ePassports also means that British travellers are able to benefit from visa free travel to the United States of America as the United Kingdom has been able to remain part of the United States “visa waiver” scheme.

PAC conclusion (1): The Identity and Passport Service successfully delivered the ePassport project to time, cost and quality standards. The roll out of the first generation of ePassports offers an example of successful project management and procurement to others contemplating introducing a new service or improving an existing one. The Office of Government Commerce should promulgate the lessons learnt from this project across government.

2. The Identity and Passport Service (the Agency) welcomes the Committee’s recognition to the success in delivering this project on time and to budget. Further recognition has been received for the successful completion of the project including the Agency winning the “Project and Programme Management” category award at the Whitehall and Westminster World civil service awards 2007. This award recognised good practice in project and programme management in the civil service.

3. Whilst the ePassport project closed in November 2006, having delivered its objectives, the Agency would be very happy to participate in any wider dissemination of the lessons learnt and a paper has already been sent to the Office of Government Commerce on the lessons learnt.

PAC conclusion (2): The introduction of second-generation ePassports from 2009 will present greater technical and logistical challenges than the introduction of first generation ePassports. To achieve the successful roll out of these and other planned initiatives, the Identity and Passport Service should review demand forecasts, consider cost implications and prepare and test contingency plans in readiness for the introduction of second-generation ePassports in 2009.

4. The Agency agrees with this recommendation. The Government has indicated that it will keep in step with the European Union Regulation (EC) 2252/2004, which set out standards for security features and biometrics in passports and travel documents issued by Member States. This provides for the inclusion of both face and fingerprint biometrics on a contact-less chip.

5. The United Kingdom was excluded from the Regulation as it was thought to constitute a development of Schengen provisions in which the United Kingdom does not participate. As a result the Government challenged the United Kingdom's exclusion through the European Court of Justice and requested the Court to annul the Regulation, which would have led to new European legislation being introduced with a revised timetable. However, the Advocate General's opinion in respect of the challenge was issued in early July 2007 and found against the United Kingdom with the formal decision of the Court to follow.

6. Irrespective of the outcome of the challenge, the Government has indicated that it will introduce fingerprint biometrics, so as to ensure that British passports are not any less secure than those issued by other Member States. However, because of the uncertainty over the impact of the European Court of Justice ruling, the timing for this move to second-generation ePassports is not yet settled.

PAC conclusion (3): To meet the external deadline for staying within the US Visa Waiver programme, the Agency accepted a manufacturer's guarantee of only two years for the chip, which is contained within a ten year passport. Passport holders have expressed concerns about the accuracy of the contents of the chip and its durability. The Identity and Passport Service should:

- **publish information on its website on the durability of the chip, including guidance on how to best protect it, the circumstances in which the passport holder would have to pay for a replacement passport, and when the agency would provide a replacement free of charge.**
- **increase the publicity given to the existence of electronic readers in Identity and Passport Service offices so that passport holders can see for themselves the data held on their passport chip.**

7. The Agency accepts this recommendation. The Agency's website already provides advice to holders of ePassports and explains that the Identity and Passport Service regional offices in Belfast, Glasgow, Durham, Liverpool, Peterborough, London and Newport are all now equipped with ePassport Readers. The reader enables holders of a British ePassport to view his or her personal information stored within the chip embedded in the passport. This is a free self-service facility within the public area of each office.

8. Further information will also be made available on what to do in case of chip failure. If this were as a result of damage to the passport then, as with damage to old style machine-readable passports, it would be up to the holder to apply for a replacement and to pay for it. However, if the chip in an ePassport were to fail to work because of a manufacturing fault, then subject to this being verified, the passport holder would be able to obtain a replacement passport at no additional charge. It must be borne in mind that, even if there is a chip failure, then for the time being any inconvenience should be kept to a minimum as the ePassport will still remain valid for travel in the same way as non-biometric machine readable passports remain valid.

PAC conclusion (4): Anti-fraud measures account for almost a third of the adult passport fee, but there is a lack of data on their relative effectiveness. The Identity and Passport Service should establish measures to assess the relative cost effectiveness of anti-fraud initiatives funded from passport fees, such as facial recognition systems, Authentication by Interview, and biographical information checks.

9. The Agency accepts that further work is needed on the cost effectiveness of different approaches to combating fraud. However, it needs to be borne in mind that although there may be some overlap, that different techniques will be more suited to the detection of different types of fraud. For example, facial recognition can help detect a multiple application in a false identity where the applicant is attempting to obtain a second passport in a different identity and already has a photograph held by the Agency. Whereas passport interviews for first time passport applicants have wider application in establishing first that the applicant is present in the United Kingdom and secondly that he or she is able to confirm corroborative details of the identity which he or she claims.

10. The Agency is undertaking a review of its counter-fraud strategy and this further work on cost-effectiveness will form part of that review.

PAC conclusion (5): The agency used an exemption from procurement rules to amend the existing contract for passport production rather than holding a competition; and did not assess the impact of ePassports on users or other government departments prior to their introduction. Major enhancements are planned to the UK passport, border security and visa processes over the next five years. To reduce costs and improve value for money, the Identity and Passport Service should:

- **let contracts on a competitive basis or, where competition is not possible, take alternative steps to secure value for money, for example by using a 'should-cost' model to determine a fair contract value;**
- **carry out Regulatory Impact Assessments for each project to identify the likely impact on applicants and other parts of government;**
- **determine the mix of skills required and whether civil servants, temporary staff or consultants are the best way to meet the business need, and plan ahead so that consultants are not employed for lack of time and resources to recruit permanent staff.**

11. In October 2007, the Identity and Passport Service published an advertisement in the *Official Journal of the European Union* for the procurement of a National Identity Scheme Strategic Supplier Framework Procurement. The framework arrangement will provide capabilities to support the National Identity Scheme. This competitive procurement approach will select a small group of the best suppliers in the market for the required services. These suppliers will work with the Agency and its partner agencies to deliver capabilities for the Scheme.

12. The Pre-Qualification Questionnaire stage of the National Identity Scheme Strategic Supplier Framework procurement has now concluded. Following receipt of eleven responses to the advert an evaluation was conducted and eight companies (Accenture; BAE Systems; CSC; EDS; Fujitsu; IBM; Steria; and Thales) were invited to participate in Competitive Dialogue with the Agency prior to seeking final tenders for the framework arrangement. The Agency has reserved its right to either compete for passport book production through the Framework or to broaden competition to include security-printing specialists.

13. A Regulatory Impact Assessment (RIA) was published in May 2005 in line with the introduction to of the Identity Cards Bill, which led to the Identity Cards Act 2006. It is accepted that further Impact Assessments will need to be prepared, in particular before the launch of the National Identity Scheme.

14. In terms of staffing, the Agency accepts the need to have the right mix of skills in place primarily through the recruitment of suitably qualified and experienced civil servants with the right skills. There will remain a need to provide some additional support through the appointment of interim staff or consultants and a rigorously structured procurement to the market for specific supplemental consulting resources was launched in November 2007 through the Office of Government Commerce's CATALIST framework. However, the Agency accepts that this should be in support of not in place of future human resources planning.

PAC conclusion (6): Under current Home Office plans, a UK citizen with a valid ePassport will also need to purchase a UK national identity card although the two documents will contain broadly similar data. Synergies in the production of the two documents should be reflected in the combined fee for an ePassport and identity card. The Identity and Passport Service should, as the identity card project progresses, identify and eliminate areas of overlap with ePassports in order to reduce the combined purchase price of an ePassport and identity card. The Home Office needs to explain the underlying rationale as to why citizens need an identity card as well an ePassport, particularly as the ePassport offers broader utility in terms of global travel.

15. The Agency accepts that for the foreseeable future the ePassport will be the key British travel document, as it will be required to travel outside Europe. The ePassport booklet is designed for travel worldwide and to accommodate visas, which are required to travel to certain countries outside Europe. However, as in the other 24 European Union countries that already issue identity cards, a United Kingdom identity card issued to British citizens may also be used for travel within the European Economic Area, without the need for a passport.

16. In addition to any use as a travel document within Europe, the identity card will be used domestically as part of the National Identity Scheme as a convenient means of proving identity securely and reliably in a range of circumstances, when a passport booklet is not the most suitable document. The Agency will take full account of the Committee's recommendation and will continue to plan for synergies between the introduction of second generation ePassports, incorporating fingerprint biometrics, together with the Government's wider plans for the introduction of identity cards.

PAC conclusion (7): The Identity and Passport Service worked well with the Foreign and Commonwealth Office during this project but less well with the Border and Immigration Agency. The planned introduction of second generation ePassports and identity cards make effective joint working important in reducing costs, securing efficiency savings and improving passport and border security. The Identity and Passport Service should:

- procure ePassport production equipment, supplies and technical expertise jointly with the Foreign and Commonwealth Office and the Border and Immigration Agency; and
- work with the Border and Immigration Agency to monitor the effect of the introduction of electronic travel documents on travellers, airlines and airports, and
- establish joint contingency plans to remedy any undue delays and inconvenience to the travelling public, while maintaining border security.

17. The Agency accepts this recommendation, which has been incorporated into the planning for the introduction of the second generation of ePassport incorporating fingerprint biometrics. The Agency accepts the importance of working with other agencies on the use of ePassports at borders. Currently ePassports can be read at all major United Kingdom ports by Border and Immigration Agency staff.

18. The agency is currently working jointly with the Border and Immigration Agency on ways of reducing the time taken to read ePassports. The first fast track automated gates that make use of ePassport technology in conjunction with facial recognition technology have already been introduced in Portugal at Faro and Lisbon airports where they can be used by adult holders of British ePassports.

Fiftieth Report

Assets Recovery Agency

Assets Recovery Agency

1. In January 2007 the Home Secretary announced proposals for the Assets Recovery Agency's (ARA) operational work to be merged with the Serious Organised Crime Agency (SOCA) and its financial investigation training function to be merged with the National Policing Improvement Agency (NPIA). Legislative provision for the merger has been included in the Serious Crime Act 2007, which received Royal Assent on 30 October.

2. SOCA was set up to reduce the harm caused to the UK by serious organised crime and it sees the tackling of criminal finances and profits as a particularly important aspect of that task. The SOCA/ARA merger will create a 'one stop shop' for this work with financial investigation, money laundering enquiries at home and overseas, the Suspicious Activity Reports regime and criminal and civil recovery all being taken forward under one SOCA command. The new arrangements, however, will not replicate ARA's existing dispositions because:

- for reasons of efficiency and co-ordination SOCA will brigade its new civil recovery functions with its existing criminal law asset recovery work;
- support functions will be provided by SOCA's existing Corporate Service Directorate, thereby generating efficiencies;
- civil recovery powers will, from April, be available, not just to SOCA, but also to a wider range of agencies; and
- not all of ARA's powers are transferring to SOCA: powers on litigation and enforcement of criminal confiscation will not transfer.

3. While SOCA plans to collect data and report on its use of civil recovery, direct comparisons with ARA's costs and delivery will be inhibited.

PAC conclusion (1): The Assets Recovery Agency successfully established new powers of civil recovery set out in the Proceeds of Crime Act 2002 to recover assets that are the proceeds of crime, even where the owner of those assets has not been convicted of a criminal offence. It has tested the law through pursuing cases in the Courts, and laid the foundations for the Serious Organised Crime Agency to make effective use of these powers in the future.

4. ARA welcomes the Committee's conclusion that it successfully established new powers of civil recovery set out in the Proceeds of Crime Act 2002 to recover assets that are the proceeds of crime.

5. SOCA is pleased that civil recovery tools are being transferred to it, as tested by ARA. It will seek to use those tools in a way that maximises the impact on organised criminals.

PAC conclusion (2): The Agency has recovered only £23 million against an expenditure of £65 million, and missed its target to be self-financing by 2005-06. Whilst its approach has been to investigate cases and pursue them through the courts to test the new legislation, the Agency's largest recovery accounting for half of the £23 million was obtained through negotiation and settlement. As powers are transferred to it, the Serious Organised Crime Agency should:

- (a) maintain separate records for expenditure on, and receipts arising from civil recovery, taxation and criminal confiscation cases within the records of the Serious Organised Crime Agency, to enable future assessment of the effectiveness of the use of the Proceeds of Crime Act 2002; and**
- (b) actively consider the cost: benefit ratios of pursuing recovery through the courts compared with arriving at a negotiated settlement having regard to net cash benefit to the Exchequer and the public interest.**

6. ARA fully accepts that it had failed to meet its target of becoming self-funding by 2005-06. ARA also agrees that it was too optimistic in setting targets for recovery over the first three years of its life, due in part to the pioneering nature of the legislation and the time, now proven, that civil recovery cases typically take to complete. In 2006-07 however, the Agency recovered more than its base budget and, at the current time, is on target to do so again this year. Going forward SOCA will seek to build on the Government's earlier investment in ARA. In line with the guiding principles set out in the Government's strategy document *The Financial Challenge to Crime and Terrorism* SOCA is committed to considering the benefits of its activities alongside the costs.

7. SOCA has plans for the keeping of records on civil recovery, taxation and criminal confiscation cases, alongside its existing criminal recovery statistics. As previously noted, however, powers on litigation and enforcement in regards to criminal confiscation are not being transferred which will inhibit any like-for-like comparisons with ARA's past achievements.

PAC conclusion (3): Management information systems do not include a comprehensive database of cases referred to and being handled by the Agency, nor a time recording system for staff. The cost of pursuing individual cases and the productivity of staff cannot therefore be easily assessed by management, hindering effective decision-making on, for example, the prioritisation of cases and the most effective deployment of staff resources. The Agency and the Serious Organised Crime Agency should implement management information systems to provide reliable and easily accessible information on total caseload activity, prioritisation of work, cost of handling cases, productivity of staff and monitoring of case progression.

8. ARA accepts the Committee's conclusion as regards the provision of comprehensive management information systems. In 2006, ARA had identified the need for a new system and had developed a detailed specification, but procurement had to be abandoned on value for money grounds when the merger with SOCA and NPIA was announced.

9. In response to the NAO findings and the Committee's concerns, however, ARA has developed and deployed a more limited case planning system (at a cost of around £40,000). This system supports investigators and lawyers in managing progress of cases and provides reliable management information. It is already being used within ARA and will transfer over to SOCA to ensure consistency and continuity. SOCA welcomes this development.

10. Going forward SOCA recognises the importance of management information systems across all of its operational activity, not just in asset recovery work. As a new agency, SOCA has appropriate systems in place in some business areas, but at various stages of implementation and testing elsewhere. If money is not to be wasted, any new asset recovery systems must fit into this wider planning context.

PAC conclusion (4): 90 per cent of the Agency's accredited Financial Investigators had not completed all the Continuing Professional Development activities required to maintain accreditation, whilst almost 30 per cent of those initially trained by the Agency were not actively working as Financial Investigators. Nearly 70 per cent of Financial Investigators come from police forces, where the Agency funds the training, yet has no ability to influence which staff are put forward for training or how they are deployed subsequently. The Agency and National Policing Improvement Agency should:

(a) set up a complete database of the names of Financial Investigators trained by it and who need to complete Continuing Professional Development activities to retain their accreditation; and;

(b) consider charging for all Financial Investigator training to incentivise bodies putting forward staff to identify only those who they intend to deploy appropriately in such activities.

11. ARA and NPIA fully support the recommendations and observations of the PAC and NAO. The ARA Centre of Excellence has completely reviewed its database of Financial Investigators resulting in the removal of around 1,000 entries from the system; reflecting either those no longer practising in the field or those failing to complete their continuing professional development activities (CPD).

12. In addition to this ARA's Centre of Excellence has carried out a wholesale revision of its policies on the accreditation and monitoring of financial investigators and has implemented new systems for both quantitative and qualitative testing, including field visits to Law Enforcement Agencies to confirm data in CPD records.

13. ARA also fully supports the Committee's recommendation on charging for attendance on training courses. In April 2007 ARA implemented 'hard charging' for police attendees at courses. Initial findings would indicate that this has not resulted in a significant downturn in demand. Furthermore ARA has also introduced penalty charges in some areas of the monitoring process.

14. NPIA supports the measures already taken by the Centre and looks forward to building on the successes of the Centre of Excellence following the merger.

PAC conclusion (5): Work has been hindered by high staff turnover including the loss of half the Agency's legal staff in a twelve-month period. This situation partly reflects the decision to locate the Agency's Head Office in central London and an over reliance on staff seconded temporarily from other organisations or employed on temporary contracts. The Agency should consider whether the location of its activities is cost effective.

15. ARA has a strong business need to be near the Administrative Court, which is located in the Royal Courts of Justice, Strand, London, where all civil recovery cases (which make up the bulk of the Agency's case load) are heard. This was the dominant consideration in the decision on the location of its main office.

PAC conclusion (6): Less than 20 per cent of the approximately 700 bodies, which can refer cases to the Agency have actually done so. The Agency and the Serious Organised Crime Agency should promote the powers provided by the Proceeds of Crime Act 2002 with referral parties, and put in place relationship management arrangements to facilitate referrals and monitoring of performance.

16. ARA has received referrals from 42 of the 43 police forces in England and Wales, as well as from the Police Service of Northern Ireland, HM Revenue and Customs and SOCA. These are the main law enforcement bodies involved in asset recovery in the UK.

17. Around 90 per cent of the approximately 700 bodies that could refer cases to ARA are local authorities or local trading standards offices. They often do not have the resources to conduct complex financial investigations. The majority of their cases are also of lower value than those of the main law enforcement agencies. MoUs are in place with a number of partner bodies to facilitate referrals and are currently being reviewed to identify what arrangements need to transfer to SOCA.

18. Post-merger SOCA will play a role in promoting the powers commensurate with the scope of its role and responsibilities, and those of other organisations. Under the Serious Crime Act 2007 civil recovery powers will be given also to prosecutors, thereby implying a role for other agencies. The Asset Recovery Board will consider how in the future asset recovery work will be taken forward across the asset recovery community, and what SOCA's role, in support of this, will be.

Fifty First Report

Ministry of Justice

Legal Services Commission: Legal aid and mediation for people involved in family breakdown

1. This report considered the current system for referring clients to mediation in legally aided family cases. It also considered the actions the Legal Services Commission (LSC) has in progress to increase referrals to mediation services, to improve the quality of mediation offered, and to strengthen the LSC oversight of solicitors and mediation providers.

PAC conclusion (1): In a third of cases, solicitors had not disclosed the option of mediation with clients involved in cases of family breakdown. Under proposals out for consultation, the Commission intends that all clients seeking legal aid for representation in court are first assessed by a professional mediator, on their suitability for mediation. The Commission should require mediators to maintain records of referrals and attendance and of the decisions taken at the these assessments meetings, evidenced by the mediator and client.

2. The LSC agrees that all clients seeking legal aid for representation in court should first consider the use of mediation. It is a requirement under the contract that all such clients are assessed by a mediator to determine their suitability for mediation, unless one of a limited number of exemption reasons applies. These include the existence of domestic abuse and imminent court proceedings.

3. These exemptions were reviewed as part of the LSC consultation paper: *Legal Aid Reform: Family and Family Mediation Fee Schemes*. As a result, and in line with National Audit Office (NAO) recommendations, the domestic violence and existing proceedings exemptions have been amended to increase the potential number of clients who are required to see a mediator as part of this process.

4. It is a term of the LSC's standard contract with mediators (implemented on 1 April 2007) that mediators must securely maintain case files (and file records) of all their clients for a minimum period of three years. File records should include details of the referral, attendance, and the decision taken at these assessment meetings. We will issue guidance to mediators to ensure that, as part of the process, the client has understood the decision reached.

PAC conclusion (2): Of the 148 people surveyed who commented on the quality of the mediation they received, 67 (25 per cent) were dissatisfied. The Commission does not have sufficient information on the quality and effectiveness of individual mediators work to be confident it is getting maximum value from legal aid funding, and that members of the public are achieving the potential benefits. The Commission should:

- (a) carry out regular user satisfaction surveys;**
- (b) incorporate measures of mediator performance into quality assurance; procedures including the proportion of cases to which agreement is reached;**
- (c) seek agreement from the Family Mediation Council (which is a new body, comprised of organisations which represent and regulate professional family mediators in the UK), Law Society and Bar Council to share information about the quality of evidence provided by solicitors and mediators when funded by legal aid;**
- (d) revise its leaflets and on-line guidance to ask clients to copy to Commission all complaints made to the complaints services of those professional bodies about legal aid funded work; and**
- (e) in mediators contracts include scope for financial penalties to be applied to the poorest performers including provision, ultimately, for contracts to be terminated.**

5. **Responding to (a):** It is a requirement under the Mediation Quality Mark (MQM) that a mediation service must have in place a comprehensive client satisfaction feedback procedure and, as part of this process, client feedback must be reviewed at least annually, with the review findings and outcomes documented. The LSC believes that a more cost effective approach will be to review a sample of these records to see if there are any trends to be identified to gain a better understanding of client satisfaction levels. The LSC is also putting together a framework to ensure more effective client engagement, so client needs are better understood.

6. **Responding to (b):** The LSC has implemented a mediation provider Contract Management Review Criteria (CMRC) Report, which will provide reports on individual mediation service performance. This tool will allow the LSC to work with mediation services to improve performance and take remedial action where it is appropriate. The overall results will be reviewed and the next time the standard contract terms are amended we will consider introducing key performance indicators into the contract.

7. **Responding to (c) and (d):** The relevant representative bodies and the Solicitors' Regulation Authority currently deal with all complaints about their members to ensure they are resolved satisfactorily. The LSC meets regularly with the relevant representative bodies, who have recently joined together to form the Family Mediation Council, and will discuss with them arrangements whereby concerns regarding solicitor and mediator performance and complaints can be shared. The LSC believes that this combined with the approach outlined in paragraph 5 is the most cost effective approach.

8. **Responding to (e):** The LSC's focus is always to ensure the quality of publicly funded services. Contract and performance management is a key part of ensuring we contract only with quality providers. We audit against a set of quality requirements contained within the MQM and pay only for work carried out by mediators who have passed the LSC Competence Assessment. Where a provider does not carry out the

work under the contract they do not get paid. In extreme circumstances contracts can be terminated, for example where the LSC considers termination is required to protect clients' interests or public funds. The LSC will consider what enhanced performance management it should introduce when the new contract is introduced in October 2009.

PAC conclusion (3): Fee rates have acted as a financial disincentive for solicitors to refer clients to mediation. The new fixed fee scheme proposed by the Commission should give solicitors more incentives to refer clients to mediation. The Commission needs to evaluate the effectiveness of the new scheme after one year of its operation, to check whether it has increased the take up of mediation, encouraged earlier referrals to mediators, and led to faster resolution of cases.

9. The LSC agrees with this recommendation. New funding arrangements for family and family mediation cases were implemented in October 2007. These are designed to encourage an increase in referrals made to mediation.

10. The new family fee scheme (Family Help) encourages early amicable dispute resolution and reduces incentives to resort to contested court litigation. Mandatory referral to mediation will take place before the issuing of proceedings, although we will encourage flexibility so that referrals are made when it is most appropriate for the client.

11. Family Help will address the implications of the previous funding arrangements, where solicitors had a financial incentive to undertake all work on the case and apply for a certificate.

12. The LSC will evaluate the effectiveness of the new scheme in October 2008 to determine whether it has increased the take up of mediation, encouraged earlier referrals to mediation and led to faster resolution of cases. Resolution (the specialist organisation for family solicitors and family mediators) fully support the direction of travel as represented by this new scheme.

PAC conclusion (4): On average, a referral to court funded by legal aid costs around £930 more than a mediated case. In response to the National Audit Office survey of recipients of legal aid, 33 per cent said that they had not been told about mediation and, of those 42 per cent (14 per cent of the total) said they would have been willing to try it, representing potential savings of £10 million a year. Mediation will remain voluntary, but the Commission should set solicitors and other advisors a target for the number of cases it expects to be resolved by mediation rather than referred to court, and review the target annually thereafter. Whilst mediation will remain voluntary, the Commission's guidance and information should highlight its benefits and this material should be made more widely available, in public places such as libraries and surgeries.

13. The LSC agrees that more needs to be done to incentivise and promote referrals to mediation both from solicitors and other areas of the family justice system. We believe that the new funding scheme will lead to an increase in referrals from solicitors, as it will now be in their interests to make referrals to mediation at an earlier stage. The LSC will evaluate the scheme and monitor the number of referrals made by providers by October 2008. If the scheme does not deliver against its aim, we will set stronger incentives to change provider behaviour, including considering implementing performance targets on the number of referrals made to mediation and on the number of cases settled prior to the issuing of proceedings.

14. The LSC will continue to promote and increase awareness of the availability and benefits of mediation through the LSC's Family Mediation leaflet⁵, and distribution of DVD's, leaflets and cards. The LSC are additionally assisting the Ministry of Justice (MoJ) with the Family Mediation Helpline, and the MoJ funded 'Advice Now' promotional campaign, led by the Advice Services Alliance. There is also a greater mediation presence on the Government Direct website⁶, as well as mediation related pod casts.

15. The LSC's telephone helpline Community Legal Advice (formerly CLS Direct) has, since 1 October 2007, offered a specialist telephone advice service to family clients and will refer clients to a mediator or the Mediation Helpline if appropriate.

16. The LSC has also produced briefings on publicly funded mediation to the Children And Family Court Advisory and Support Service (CAFCASS) and to the President of the Family Justice Division. The MoJ also hosts local judicial seminars when requested by presiding judges across England and Wales to increase awareness of mediation.

17. The LSC holds a considerable amount of statistical data on conversion rates and successful outcomes, which we will look to circulate more widely. The findings of the NAO on the financial savings of mediation will strengthen our position in being able to effectively promote the use of mediation within the family justice system.

PAC Conclusion (5): In some areas there is limited local access to mediators. Pending the development of additional capacity and in view of the potential savings from mediation, it would be cost effective for the Commission to pay reasonable travelling costs to clients living in areas with restricted access to mediators.

18. The LSC agrees that it is essential to ensure access to mediation services for clients. We believe that a more effective long- term solution to the problem of access is to develop an expansion package for mediation services to ensure access in all areas. The LSC will undertake a detailed analysis of client need against current provision which will be completed by July 2008, and this will inform how we take this forward.

⁵ Available at www.communitylegaladvice.org.uk

⁶ www.direct.gov.uk

PAC conclusion (6): The Commission's management data on mediation referral and take up rates is poor, reducing the scope for comparison between suppliers. The Commission is currently developing a new supplier management database, which will be implemented in October 2007 for solicitors undertaking family work and in April 2008 for mediators. The Commission plans to develop a client database to accurately identify clients across all schemes, including mediation. Meanwhile, it should use the supplier database to record variations in rates of referral to and take up of mediation, identify and investigate significant outliers and, where necessary, take remedial action.

19. The LSC agrees that improvements need to be made to its management information systems in order to track clients across all of the different levels of legal aid funding. The LSC is currently developing a new supplier management system, which will provide more detailed information. The family module was implemented in November 2007 and the mediation module will be implemented in July 2008. The new system will put in place the functionality to store a unique client identifier.

20. In the longer term, under the LSC's Delivery Transformation Programme, there are plans to have a client database, which would allow clients across schemes to be properly identified.

21. The LSC is able to and will monitor the rates of referral to mediation across providers as well as the take-up of mediation at each mediation provider. As indicated in paragraphs 6, 8 and 13 we will use this information to develop key performance indicators for future contracts.

PAC conclusion (7): Children are not routinely consulted during the mediation process. Academic research carried out in Australia found that 80 per cent of parents whose children were consulted as part of the mediation process felt that the children benefited 'a great deal' from it. The Commission should build on its previous child consultation pilot scheme, with a presumption that children should be consulted during mediation as appropriate to their age and level of understanding.

22. Mediation services are able to provide direct consultation with children under our contracting arrangements and adjustments to the fee scheme have been made to accommodate this practice.

23. However, there is limited information and research in the UK on the use of direct consultation; the number of mediators who have received training in this discipline; and its impact on the outcomes achieved. There is research that has shown that children like to talk about family problems but only with people they know and trust. They are often concerned that anything they say to a mediator will not be treated as confidential and that it could be repeated to parents or others. They sometimes feel that they should not have the responsibility for making decisions put on their shoulders.

24. In October 2007, the LSC amended its reporting requirements to capture information on when direct consultation with children is used. This additional information will provide us with the evidence base on which to develop our future policy direction on direct consultation with children. We will monitor this information and review our policy after twelve months.

PAC conclusion (8): The perceived costs of mediation may deter parties who are not legally aided, even though the cost of a mediation, if successful, is likely to give a substantial saving compared with the costs of a contested case. Full or partial agreement was reached in 59 per cent of mediated cases examined by the National Audit Office. The Commission should investigate the cost and benefits of helping to fund mediation for both parties in cases where only one party is currently entitled to legal aid, as a way of incentivising the non-legally aided party and potentially making overall cost savings from reducing the number of cases coming to court.

25. The LSC will consider all options for increasing the number of clients who attend mediation. The Access to Justice Act and related legislation restricts the cases that the LSC is able to fund to those clients that meet financial eligibility criteria. However, the LSC will analyse the potential cost and other implications of this recommendation and will discuss these fully with the MoJ.

26. The LSC will work with the MoJ and other partners to promote the financial benefits of mediation to everyone.

PAC conclusion (9): The Commission submitted a supplementary memorandum to the Committee proposing far reaching changes to legal aid for family breakdown, six days after publication of the Controller and Auditor General's Report – and just four days before giving oral evidence to the Committee. Departments should alert the National Audit Office in good time to any changes that may affect the analysis in the Controller and Auditor General's Report, so that the National Audit Office can advise the Committee on any implications for its Report.

27. Although the Department understands the Committee's concern, the supplementary memorandum related to family legal aid schemes. The schemes had been the subject of substantial revision in the light of comments made in relation to previous iterations, which could not have been published prior to 1 March. The fact that these schemes were due to be revised had been trailed in *Legal Aid: the way ahead*, published in November 2006. Nevertheless, the Department will consider what steps might be taken to avoid such a situation recurring in future.

Fifty Second Report

Department for Children, Schools and Families

The Academies Programme

1. An Academy is a publicly funded school, which is supported by one or more sponsors and operates independently of the local authority. Academies are expected to raise achievement in disadvantaged areas by replacing poorly performing schools or by providing new school places where they are needed.
2. The first three Academies opened in 2002 and, by September 2007, 83 Academies were open. The Government is committed to establishing 400 Academies, with 50 opening in each of the next three years.
3. On 28 June 2007, as a result of the machinery of government changes, responsibility for the programme moved from the Department for Education and Skills to the Department for Children, Schools and Families (the Department).

PAC conclusion (1): Existing academies have made progress, for example in raising pupils' attainment at GCSE, but it is too early to tell whether rising attainment is sustainable. Academies' achievements so far reflect the energy and commitment of academy pupils and staff, but also the high levels of expenditure on academy buildings and the extra start-up grants. The Department should develop measures of the robustness and sustainability of the expanding programme, such as tracking of costs and overruns, pupil attainment and ratings by OFSTED, and the availability of good quality sponsors, academy principals and project managers.

4. The Department has developed measures of success, by which it rigorously monitors the progress of the programme, and takes appropriate action where these measures are not met. It monitors capital and revenue expenditure, allowing early intervention where potential overruns are identified. Steps have been taken to minimise the risk of future cost overruns. For example, construction project managers are now directly appointed by the Department to monitor each Academy project and funding agreements are not now signed until projects have reached a more detailed stage of design.
5. The Department also monitors academic progress in Academies, as well as attendance, exclusions and admissions on a regular basis, including through the work of School Improvement Partners. It carefully monitors judgements from inspections by the Office for Standards in Education, Children's Services and Skills (Ofsted), analyses them to identify trends and weaknesses and addresses them.
6. The Department agrees that Academies are making good progress in raising attainment, particularly among some of the most disadvantaged communities for whom education represents a critical opportunity for social mobility. Academies are improving fast from the low starting points inherited from their predecessor schools. Standards at GCSE are rising, and results are continuing to improve at a rate much higher than national rates of improvement. In 2007, provisional results indicate that those Academies with results in both 2006 and 2007 improved the proportion of pupils at the end of Key Stage 4 gaining five or more A*-C grades by over six per cent compared with a national rate of just under two per cent. When English and Maths are included the increase was just under four per cent, over double the national increase of 1.4 per cent.

7. The Department receives termly monitoring reports on key indicators of the Academy's performance – exclusions, attendance, quality of teaching, and standards. Academies receive a package of support through the Specialist Schools and Academies Trust (SSAT) in the year before and the year after they open. Ofsted will inspect and report on progress the year after each Academy opens. In the third year after opening, there will be a full section 5 Ofsted inspection. The outcome from these inspections, is that currently Ofsted judge that in terms of overall effectiveness, 100 per cent of Academies are satisfactory or better (nationally 87 per cent) with 31 per cent good or outstanding (nationally 49 per cent).

8. Importantly, in terms of leadership and management, (which includes the critical role of sponsors and governors), 100 per cent of Academies were judged to be satisfactory or better (nationally 95 per cent) with 94 per cent good or outstanding (nationally 57 per cent). Moreover, Ofsted judge 38 per cent of Academy Principals to be outstanding.

9. The Department is confident that sufficient high-quality sponsor organisations can be found to support the programme in its goal to establish 400 Academies. There is a growing number of tried and tested multi-sponsors who have already established successful Academies. In July the Secretary of State announced that successful educational institutions such as high-achieving schools, colleges and universities would no longer be required to provide financial sponsorship, to ensure that there is no practical barrier to outstanding educational providers contributing their expertise to the Academies programme. In addition, the Department continues to broker links with new sponsor organisations, bringing fresh ideas and enthusiasm, subject to the stringent due diligence checks on any potential sponsor.

PAC conclusion (2): Literacy and numeracy of academy pupils has been rising but are still low, at less than half the level of attainment in all secondary schools. In 2006, 22 per cent of pupils in academies achieved five or more A*-C grades including English and maths compared with 45 per cent in all schools. The Department should ask those academies that have made the most progress in English and maths to help identify and disseminate good practices such as building literacy and numeracy into other subjects in the curriculum, and demonstrating the importance of literacy and numeracy for future employment prospects.

10. Given the very low base from which most Academies start, it is not surprising that, despite the fact that literacy and numeracy performance is improving at a rate well above the national average, standards still remain low. This reflects the greater deprivation and lower prior attainment of Academy pupils compared with secondary schools as whole. As the Committee's report shows, the 'contextual value added' measure which adjusts a school's performance for these factors shows Academies' adjusted performance was on average substantially better than secondary schools overall. The fast rate of improvement reflects a considerable educational transformation, as many Academy pupils will have spent some or all of their school years in their respective Academies' poorly performing predecessor school.

11. Part of the Department's response to these low standards is to ensure all Academies are focusing on literacy and provided a package of support to enable Academies to target students entering Year 7 at level 3 through a structured literacy programme, the Read-Write Inc programme. This is in addition to the 'catch up' materials, which the National Strategies have provided to all schools.

12. School Improvement Partners on the termly visits this autumn are reporting on the effectiveness of each Academy's literacy programme. Where there is effective practice it will be identified and shared with all Academies. SSAT have also been commissioned to support effective literacy and numeracy teaching through the identification of lead practitioners, the provision of training and the publication of examples of effective practice.

PAC conclusion (3): Many academy sixth forms are small, which restricts the range of subjects they can offer, and they have inherited a poor legacy of standards of education received by some of the students entering the sixth form. With low aspirations and challenging behaviour among some pupils in the younger age groups, academies have placed less emphasis on their sixth forms in the early years. To give their students the fullest possible range of options and to improve educational standards, academies should collaborate with neighbouring schools, colleges, other training providers and employers, to broaden the curriculum they offer and give young people beyond the age of 16 a wide range of educational options.

13. The Department agrees that many Academies' sixth forms need to develop further. The first priority for most Academies has been improving 11-16 provision given the poor state of many of their predecessor schools, which usually offered very limited or no post-16 opportunities. Having a sixth form or significant post 16 provision on-site is an important factor in our approach on Academies, which are replacing schools which have performed poorly for many years despite attempts to turn them round. Raising aspirations among students and parents is essential in doing so, and sixth-form provision (together with the assumption that all students should be in education or training until 19) provides important role models for younger students.

14. That is why it is so important that nearly all open Academies have a sixth form. We work closely with local Learning and Skills Councils to ensure that Academies complement existing post-16 provision. Because of historic under-achievement, many Academies offer a range of post-16 provision, with traditional academic subjects forming one part, alongside vocational qualifications. No Academy proposal with a sixth form will be approved to go into feasibility without the local authority and Learning and Skills Council being consulted. They are also working in collaboration with other local schools in the provision of post 16 courses. There are also growing numbers of federations of Academies, which are providing post 16 opportunities across their federation.

PAC conclusion (4): A small number of academies have had high levels of exclusions, possibly as part of a short-term strategy to improve pupil behaviour. Academies have to follow the statutory School Admissions Code of Practice⁷ and they admit, on average, higher proportions of pupils eligible for free school meals, with special educational needs, and with lower attainment at age 11 than are present in their immediate vicinity. Parents and local communities need continuous evidence that academies are acting fairly in relation to admissions and exclusions, and academies should report on both annually. The Department should scrutinise trends in individual academies' exclusions to assess whether exclusion rates reduce to be more in line with similar schools.

⁷ Academies are "admissions authorities" and must comply with the School Admissions Code of Practice. Under the Education Act 2002, they are to provide education for pupils of different abilities who are wholly or mainly from the area in which they are located.
<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/402/40204.htm#note3#note3>.

15. The Department agrees that many Academies have seen increased levels of exclusion immediately after opening. This is a phenomenon often observed when a new head teacher begins the process of transforming a struggling maintained school

16. Academies replace predecessor schools, which have had a poor record of behaviour and they often inherit a number of disruptive pupils and need to establish a culture of good behaviour in order to raise attainment. As the new ethos and behaviour policy are enforced in an Academy's early days, the number of exclusions may rise, but it typically drops back down as behaviour improves. Many open Academies have exclusion rates no higher than the rest of their local authority area. Academies' Funding Agreements require them to operate in line with the Department's guidance on exclusions. Academies are legally required to notify the local authority when any pupil is permanently excluded or when any fixed-term exclusion greater than five days is made.

17. For example, the King's Academy in Middlesbrough permanently excluded 28 pupils in the 2003-04 academic year, its first year of opening, but in 2004-05 it excluded just seven pupils. The Academy publishes clear guidelines on behaviour, which are enforced strictly and consistently. 37 students were referred to Middlesbrough's Pupil Referral Unit in the last year of the predecessor schools, so the Academy's total of 28 permanent exclusions is actually lower than the total of students taken out of the predecessor schools. For fixed term exclusions too, the Academy total of 52 in 2003-04 is significantly lower than the 112 fixed term exclusions in the predecessor schools' last year.

18. The Department welcomes the conclusion that Academies admit a higher proportion of students eligible for Free School Meals, with special educational needs or lower attainment aged 11 than are found in their immediate area. Academies are intended to provide high-quality education for the students in their vicinity, in many cases replacing schools which were failing to provide a satisfactory education to their local community and which were considerably under-subscribed as a result.

19. Data on admissions and exclusions are published by the Department as part of the Schools Census, which covers all maintained schools and Academies. In addition, the Department monitors both admissions and exclusions through School Improvement Partner visits in the same way that maintained schools are overseen and any anomalies will be identified through the termly visits. Ofsted includes judgements on both admissions and exclusions as part of its published inspection reports into schools. Academies are independent schools and the Department does not feel it would be appropriate to impose an additional level of reporting which is not required of maintained schools. However, the Department plans to continue to evaluate the Academies programme, and make public our findings, including aspects such as exclusions and admissions, as we have done over the past four years through our work with PricewaterhouseCoopers.

PAC conclusion (5): Of the first 26 academy buildings, 17 incurred cost overruns averaging £3.2 million, or well over 10 per cent. Some of these overruns occurred because cost control was not sufficiently robust. The Department should disseminate lessons learnt in project management from the early academy projects, such as cost benchmarks for large items like information technology systems and furniture and fittings, to the people running projects to build new academies, whether under the previous arrangements or within the Building Schools for the Future programme.

20. The Department accepts that cost control in the first Academy projects was not sufficiently rigorous in all cases, but those procedures were modified accordingly as the programme matured. In 2005 the Department took a further step to control costs and bring about further efficiency gains for Academies by announcing that future projects would be incorporated into the Building Schools for the Future (BSF) programme, or would be delivered under a National Framework operated along similar lines to BSF by Partnerships for Schools. This large-scale procurement will deliver savings, while the risk of cost overruns will be transferred to the private sector contractors.

21. Prior to this change the majority of cost overruns were not increases to the basic per-pupil cost but agreed 'abnormal' expenses for costs not covered by the standard capital funding formula, calculated on a case by case basis and rigorously scrutinised at all stages of the project. These 'abnormal' cost increases occurred for a number of reasons:

- most Academies have replaced existing schools, frequently requiring temporary accommodation and demolition of the predecessor school;
- Academies have been affected by high local construction prices – in particular, 23 of the first 46 Academies are in London;
- the brown-field sites that many Academies are built on are prone to environmental problems such as the presence of asbestos or contaminated ground;
- in some cases additional funding was approved to incorporate sustainability features and to reduce carbon emissions;
- some raw materials (for example steel and copper) increased in price.

22. The management of Academy building projects not delivered through BSF or the National Framework has been strengthened in a number of ways as a direct response to lessons learned on the earliest projects, including:

- Appointment of Construction Project Managers by the Department to monitor each Academy project's building programme;
- Funding Agreements are not now signed until projects have reached a more detailed stage of design.

23. The process of learning lessons continues. For example, the Department is currently reviewing those building projects that were completed by September 2007 and will ensure that lessons are disseminated and inform both those projects that remain to be delivered under the "traditional" procurement model and those that will be delivered through the BSF programme and the National Framework.

PAC conclusion (6): Risks to academies' financial sustainability include the withdrawal of start-up funding and uncertainty about the costs of running their new buildings. The Department does not yet know the costs of running academies in the longer term. It should examine the running costs of the new academy buildings so that funding levels and budgets are set at a realistic level and academies can plan for future replacement of larger capital items such as information technology systems.

24. The Department does not believe that the withdrawal of start-up funding poses a significant risk to the sustainability of Academies. Academies receive the same ongoing funding as maintained schools within the area they are situated.

25. All new schools need additional short-term support, and Academies are no different. We look carefully at start-up bids to ensure they are justified, but this is an important element of turning round schools, which have failed for too long.

26. All Academies receive start-up grants, reflecting two main purposes. Firstly, it is to meet the diseconomy costs of maintaining a full senior leadership and middle management team where an Academy is building to full size (given surplus places at the predecessor schools), although grant is actually stopped once the Academy reaches 90 per cent of planned capacity. This funding will vary according to the rate at which pupil numbers build up, and new Academies where there is no predecessor school benefit most. For example, Lambeth Academy is a completely new school, which opened with only its Year 7 pupils. Because it will build up its capacity year by year, it receives a particularly high level of funding to compensate for its low intake (around £1.6 million over 4 years).

27. We recognise that there is a risk that Academies may become reliant on the diseconomy grant, especially if it is less successful in building up numbers than anticipated. The Department reviews all bids for start-up funding to ensure that they reflect the Academy's real needs and are not providing an unrealistic or unsustainable level of funding. However, there is clear evidence that Academies are successful in rapidly building up pupil numbers. As the NAO report observed, in 2006 there were, on average, three applications to one Academy place. On this basis it seems reasonable to conclude that diseconomy grant will remain a short-term supportive measure but we will keep the position under review.

28. Start-up grant is also available for a wide range of other purposes connected with training and induction, a dual curriculum (to support GCSE or post-16 courses which existing students have begun but which the Academy does not intend to offer in the long term) and sixth form set-up costs if the sixth form starts after the opening date. This funding is usually a relatively minor element, usually paid in year 1 and occasionally year 2.

29. The Department can predict the ongoing costs of Academies. The basic recurrent funding for an Academy is calculated by replicating the local authority school funding formula for the area in which the Academy is situated, together with the Learning and Skills Council funding formula for sixth form provision. An Academy also receives specific grants (eg School Standards Grant) on the same basis as maintained schools, together with certain other funding (eg VAT grant, and grant which replicates local authority central spend) to cover expenses, which do not fall to maintained schools. The overall effect of these is to give an Academy the same resources as a maintained school in the same area with identical characteristics would get. This is made clear to Academy sponsors from the outset and the Department works closely with Academy project teams on indicative budgets before opening.

30. Academies' buildings are designed and built to the same standard as those of other maintained schools. Academies are expected to keep their buildings in a state of 'substantial repair' (the same standard as any other maintained school) and receive the capital and revenue funding for repair and maintenance as any other school. In some cases, the incorporation of sustainability features in the design and build process will mean that the Academies may find it easier to look after their buildings than other schools.

PAC conclusion (7): A small number of academies have paid sponsors to provide services, for example for payroll management. Such services should be routinely put out to competitive tender, so that they meet existing procurement regulations and demonstrably avoid conflicts of interest.

31. The Department expects Academies to meet procurement regulations and best practice when contracting for services. At the start of the programme we were keen to make maximum use of sponsors' expertise in, for example, project management. In doing so, sponsors costs were reimbursed, but no profit was made or intended on either side. As the scale of the programme has increased, the Department has put in place robust procurement arrangements and guidance. We have agreed for some multiple sponsors to undertake their own project management but this is in line with procurement regulations and part of robust arrangements and guidance.

PAC conclusion (8): There are fewer planned or open academies than might be expected in the north of England. The Department has a target that 60 of the first 200 academies should be in London. It should examine deprivation data when deciding the location of a new academy to make sure that its programme for academies reflects the Government's overriding objective to raise attainment in deprived areas, and that academies are built in areas with the greatest need.

32. The Department agrees that the Academies programme needs to continue to focus on schools serving disadvantaged communities wherever they may be. The 83 Academies now open are spread across 51 different local authority areas. As a rule of thumb, we will target schools where fewer than 30 per cent of pupils are achieving five or more GCSEs (including English and maths). The early priority given to schools in London reflects the level of challenge there.

33. The Office of the Schools Commissioner (OSC) is responsible for promoting diversity of provision in local authorities' schools, which includes encouraging the consideration of Academies, Trusts and other alternatives to maintained schools. Representatives from the OSC visit all local authorities to discuss proposals for encouraging diverse educational provision to drive up standards.

PAC conclusion (9): Academies are a relatively costly means of tackling low attainment. As the programme expands further, there is an increasing risk that individual academy projects may be proposed where the value for money case for an academy is not made. The Department should reject proposals that put at risk the viability of local schools and colleges providing a good quality education, including proposals relating to education from age 16. It should not approve academy projects in locations where a less costly solution, for example requiring less capital expenditure and lower or no start-up funds, would provide better value for money.

34. The Department does not accept that Academies are a relatively costly means of tackling low attainment. Ongoing capital and revenue spending on Academies is on the same basis as maintained schools through BSF and funding replication respectively. In their report, the NAO concluded that "the Academies programme is on track to deliver value for money". Moreover, NAO has praised the quality of Academy buildings. They are frequently the largest investment in a disadvantaged community for years – or even decades.

35. Academy projects only go ahead where the local authority and local Learning and Skills Council offer their support. Extensive dialogue between the Department and local partners helps to ensure that an Academy project will improve facilities for the community rather than putting other schools or colleges at risk. Academy projects are designed to improve educational provision by offering new, high quality places, either by transforming a struggling school or by creating a brand new school to meet increased parental demand.

PAC conclusion (10): Prior to changes announced in the Budget of March 2007, academies risked incurring large VAT liabilities for community's use of their buildings. Following the change, all academies should make their facilities available for use by their communities. The Department should consider whether there will be a future need to address this issue in relation to voluntary-aided schools being rebuilt as part of the Building Schools for the Future programme.

36. The Department welcomes the Committee's recognition of the steps that have been taken to ensure academy buildings are fully available to their local communities. Ministers have now also agreed that in future the department will meet the VAT liability for any voluntary-aided school rebuilt under BSF which intends to offer extended services and make its facilities widely available to the broader community.

PAC conclusion (11): Sharing of lessons learnt from the first academy projects has tended to be informal and not systematic. The Department and the Specialist Schools and Academies Trust should develop a systematic method, such as dissemination through a good practice website, so that lessons can be made easily available to other academies, particularly those in the development phase.

37. The Department has always sought to learn lessons from individual projects for the benefit of the wider programme. However, it accepts that there have not been sufficient systematic reviews or lessons learned from each individual Academy project. The Department has already conducted through its Education Advisers a post-opening review of all of the Academies, which opened in September 2006, as recommended by the NAO, and is in the process of doing the same for Academies that opened in September 2007. This includes identifying the lessons to be learned from each project.

38. The NAO and the Committee's reports acknowledge the improvements, which the Department has made to the Academies programme in the light of lessons already learned. For example, the new framework for project management companies, which came into effect in June 2007, will strengthen the processes in place to share lessons learnt from individual projects across the programme.

39. The Department held the first of a series of lessons learnt panels in November 2007 with all project management companies from the new framework. The panels provide a good opportunity to work with these key stakeholders to disseminate good working practice, work through current issues and further improve working relationships.

40. The Department has already carried out a review of the work to accelerate the number of Academy openings in 2006. The lessons learned from that have already been incorporated into the planning for the Academies being accelerated in 2007, and into the programme more generally. The Department, through its specialist technical advisers, is also reviewing all of the Academy building projects that were completed for September 2007, and will ensure that lessons are disseminated to other projects and to Partnerships for Schools, which is responsible for delivery of the BSF programme.

Fifty Third Report

HM Revenue and Customs

Helping newly registered businesses meet their tax obligations

1. The National Audit Office estimates that around 700,000 businesses start up each year. As they grow they have to register with the Department for each tax as it becomes due. Newly registered businesses are a diverse group with differing levels of experience and varying information needs. Compliance can be more onerous for new and smaller businesses, which have most to gain from assistance and simplified requirements. The Committee examined the Department on simplifying registration; improving compliance by newly registered businesses; and making compliance easier.

PAC Conclusion (1): Businesses have to register separately for each tax, and provide the same information, which duplicates effort for them and the Department. To conform with international best practice, the Department should introduce a single registration system. Registration should also be available online with appropriate validation checks to facilitate accurate completion of the form.

2. The Department notes the Committee's recommendation. The Department's strategic aim remains to achieve a streamlining of the registration process for businesses. In the immediate future, the Department's plans are to improve the customer service experience for businesses incrementally over the next few years by which time the Department is confident the registration burden for businesses will have been significantly reduced.

PAC Conclusion (2): Only 20 per cent of businesses currently register online for VAT and 25 per cent for PAYE. Online registration is easier and cheaper for businesses and the Department. In Australia, 96 per cent of businesses register online for a business tax number and 85 per cent of registrations with Companies House are conducted online in the UK. To increase the take up of online registration the Department should advertise the benefits to businesses, for example on the Business Link website.

3. The Department accepts the Committee's recommendation. The Department is working closely with Business Link to define how future campaigns to increase the take up of online registration will be run using the businesslink.gov.uk website. Other joint marketing opportunities are also being explored and the Department has worked in partnership with Business Link on the most recent business education campaign. In addition, as part of the wider Tax for Business campaign, the Department is sending out direct mailings aimed at specific customers to encourage online registration and filing.

PAC Conclusion (3): Businesses have to use different reference numbers for each tax in their contacts with the Department. The Department plans to introduce a "customer index" to link its data on taxpayers, but this will not help businesses to simplify their tax affairs. It should introduce a unique identifier to make it easier for businesses to deal with the Department, and to provide a basis for linking services to businesses across the Department and, in due course, across Government.

4. The Department notes the Committee's recommendation. The Department is working towards simplifying the process for businesses across tax regimes, between individual departments and ultimately across all of government. Within the Department, progress will be made over the next four years, both internally and for the benefit of business customers, in presenting information in a consolidated way.

PAC Conclusion (4): The Department does not have readily available data on the extent to which different groups of taxpayers meet their obligations. As a result, it is poorly placed to assess priorities, and the costs and benefits of action to improve compliance. The Department should analyse the compliance record of different taxpayer groups and of the track record of individual businesses so it can target its work and assess its effects.

PAC Conclusion (5): 61 per cent of new businesses file their PAYE/National Insurance returns on time, compared to 80 per cent of the business population as a whole. Rates for filing other tax forms on time are also lower among new businesses. The Australian Tax Office has concentrated on helping new businesses with inexperienced owners who are at least likely to understand their tax, leading to improvements in compliance levels. In targeting its efforts to increase compliance, the Department should give due weight to the level of risk associated with new businesses.

5. The Department accepts the Committee's recommendations. The Department uses a range of data on compliance behaviour to assess compliance risk. It constantly seeks to improve its data and risk analysis to better identify those in need of assistance and to target those who seek not to comply. The Department is making a substantial investment towards the development of a "risk engine" that will bring together sophisticated analytical risk tools and a wide range of data in order to understand and segment the risk presented by our customers better and prioritise the response.

6. Being new is just one factor governing the risk posed by any business. Some new businesses are highly competent and 'compliant' from day one. However, the Department recognises that new businesses are more likely to make mistakes and has developed a range of interventions to provide timely and appropriate support to them. The Department now contacts all new businesses before they are due to file their first return to remind them and offer help. It is testing the impact of different contact methods and is also looking at the relative usefulness of the written, telephone and face-to-face guidance it gives to new businesses shortly after registration. But the overall approach is to minimise the administrative and financial burdens imposed on business, so interventions need to be proportionate to identified risks.

7. The Department is exploring the development of a predictive analytical model to help identify potential non-filers and payers so that interventions can be better targeted to prevent errors occurring. This approach will be of particular assistance to newer businesses in the early critical years of their business lifecycle.

PAC Conclusion (6): Nearly 50 per cent of businesses do not pay PAYE/National Insurance contributions on time. The Department cannot impose a penalty or interest for late monthly payments of PAYE/National Insurance contributions during the year. It can do so only on balances due at the end of the tax year. Unlike some other taxes, the Department is also unable to impose penalties on businesses that register late for PAYE. It should seek powers to remedy this situation.

8. The Department notes the Committee's recommendation. The Department recognises that there is an argument for imposing in year penalties on PAYE and is considering this as part of HMRC's Review of Powers, Deterrents and Safeguards. Alongside this, the Department is also reviewing interest on delayed in-year PAYE.

9. The Department does currently impose surcharges after the end of the year on large employers who are late making three or more monthly payments. There are difficulties in introducing wider in year penalties as employers are only required to submit a PAYE return at the end of the year. The review of Powers, Deterrents and Safeguards will be looking to see whether the approach taken with large employers can be extended to all businesses.

PAC Conclusion (7): The Department's guidance requires an average reading age of at least 16 or 17 years to understand it, but over 5 million adults have literacy skills well below this level. The Department should make its guidance easier to understand by using plain English and improving the layout.

10. The Department accepts the Committee's recommendation. The Department recognises the importance of writing guidance that customers can easily understand at appropriate literacy levels and there are several strands of work already in place to try to achieve this. The Department has introduced new information design standards to help target products to particular user group needs and is testing the usability of new guidance products with customers.

11. To give focus to this work, the Department has created a specialist Customer Information Team to ensure design standards are adhered to and to lead on guidance improvement across the Department. The use of simpler language in the Self Assessment Short Tax Return has proved to be a success with customers and this easier to understand approach is now being extended to other forms, notably the new Main Tax Return from April 2008.

PAC Conclusion (8): Workshops and seminars giving advice on tax obligations do not run to full capacity and only around 8 per cent of newly registered businesses attend. There is a high rate of late cancellations. The Department needs to make it easier for new businesses to obtain the advice they need. It should:

- (a) Explore alternative methods of providing workshops and seminars to increase take up, including online and outside normal working hours;**
- (b) Make its website easier to use; and**
- (c) Work closely with the organisations that new businesses consult for business advice to provide help through those channels.**

12. The Department notes the Committee's recommendation. The Department is conducting research to gain a better understanding of new and small business customer needs, including their preferred channels of communication and the optimum time for providing guidance and support to them. The Department is focusing on the needs of businesses at specific points in their life cycle and will be targeting support activities at these key stages – for example, when a business takes on its first employee or when its turnover reaches the VAT registration threshold. These are the times when businesses need more help to get it right.

13. In addition, there are a number of initiatives under way to widen participation at existing workshops and seminars. All new businesses, employers and VAT registrations are contacted, by post or phone, and offered advice and further support, relevant to their specific needs. The Department is promoting its workshops in a more targeted way, offering workshops relevant to a business' specific needs, rather than using a blanket marketing approach. Letters are issued and followed up with telephone calls to ensure businesses are fully aware of what is available, and the benefits of attending a particular event.

14. The Department is making significant improvements to the HMRC website to make it simpler and easier to use. For example, as part of an ongoing process, it is creating new and radically improved written guidance on the site, which will be transferred to the cross-Government sites between 2008 and 2011. The Department is improving web tools, such as the search facility, to make it as easy as possible for customers to find the information they are looking for. The Department is also looking to provide online, interactive education for customers, some of which will be targeted at new businesses. It is also implementing the recommendation of Sir David Varney's report on Service Transformation to transfer most of its web services to Directgov and Businesslink (along with those of other Government Departments) by 2011.

15. The Department works closely with a range of external organisations and business groups. It continues to develop relationships with other organisations that new businesses consult for advice, including local trade associations and certain bodies providing vocational training for those who are about to become self-employed.

PAC Conclusion (9): The Department operates two helplines for the newly self employed, one for new employers and seven more covering different taxes that all businesses can contact. Businesses have to contact different helplines for advice on different taxes. It should work towards a one-stop telephone system to cover all taxes. The Department needs to develop the technical and operational capability to give helpline staff access to taxpayers' computer records and to route enquiries to advisers with the requisite expertise.

16. The Department notes the Committee's recommendation. The Government is committed to reducing the number of separate HMRC helplines wherever this is practical and provides good value for money. The Department continues to look for opportunities to reduce the number of separate lines and telephone numbers and has a long-term aspiration to reduce these significantly. The Department also recognises that some customers find it frustrating to call a single number and then be faced with multiple further choices, and will aim to respond to customer needs by striking a balance between the number of separate helplines and the length and complexity of any menus of choice.

PAC Conclusion (10): Around one half of small businesses are unaware of the different schemes available to simplify the tax requirements for small businesses. If all those eligible took advantage of just two of the (VAT) schemes they would save at least £50 million a year. The number of different schemes and how they can be used in combination makes it difficult for businesses to decide whether they are beneficial. To improve take up, the Department should advertise more widely the financial benefits to businesses of using them. It should also assess the costs and benefits of introducing a single simplified VAT scheme.

17. The Department notes the Committee's recommendation. There is no target or optimum level of take-up for the VAT simplification schemes. Each of the VAT schemes addresses a slightly different aspect of the tax and will have different benefits and costs depending on the individual business. In light of this, the Department's approach has been to provide a variety of schemes and give businesses the flexibility to choose which ones suit their circumstances best.

18. The Department continues to work on simplifying the guidance to make the choice as simple as possible for businesses (for example, 'Choosing the right VAT scheme' on HMRC's website) as well as developing tools like the 'VAT Scheme Selector' on businesslink.gov.uk. But the Department acknowledges that awareness of the VAT schemes remains disappointingly low at around 50 per cent. Significant efforts have been made since 2005 to increase awareness of the VAT simplification schemes. This has included a range of advertising campaigns in the trade and national press, including in conjunction with the British Chamber of Commerce.

19. The Department also issued a 'small business leaflet' with VAT returns in 2006 and sent e-mails directly to businesses to publicise the doubling of the threshold for the Annual Accounting Scheme, again in 2006.

20. On the proposal to introduce a single simplified VAT scheme, it is difficult to envisage how a single scheme could cater for the wide variety of circumstances affecting individual businesses, or give them the flexibility they enjoy with the current system. But the Department continues its efforts to understand business needs and how the various VAT schemes can help. The Pre-Budget Report 2007 announced three simplification reviews including one on VAT rules and administration. As part of this process, HM Treasury and the Department are working in partnership with businesses to identify priorities for simplification, including whether businesses wish Government to extend the VAT simplification schemes further.

21. On Income Tax Self-Assessment (ITSA) the Pre-Budget Report announced that the three-line account threshold is doubling to £30,000 and shorter self-employment pages are being introduced for businesses with turnovers below the VAT registration threshold, helping 1.3 million businesses submit shorter tax returns.

Fifty Fourth Report

Heritage Lottery Fund

Heritage Lottery Fund

1. This report examined the equitable distribution of heritage Lottery funding, what is being achieved by it and how the Heritage Lottery Fund (the Fund) can make its money go further. The Heritage Lottery Fund is pleased that the Committee recognises that the projects supported by the Fund have achieved a wide range of benefits and that those projects have been largely delivered to time and cost. The Committee has also recognised that the Fund has successfully reduced the amount of undistributed money it holds in the National Lottery Distribution Fund.

2. Although the Fund will have less money to make available in new grants in coming years, it will, as the Committee recognises, remain a significant public funder of the nation's heritage.

PAC conclusion (1): In line with recommendations we made in a previous report, the Heritage Lottery Fund has successfully reduced the amount of undistributed money it holds in the National Lottery Distribution Fund from £1,028 million to £660 million. The Heritage Lottery Fund has achieved the reduction by awarding more in grant than it has received in income. Uncertainty about the levels of its future income and the need to be able to meet its grant commitments, however, are now inhibiting the Fund's willingness to further reduce its National Lottery Distribution Fund balance.

3. The Fund will further reduce its National Lottery Distribution Fund balance. What the Fund cannot do, because of uncertainty about future income and the need to meet its commitments, is continue to award more in grant than the Fund receives in income.

4. The amount of undistributed money the Fund holds in the National Lottery Distribution Fund has already fallen to £582 million. The Fund has awarded much more to projects than the Fund has received in income. Therefore, the balance in the National Lottery Distribution Fund will continue to fall substantially over the coming years as those projects request money to meet their expenditure. By 2009 the Fund's National Lottery Distribution Fund balance will be well below £500 million. The balance will continue to fall after 2009.

PAC conclusion (2): Lottery money will be used to fund the 2012 Olympic and Paralympic Games, so the Fund expects its income to fall from £237 million in 2006-07 to around £180 million in 2009-10. There are however two major areas of uncertainty: the diversionary effect of people switching to Olympic Lottery games; and how much might eventually be recouped when land in the Olympic park is sold following the games. The Department for Culture, Media and Sport should provide the Heritage Lottery Fund with a frank assessment of when and by how much its income will fall, and its goals and expectations for recouping money from the sale of land, particularly since although the Secretary of State has said that the existing lottery good causes should share in the profits that are expected to be generated from the sale of land in the Olympic Park after 2012, there is no guarantee that the Fund will recoup any of the £161.2 million diverted from April 2009. The Fund should set out its plans for managing with less income so that potential applicants understand the Fund's priorities.

5. The Fund and the Department partially accept this recommendation. The Department consulted the Fund about the payments into the Olympic Lottery Distribution (OLD) Fund and the Fund accepted the proposals set out in the 2007 Order, now before Parliament. There is, therefore, absolute certainty about the contribution that the Fund will be making to the 2012 Olympic Games and Paralympic Games, subject to parliamentary approval of the Order, and that has been taken into account in the Fund's forward financial plans.

6. As the Committee recognises, there is less certainty about ticket sales and about how much might be recouped from the sale of land. The Department and the Fund regret that it is not possible to assess with any degree of reliability what might happen in the future to the sale of Lottery games or what value land in the Olympic Park might have after 2012, although the agreement between the Government and the Mayor of London should provide confidence that the additional funding will be repaid. As the Valuation Office Agency confirms, there has been a substantial increase in LDA land values over the past ten years, and the likelihood is that the Olympic development will further enhance land values.

7. The Fund published its future financial plans in July 2007 in a strategy document *Our Heritage, Our Future*. Those plans take account of the transfer of £161.2 million to the OLD Fund. In order to smooth out the peaks and troughs implied by the transfer, the Fund will manage the reduction in awards over a longer period – over the known lifetime of the Fund to 2019 – in order to maintain a constant award budget of £180 million per annum from 2009.

8. *Our Heritage, Our Future* also set out the Fund's future aims and priorities in some detail.

9. The Fund's forward financial plans do not include any provision for receipts from the sale of land in the Olympic Park after 2012. The Fund will adjust its plans after 2012 to reflect any increase in income through the sale of land.

PAC conclusion (3): The Fund does not generally test whether applicants could raise more funding from other sources, so some projects may receive more grant than they need. The Fund should seek to make its money go as far as possible by providing no more than the difference between what a project will cost and what an applicant can raise from other sources. It should require applicants to explain what they have done to seek other funding, and use its knowledge to point applicants to possible sources of support.

10. The Fund accepts this recommendation. The Fund agrees that, with less money to make available in new grants, it must renew its determination to make sure that it achieves maximum value for money with its funding. The proportion of the total project cost the Fund is being asked to contribute for the benefits on offer is central to its judgement of value for money. The Fund will make this clear in its application materials and will scrutinise the amount of funding raised from other sources.

PAC conclusion (4): The funding each region has received from the Fund since the National Lottery was set up varies from £744 million in London to less than £200 million in the East Midlands, North East, Wales and Northern Ireland. The Fund has targeted 72 priority areas for special attention but the criteria for selection are inconsistent, and more than 40 of the 72 areas are not achieving the levels of grant applications the Fund is aiming for. The criteria should be compatible with the thrust of government policy on tackling deprivation. The Fund should also set measurable objectives, which reflect its obligations to take into account the need for all parts of the United Kingdom to have access to funding, and the scope for reducing economic and social deprivation; and develop an explicit rationale for selecting the priority areas it targets for special attention.

11. The Fund accepts some of these recommendations. The Fund's central purpose is to improve quality of life through the heritage: it is not a regeneration agency. It is for that reason that the Secretary of State's Policy Direction is that the Fund should take into account the scope for reducing economic and social deprivation at the same time as creating heritage benefits. Many of the projects that the Fund supports do help to reduce economic and social deprivation, but the primary benefits of the project will always be to the heritage and to public involvement with it.

12. The Fund's aim is to seek to bring about a more equitable spread of our grants across the UK bearing in mind the wide variations in population and areas of the countries and regions. The Fund's priority therefore is to target areas and communities that are under-represented in terms of its funding, not in terms of their relative economic and social deprivation. Given the Fund's remit, it believes that its approach is the correct one.

13. The Secretary of State's other Policy Direction is that the Fund should take into account the need to ensure that all parts of the United Kingdom have access to funding. That is not to say that the Fund must achieve a targeted spread of funding across the UK, but that it must make its funding accessible. The absence of funding in an area is an indication that the Fund may not be as accessible as it wishes in that area and that is why it is targeting areas that are under-represented in terms of its funding. The Fund's success in generating applications in targeted areas is already measured.

14. The Fund agrees with the recommendation that it should develop an explicit rationale for selecting the priority areas it targets for special attention.

PAC conclusion (5): The Fund can only award grants in response to applications, and there is a risk that those groups best equipped to prepare good quality applications will tend to get the lion's share of the money. It has not issued guidance to its local development officers, who encourage applications from under-represented social and ethnic groups, on what constitutes under-representation. The Fund should stimulate good quality applications by identifying, with the help of local authorities, those groups who need help to develop ideas for projects and prepare funding applications, which the Fund would be able to support. It should also publicise the availability of Lottery funding and the support it can make available, and define what it means by underrepresented groups.

15. The Fund accepts this recommendation. Even though the Fund will have less money to make available in new grants in coming years, and it must keep its running costs to a minimum, it will continue to invest in development teams in every country and English region to help those groups who need assistance to access its funding. The Fund will publicise the availability of Lottery funding and it will make known the assistance that it can provide. As explained above, under-representation is defined in terms of the absence of funding

PAC conclusion (6): Many applicants find the Fund's application and assessment processes confusing, off-putting, and unnecessarily burdensome. The Fund is planning to introduce a more streamlined process, and in doing so should take into account the experience, capability and track record of applicants. For organisations with a record of successful projects it may be possible for the Fund to adopt a lighter touch, freeing resources to guide less experienced organisations through the application process. The Fund should also monitor application rates to check that smaller voluntary and community groups in particular are not deterred from applying.

16. The Fund accepts this recommendation. To make applying to the Fund easier and less costly, the Fund is introducing a simplified and faster application and assessment process from 1 April 2008. It will be monitoring application rates. The Fund will also monitor more general enquiries from potential applicants to see how many go on to submit an application.

PAC conclusion (7): A quarter of projects are delivered late and one sixth are over budget. Poor project management is one of the main causes of overruns but the Fund, although developing plans to offer more support for grant recipients who want it, is reluctant to intervene directly. The Fund's work will only be meaningful if projects are delivered in a timely and cost-efficient way, so it should not be reticent about stepping in and confronting project managers when things are going adrift.

17. The Fund partially accepts the recommendation. Given that, as the Committee recognises, it is the nature of heritage projects that there may be factors, which cannot be anticipated, only 25 per cent of projects being delivered late is a very creditable performance. 55 per cent of central Government construction projects were delivered late (up to 31 March 2006) and the Achieving Excellence in Construction target is no more than 30 per cent delivered late. The track record of the heritage projects the Fund support in delivering to cost is also good: less than 17 per cent of the projects it supported were delivered over budget, while 40 per cent of central Government construction projects were delivered over budget and the Achieving Excellence in Construction target is, again, no more than 30 per cent over budget. The Fund is not complacent, but this is a substantially better performance than other construction projects in the public sector.

18. Where the Fund, or more usually a professional project monitor employed by the Fund, identifies things going adrift, the Fund does approach the grantee to discuss what remedial action they are going to take. But the Fund cannot 'step in' in the sense of taking direct action or responsibility for putting things right: these are not the Fund's projects to manage. However, as the Committee notes, the Fund is going to offer more support to applicants to improve the overall quality of projects and provide inexperienced applicants with extra help.

PAC conclusion (8): Increased access to and understanding of heritage is one of the main benefits the Fund is trying to promote through its funding, but it has little concrete information with which to judge its success. The Fund supports a great variety of projects, many of which are likely to benefit a wide range of people. The Fund only started collecting the data it needs to tell who the beneficiaries of its funding are two years ago. For most of the £3.8 billion it has awarded it only has partial and largely anecdotal evidence of its success in encouraging and broadening access to the projects it has funded.

19. The Fund accepts the conclusion. We have a framework in place that will enable us to evaluate in the future how well our funding has helped broaden access to the heritage for all sections of society. Although, as the Comptroller and Auditor General said, the success of our approach will depend on projects following our guidance and collecting good quality data in the first place, we are confident that our ability to judge the Fund's success will improve considerably as more data is submitted.

PAC conclusion (9): The Fund spends almost £23 million a year on administration, around 9 per cent of its income. In the run up to the London Games, the Fund's income is likely to fall by 25 per cent, although it should return to previous levels after 2012. Other lottery distributors will also suffer reductions in their income. The Department for Culture, Media and Sport should examine distributors' plans for managing their organisations through the run up to the Games and beyond, to assess whether distributors' costs can be reduced in proportion to their income.

20. It is not possible for the Fund to reduce its running costs in proportion to the fall in the money available for new grants. But it has a good track record of reducing costs, which have fallen by 19.2 per cent in real terms since 2003-04, and the Fund will continue to keep its running costs to a minimum. The Department will continue to comment on the Fund's annual Business Plan in which it sets out how much it will spend running the Fund.

21. The Fund, in common with other grant giving bodies, has to deal with four work streams and everything that is associated with them:

- Advice and assistance before an application is made, including publicising the availability of Lottery funding;
- The assessment of applications submitted;
- The monitoring of projects which have received grants; and
- The evaluation of the impact of completed projects.

22. The only work stream which could be immediately affected by the reduction in the money available for new grants is the assessment of applications submitted. The three other work streams will continue unaffected for some considerable time and some will grow before they fall.

23. The Fund intends to continue to invest in development teams to provide advice and assistance to actual and potential applicants. The projects that it is currently monitoring will not be completed for many years to come. The monitoring of projects will decline in the future, because the Fund will have made fewer grants from 2009, but that will not be for many years to come. Finally, the number of completed projects is growing and their evaluation will require more resource not less.

Fifty Sixth Report

Department for Work and Pensions

Jobcentre Plus: Delivering effective services through Personal Advisers

1. Personal Advisers assess the needs of people looking for work and point them towards the right kind of assistance needed to find a job. In 2005-06, Jobcentre Plus had 9,300 Advisers of different types at a salary cost of £238 million. Between them, they conducted 10.8 million jobseeker interviews for a wide range of different clients including lone parents, older workers and people on incapacity benefits. They are also the gateway to the various New Deal programmes, which collectively have cost £5 billion since 1997, and they have a responsibility to ensure that those on benefits who are required to do so are actively seeking work.

2. Some 24 per cent of the gains to 2008 from the Government's Efficiency Programme are expected to come from increases in the productive time of staff. Improving the amount of time personal advisers spend with customers is a key element in helping Jobcentre Plus achieve its efficiency targets and in helping it to be effective in achieving its organisational objectives of helping people find work. The report considered the effectiveness of advisers; how customers are helped to meet their responsibilities; and improving the customer experience.

PAC Conclusion (1): The Department for Work and Pensions faces the difficult task of assisting more than one million people on benefit into work, many of whom are lone parents, older workers out of the job market for many years and people on Incapacity Benefit. To meet this challenge, Jobcentre Plus should regularly segment its hard to help customers so that it has reliable up-to-date information on their specific requirements. Combined with good knowledge of employers' short and medium term skill needs and available training opportunities, it should then be better placed to provide advice and support that is likely to be effective. The tax and benefit system should be neutral in terms of giving mothers a choice to stay at home or work.

3. The Department agrees that to meet this challenge, it needs reliable up-to-date information on the requirements of its diverse customer group and their specific requirements.

4. Jobcentre Plus is in the process of developing a Labour Market Data Warehouse, which will hold detailed information relating to its labour market processes and customer groups. In addition to standard reports with detailed information across various customer groups, this system will allow a far more detailed interrogation of information than has previously been available. It is expected that the Data Warehouse will be available in Spring 2008.

5. To increase knowledge of employer skill needs, Jobcentre Plus and the Learning and Skills Council are working closely through Local Employment Partnerships to bring together, from January 2008, funding and expertise to develop routeways to help employers recruit disadvantaged jobless people. Local Employment Partnerships will stitch together pre-recruitment support and the continued development of skills to succeed in work, linking in with the Leitch skills agenda and the emphasis on recruitment, retention and progression. All of this is of benefit to employers. They get suitable employees and also contribute to creating the successful, inclusive local societies in which their businesses can thrive.

6. The Leitch Review of Skills recommended a new universal adult careers service that will operate as part of an integrated employment and skills service and be better at diagnosing the skills and personal support needs of Jobcentre Plus customers and sourcing the right training opportunities. Integration will entail developing skills accounts to help all the service providers to see what learning and training customers have undertaken. A central database holding comprehensive training opportunities information is under development as part of the Leitch implementation plan published in July 2007.

7. The benefit system is designed to ensure financial security with work for those who can and support for those who cannot. The Green Paper *In work, better off: next steps to full employment*, published in July 2007, set out the next steps the Government is proposing to take on the road to full employment, including new proposals for lone parents. We do not want a neutral system as we want to incentivise work. That is why we have proposed to increase the obligations placed on lone parents to seek work, although these arrangements will be flexible enough to allow them to tailor their availability for work to their personal circumstances. The Government has introduced an extensive system of financial support for children and families, especially those with low incomes, whether mothers are in work or not. Wider tax policies are a matter for the Treasury.

PAC Conclusion (2): Compared with other organisations offering similar services, advisers within Jobcentre Plus spend an average of around 20 per cent less time face-to-face with customers. It is currently aiming to increase customer-facing time from around 52 percent to 65 per cent by increasing the average number of interviews a week from 28 to 35 per adviser wherever possible. To do so while maintaining the quality of the contact and without putting advisers under pressure to reduce the average length of an interview, Jobcentre Plus should: take care to protect advisers from unnecessary administrative work; keep interruptions to interviews to a minimum by protecting privacy within the open plan environment; and allow more discretion and flexibility to advisers on how they handle individual cases.

8. The Department agrees the need to continually review and evaluate Adviser Productivity levels to determine the optimum number of interviews conducted per week without compromising quality within interviews. No direct comparisons can be drawn with other organisations due to the vastly varying nature of customer groups that are dealt with and their relative distance from the labour market.

9. The introduction of a new Advisory Services model in September 2006 with dedicated Advisory Services Managers, Customer Engagement Team Leaders and Diary Administrative support has led to better support for Personal Advisers and freed up time to spend with customers. As an example, Personal Advisers telephones are now routinely transferred to Diary Administrative Support officers during interviews to minimise interruptions.

10. An evaluation of the Advisory Services model has already taken place and confirmed that, although it was early days, the signs were that the introduction of the model has had some positive benefits on productivity and the management of the advisory team. Further developments in training are being made to support improvements in all aspects of our Advisory Services.

11. Since the National Audit Report report was published, Personal Adviser productivity has increased to 30 interviews per week, from the 28 interviews a week recorded in the report. To support the increased Adviser productivity, Personal Advisers are closely monitored through an Internal Adviser Achievement Tool. This tool indicates the volume of interviews each Adviser is conducting, and when used in conjunction with our Quality Assurance Framework, allows Advisory Service Managers to monitor both quality and quantity of interviews.

12. An independent review of the Adviser Achievement Tool was recently undertaken and concluded there were concerns, which needed to be addressed, about the need for more flexibility to cope with the different challenges facing different adviser groups. The Tool is in the process of being revised and benchmark levels for a wider range of desired activities will be set for each customer group. Proposed levels have been developed with a group of operational staff and will be tested in a live environment, to ensure they are fit for purpose and do not drive inappropriate behaviour, before implementation in the 2008-09 operational year.

13. Although the Adviser Achievement Tool sets national benchmarks, Advisers have always been encouraged to mix and match activities that are best suited to the individual needs of their customers and this will continue. In July 2007 the Government published the Green Paper "In work, better off: next steps to full employment", which set out a renewed vision for Jobseekers Allowance and replacing the current suite of New Deals for the long-term unemployed with personalised support purchased from specialist back to work providers, responsive to jobseekers' individual needs. The Government's response to the consultation exercise that followed this publication will be included in a White Paper that is due to be published in December.

14. In accordance with the design standards developed by Lewis & Hickey (external Design Consultants for Jobcentre Plus rollout), interviewing areas are located as far away as possible from the busy entrance and self service sections of the Jobcentre in order to maximise customer/adviser privacy in an open office environment. Private interview rooms are available for more lengthy interviews where comfort and privacy is important. If a customer requests a private interview, staff can log this requirement on the Labour Market System (LMS) when booking the interview.

PAC Conclusion (3): Considerable amounts of repetitious, time-consuming paperwork reduce the amount of time Personal Advisers can spend with customers. Jobcentre Plus should reduce the current paperwork used by Personal Advisers in the same way that the Department for Work and Pensions has recently reviewed and rationalised its suite of leaflets after National Audit Office scrutiny. Specifically, it could reduce the need to write to customer details on many forms by having a way of capturing them just once; using coversheets showing a change in date or time and so replacing the need to complete a whole new set of paperwork; and by amalgamating similar forms.

15. The Department accepts the conclusion. This has led to the introduction of Customer Engagement Team Leaders and Diary/Administrative Support Officers to release Personal Advisers from the need to undertake the bulk of administrative, paperwork activities. These new job roles are under close scrutiny to maximise their effectiveness in supporting the Personal Adviser role and enable them to focus more fully on face-to-face customer activity.

16. Jobcentre Plus has developed and implemented a number of streamlined referral processes. The National Audit Office (NAO) report identified a particularly problematic area in connection with the current method of referring customers to provision. We have reviewed and streamlined this process as a tactical solution prior to the introduction of a Provider Referral and Payment IT system in 2009, which will replace this current clerical process. Over the life of the project this automation is expected to remove the need for all of the 1.8 million forms completed each year. Meanwhile, the administration of the referral has been transferred from the Personal Adviser to the Diary/Administrative Support Officer.

17. In response to the NAO report, and concerns raised by lobby groups, Jobcentre Plus has completed a review and rationalisation of all its' Work Focused Interview (WFI) letters. This has included standardising these letters and amending the tone and language used, to meet the requirements of the Social Security Advisory Committee and Solicitors. Where similar letter content appeared ambiguous leading to confusion among Advisers over correct use, Jobcentre Plus has simplified the content to remove such ambiguity. These new versions were introduced on 8 October 2007.

18. To maximise efficiency and remove nugatory processes, operational staff, including Personal Advisers, are fully involved in streamlining exercises to revise processes and products. This is primarily achieved through Lean techniques. More detailed information about Lean is provided in paragraphs 33-34.

PAC Conclusion (4): The new Diary/Administrative Support Officers will free up advisers from administrative work but administrative support is often the first casualty of attempts to reduce costs or staff numbers. It would be counterproductive not to treat the Support Officers as essential to front line delivery in any consideration of job reductions, given the benefits in having support staff to manage diaries, remind customers of their appointments and complete necessary paperwork. Any consideration of changes amongst these staff should take into account the significant gains derived from freeing up personal advisers, including the savings in benefit secured by helping people into work.

19. The Department agrees that the Diary Administrative Support Officer is a crucial support function and is fundamental to ensuring more routine tasks are diverted from Personal Advisers.

20. Since the introduction of the Advisory Model, the Diary Administrative Support resource has increased by 16 per cent. Jobcentre Plus fully recognises the need to maintain this important support function in order to realise the significant benefits gained when Advisory time is appropriately freed up. There are no plans to reduce the level of Diary Administrative Support.

PAC Conclusion (5): In 2005-06, customers failed to attend around 1.8 million scheduled interviews, whilst customers turned up late on average for around one in six interviews. Non-attendance at interviews costs £16 million and together with late attendance wastes personal adviser time. Jobcentre Plus could do more to remind customers of their responsibilities and take practical steps to secure timely attendance or early notification of non-attendance. In particular, it could schedule appointments for non-Jobseekers's Allowance customers at appropriate times (for example, avoiding school hours for parents) and take account of the availability of local transport for rural customers; highlight better the key appointment details on letters (for example, with different coloured paper); use text messages and phone calls to remind customers of impending appointments; and keep records of those who arrive late for appointments and targeting them for remedial action; particularly those who lead disordered lives.

21. The Department agrees that it is important to take all practical steps to secure timely attendance and early notification of non-attendance. The NAO recommendations have been implemented and to date, this has contributed to a one per cent decrease in the number of customers failing to attend.

22. More detailed management information requirements are being factored into the corporate data warehouse system, which will allow increased understanding or analysis within local offices and greater control over the extent of non-attendance. Improvements include:

- Diary Administrative Support undertaking reminder telephone calls prior to the interview;
- Advisory Services Managers responsible for close monitoring of fail to attend locally;
- in line with specific NAO recommendations, when booking interviews, consideration is given to accommodate school hours for parents, availability of transport etc.

PAC Conclusion (6): The productivity of Personal Advisers is affected by the slow or problematic IT, with nearly half of advisers experiencing delays daily. Many of the shortcomings in the IT system are simple but nevertheless irritating for staff and reduce their efficiency, for example, by requiring them to rekey identical information for every new customer or by making it hard to print out information they need. Changing IT systems can be costly but given what the Department pays its suppliers for IT support it should press for simple improvements in order to help save adviser time.

23. The Department agrees that simple improvements and system capacity should be an integral element of the IT systems that support our Advisers and other users. Jobcentre Plus has been undergoing a significant programme of business change from 2002 which has seen, for example, the move away from vacancy cards on boards to a national, fully accessible, regularly updated, job vacancies database available through touch-screen kiosks and the Internet.

24. During the period covered by the Public Accounts Committee hearing and the NAO study, this programme of business change was ongoing, and a rolling programme of enhanced IT functionality was delivered on time and to budget. Issues such as the cut and paste functionality, mentioned in the report, had been delivered by the time of the oral evidence to the Committee. Similarly, the slow-running of systems mentioned in the report is not consistent with Electronic Data Systems (EDS)' achievement of 97 percent of its Service Level Agreements for Jobcentre Plus.

25. The electronic diary used by Personal Advisers during their contact with every customer was identified as particular source of confusion and concern and has now undergone a complete rationalisation. This has simplified the booking process, introduced standard, user-friendly, language and has increased accuracy.

26. A future IT release will enable Advisory Services Managers to better manage and monitor Advisory performance. This will also bring specific benefits for those Advisory Services Managers with responsibility for Personal Advisers who work over a range of offices

27. An enhanced appointment booking process to support unplanned and multiple interviews was introduced in October 2007. Feedback from Personal Advisers in both the Design stage and throughout the Quality Assurance process indicates this has met with universal approval and acknowledgement that it will improve the electronic diary system.

28. Better Off Calculator System enhancements are currently under development which, when delivered, will significantly speed up the time it takes an Adviser to complete a better off calculation. This range of improvements, fully supported by comprehensive guidance, will be delivered between November 2007 and April 2008. From April 2008, an on-line calculator will also be available for those customers with access to the Internet.

29. A pilot will be introduced in March 2008 for multi function kiosks. These kiosks will provide a platform for testing the delivery and benefits of more self-help services for customers, eventually replacing, in part or wholly, the touch screen kiosks currently coming to the end of their useful life. Provision of information such as travel, benefits, child care, plus other Governmental services will enable customers to perform many routine tasks themselves, enabling Personal Advisers to concentrate better on advisory work.

PAC Conclusion (7): Nearly two-thirds of advisers surveyed said that recent reforms within Jobcentre Plus had not made their jobs easier. It would be unreasonable to expect advisers to be protected from all changes elsewhere in the organisation, but the business cases for significant organisational reforms within the agency should include a robust assessment of the impact on Personal Advisers, who, by helping people to find work, and thus helping reduce benefit dependency, can make a significant contribution to saving public money.

30. The Department agrees with the conclusion. This is hardly unexpected: change is sometimes difficult to accept.

31. The establishment of the Jobcentre Plus Operational Design Authority in April 2007 introduced a more rigorous control of the change approval mechanism within Jobcentre Plus. All new change initiatives, including internal organisational reforms, are now impacted by a dedicated team who identify both the importance and value of the change, the benefits to be realised and also the impact on existing Jobcentre Plus services and job roles, including Personal Advisers. End users are also now involved more in the design process.

32. One of the key measures for the ability of the organisation to deliver the relative change was the development of an operational capacity model, which would assess the ability of Jobcentre Plus operations, including Personal Advisers, to deliver the relevant change. This risk-based approach has resulted in the rejection or postponement of change proposals where it was felt this would be detrimental to existing service delivery.

33. In addition, DWP is committed to a radical Change Programme to transform the way it works, the services it offers its customers and ensuring it works in the most efficient way possible. A key element of this transformation is the decision to develop DWP into a Lean organisation committed to using Lean techniques in everything it does. At the core of Lean is the goal of eliminating waste from everything it does – waste is described as anything that doesn't contribute to the service the customer experiences.

34. DWP has already completed three Lean pathfinders in Preston, Newcastle and Leeds, which tested how best to apply Lean within DWP, and we are now operating six initiatives that will serve as templates for future ways of working. DWP's experience so far suggests that Lean:

- enhances our understanding of, and our relationship with, our customers;
- empowers staff to contribute their experience and knowledge to the design of the services they provide and their ways of working;
- readily highlights areas of waste in the way we work.

35. Personal Advisers will be involved in re-designing the processes with the customer needs at the heart of the change. Trials of the new processes will take place shortly before evaluation and consideration of further rollout.



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