



## **Treasury Minutes on the First and Second Special Reports and the Sixteenth to the Twenty Second Reports from the Committee of Public Accounts 2007-2008**

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**Presented to Parliament by the Exchequer Secretary to the Treasury  
by Command of Her Majesty  
July 2008**

TREASURY MINUTES DATED 17 JULY 2008 ON THE  
1ST AND 2ND SPECIAL REPORTS AND THE SIXTEENTH  
TO THE TWENTY SECOND REPORTS FROM THE  
COMMITTEE OF PUBLIC ACCOUNTS SESSION 2007-08

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ISBN: 978 010173662 6

# First Special Report

## Department for Culture, Media and Sport (DCMS)

### The BBC's management of risk

1. The Department for Culture, Media and Sport notes the report by the Public Accounts Committee (PAC) in which it examined, on the basis of a report by the Comptroller and Auditor General, the BBC's management of risk, including its risk reporting, training, and embedding of risk management within the organisation.
2. Six of the seven recommendations in the PAC's report are aimed at the BBC. It is for the BBC to respond to these recommendations and, given the BBC's independence from Government, it is not appropriate for the Government to comment on them. One of the recommendations is aimed at both the BBC and Government.

**PAC Conclusion (7): The BBC Trust, not the Comptroller and Auditor General, decides the programme and the scope of individual value for money reviews of the BBC. The Comptroller and Auditor General should have the same rights of access to the BBC as to other publicly funded bodies. He would then be able to decide what to examine and when, on the basis of a full and independent assessment of value for money risks, and report to Parliament independently of the BBC. There is no evidence to suggest that such arrangements would do anything other than strengthen Parliamentary scrutiny of the BBC and the oversight role of the BBC Trust.**

3. The Government does not accept this recommendation. The BBC's audit arrangements were considered fully as part of the BBC's recent Charter Review. The conclusion from Charter Review was that to bring the BBC fully within the remit of the NAO and PAC would risk undermining the Corporation's editorial independence. While NAO and PAC scrutiny might be formally be confined to financial and value for money issues, it would in practice be impossible to preserve a clear distinction between such matters and decisions involving editorial or artistic judgment. For example, questions concerning the allocation of resources to a particular programme would almost certainly lead to consideration of the programmes content and quality.
4. Furthermore, the Government has overwhelming evidence from research that the public is wary of greater levels of Governmental or Parliamentary involvement in the running of the BBC.
5. Under the current Charter arrangements, the BBC Trust is responsible for examining the BBC's value for money. This involves the Trust discussing regularly with the Comptroller and Auditor General the possible scope of its audit programme and ensures the NAO has a major role in the scrutiny of value for money achieved in the BBC's use of the licence fee. These arrangements strengthen the relationship between the BBC and NAO

# Second Special Report

## Department for Transport (DFT)

### Evasion of Vehicle Excise Duty

1. The Department for Transport (DFT – the Department) notes this report by the Public Accounts Committee on vehicle excise duty (VED) evasion in 2007. The Committee were particularly concerned about the significant changes in the estimates of VED evasion between the 2006 and 2007 roadside surveys. The main factor was the increased use of cameras to collect the data in the 2007 survey. This enabled additional accuracy checks to be conducted, which in turn revealed a previously concealed (and unsuspected) systemic over-estimation of evasion levels in all previous surveys, including the 2006 survey. The 2007 VED evasion estimates were published on 14 February 2008, in accordance with National Statistics procedures as pre-announced in November and December 2007. The Department recognises and regrets the problems, which the differences between the 2006 and 2007 estimates created for the Committee and the difficulties, which this caused.

**PAC Conclusion (1): While we accept that the Department did not expect the results to be so different from previous years', we are surprised that they had not drawn our attention to the wide variations in figures in earlier surveys which on grounds of common sense alone, have suggested that something was wrong. It was not until our second hearing in April 2008 that we were given the figures by the National Audit Office.**

**PAC Conclusion (2): A fall in the motorcycle evasion rate from 45.9 per cent to 20 per cent between 2002 and 2004, followed by a rise to nearly 40 per cent over the next two years, is so improbable that the Department should have known there were serious errors in the surveys. Indeed we understand that motorcycle bodies had repeatedly made this point to them. Given this, the Department should have made clear to us that their figures for road tax evasion could not be relied upon.**

2. The Department is pleased that the PAC has accepted assurances that officials did not expect that the VED results for 2007 would be so different from previous years' results. As stated in the statistical report of 14 February as a result of the improvements made to the data collection and quality assurance, the Department concluded that previous estimates were inflated to some degree. However, while the estimated level of evasion may have been inflated, the Department has no reason to doubt the pattern (either up or down) in evasion from year to year. The Committee refers to estimates of the stock of evading motorcycles, which were included in statistical publications by the Department, and of concerns about the estimates raised by motorcycle bodies. The statistical technique used to produce in-stock evasion figures was specifically considered in the methodological review that the Department commissioned from the University of Southampton, which was published in October 2007.

**PAC Conclusion (3): We find it disingenuous to suggest that a change in methodology that involved almost exclusive use of cameras and enabled the results to be properly checked for the first time was not a change in kind. Even if they were unable to give us any early indications of the results of the June 2007 survey, the Department should have made clear that the nature of the survey had changed significantly.**

3. As the Committee acknowledges, the Department is continually looking to improve the quality of its statistics and so moved to near total use of electronic collection (by ANPR / video) of data for the June 2007 Roadside Survey. The Committee will be aware, under National Statistics protocols it is not permitted to give anyone, including PAC members, advance notification of the results. In the 2006 survey just under half (46 per cent) of all observations were collected via ANPR/video, and in the 2007 survey that increased to 98 per cent. At the October 2007 hearing Dr Hickey stated that cameras were increasingly being used in the roadside survey, but the use of cameras was not highlighted any further as the Department did not anticipate, as the Committee has accepted, that increasing their use would reveal inflation in previous estimates. Other than continuing to increase the use of ANPR/video for data collection, the methodology for the 2008 roadside survey will be the same as that used for the 2007 survey. The Department will continue to liaise closely with the National Audit Office on the methodology used in roadside surveys.

**PAC Conclusion (4): We also find it incredible that from June 2007, when the data was collected, through publication of a NAO report, a PAC hearing and publication of the PAC report, the Department neither suspected that the figures were wrong nor gave any indication to the Committee, but instead apparently waited until February after adverse publicity to release new figures.**

4. As the Committee acknowledged in PAC Conclusion (1) above, the Department did not suspect that the VED evasion levels for earlier years had been inflated. The first, provisional, figures for 2007 were produced in early January 2008, followed by a complete check of all the survey processes. Throughout the month of January, DFT statisticians were engaged in checking to ensure that a processing error was not responsible for the differences. The conclusion that previous evasion estimates had been inflated was only reached in early February, when the finalised figures became available. By that time the PAC had already published its 5th Report (based on the 2006 estimates).

5. The Department did not delay publication of the new report until after the PAC report. In fact, DFT pre-announced on 27 November that the 2007 VED estimates would be published in February 2008, and on 19 December DFT pre-announced the actual publication date as 14 February 2008. In accordance with guidelines on pre-announced National Statistics the 2007 VED estimates were published on schedule.

**PAC Conclusion (6): Parliamentary scrutiny of the executive is an important part of the constitution. It is dependent in large part on the accuracy of evidence provided by witnesses. Government departments are particularly responsible for ensuring that Members are not misled, even inadvertently, by the evidence they provide. As this case shows, offence can also be caused to law-abiding sections of the community by the provision of inaccurate evidence: this in turn can adversely affect the standing of Parliament in the eyes of the public.**

6. The Department fully recognises its obligations to provide Parliamentary Committees with accurate information and evidence. Whatever doubts the Committee has expressed about the circumstances surrounding the publication of the 2007 estimates at all times the Department sought to ensure that the information it provided was as accurate as possible. Consequently, the Department strongly refutes any suggestion that it sought to mislead the Committee (or the motoring public) in publishing the VED estimates in February 2008. The VED evasion estimates for the years up to and including 2006 were the best available at the time and were published in accordance with the National Statistics Code of Practice. That said, the Department recognises and regrets the problems, which the differences between the 2006 and 2007 estimates created for the Committee and the difficulties, which this caused.

# Sixteenth Report

## Cabinet Office

### Government on the Internet: Progress in delivering information and services online

1. The Cabinet Office, Central Office of Information, Department for Innovation, Universities and Skills (DIUS) and Department of Work and Pensions (DWP) welcome this report by the Public Accounts Committee in which it examined the progress of the government's use of Internet. The Cabinet Office accepts the Committee's conclusions that there is need to drive forward the Government's progress in the management and oversight of Government websites, the overall quality of sites and their rationalisation.

2. The Cabinet Office is pleased that the Public Accounts Committee noted that the public consider Government websites to be satisfactory and that the Committee endorses the strategy to move most citizen and business facing internet services and related information to two websites, [direct.gov.uk](http://direct.gov.uk) and [businesslink.gov.uk](http://businesslink.gov.uk) by 2011. These sites are well regarded by the public and industry and both have received awards. The report notes other examples of best practice and the Cabinet Office accepts that citizens and businesses would be well served by driving forward and continually developing this best practice across the whole of government and its agencies given the increasing importance of the use of Internet for improving the delivery of public services.

**PAC Conclusion (1): To prevent a recurrence of the proliferation of government websites, no new ones should be established without the agreement of the Government's Chief Information Officer in the Cabinet Office.**

3. The Cabinet Office accepts this recommendation. The establishment of any new website will be subject to the agreement of the Government's Chief Information Officer and, at Ministerial level, the Cabinet Committee on Public Engagement and the Delivery of Services (DA(PED)).

4. Led by Central Office of Information (COI), Website Reviews are being undertaken by each department as part of Transformational Government. These are not only intended to prevent the unnecessary creation of new websites, but also to close most of them with their content being appropriately moved to a few high quality websites focused around audience groups.

5. Departments report progress on Website Rationalisation for their department and all its agencies, as part of their Service Transformation Agreement, through the Transformational Government team in COI and COI submits quarterly reports to HMT. They are also reported in the Delivery and Transformation Group's Transformational Government annual report (Annual Report).

**PAC Conclusion (2): The Chief Information Officer (CIO) Council should agree a methodology for identifying the costs of websites, to be applied by all departments and agencies by the end of the next financial year. An analysis of these costings should be included in the Delivery and Transformation Group's Transformational Government annual report.**

6. The Cabinet Office accepts this recommendation. COI will work with departmental representatives and the CIO Council and make a proposal to CIO Council on the consistent identification of costs of websites across Government and its Non-Department Public Bodies (NDPBs) and Executive Agencies.

7. Departments will start measuring costs in April 2009 and report annually beginning in March 2010 to COI, such reports being collated and reported in the Annual Report.

**PAC Conclusion (3): The Central Office for Information, together with the Cabinet Office, should develop a methodology and single set of measures for analysing user data such as that used by the Transport of London to make improvements in all its services. The agreed methodology and the measures should be applied by all Departments by the end of 2008-09.**

**PAC Conclusion (4): The Cabinet Office and the Central Office for Information should establish and agree with the CIO Council a single set of quality standards for government websites, which should be implemented by all departments. These should include the performance of internal search engines and facilities that allow the public to provide feedback on public services.**

8. The Central Office of Information and the Cabinet Office accept these recommendations. COI will consult CIO and CTO (Chief Technology Officer) Councils and work with departmental representatives to develop a single new set of quality standards for public sector websites. This will include a set of measures for usage, a requirement for facilities to allow the public to give feedback on public services, and a single set of reporting metrics.

9. The improvement of search is critical to improving citizen's experience of Government Web services. Led by COI, a project is already underway to identify the most helpful way of delivering this across the whole of Government with the intent of implementation by the end of 2009.

**PAC Conclusion (5): In taking over responsibility for Direct.gov.uk from April 2008, the Department for Work and Pensions should commission regular independent reviews of the risks and progress of the site's development. Given the importance of Direct.gov.uk to public service delivery, the results should be shared with the Cabinet Office and the National Audit Office.**

10. The Department for Work and Pensions accepts this recommendation. Directgov Board's Terms of Reference includes the possibility of independent reviews of Directgov and DWP will develop terms of reference for these by Summer 2009.

11. This will give time for bedding down of the new governance structure that has already been implemented as part of the Machinery of Government move on 1 April 2008 to DWP and ascertain the focus of independent reviews. Under the new governance structure, the Directgov Board reports progress on a regular basis through DWP in the form of:

- a quarterly report for the Senior Responsible Officer (SRO), Permanent Secretary and relevant Ministers;
- an annual report for the Permanent Secretary of DWP, the Delivery Council, and DA(PED).

12. This reporting process ensures that progress against plans is reviewed by the most senior Civil Servants and Ministers. Directgov is also reviewed by both the DWP Audit and Risk Committees and has its own Board-led Risk and Assurance Committee.

**PAC Conclusion (6): In moving services and information from Departmental websites to Direct.gov.uk and businesslink.gov.uk and reorganising the material left on departmental sites, all Government websites should meet the accepted industry standard of accessibility by 2011.**

13. The Cabinet Office accepts this recommendation. A new standard for accessibility was published on 5 June 2008: *Delivering Inclusive Websites* (Web standard TG102). During consultation this was widely applauded by industry and stakeholders.

14. Central Government Departments are to deliver accessibility policy plans for their websites by December 2008 and complete implementation by December 2009; NDPBs and Executive Agency websites will deliver their policy plans by March 2010 and complete implementation by March 2011.

**PAC Conclusion (7): The CIO Council should require all departments and agencies to develop channel strategies which take into account the needs of those without internet access, by the end of the next financial year, and to update them every three years.**

15. The Cabinet Office accepts this recommendation. The Contact Council, a sub-committee of the cross-government Delivery Council will issue this requirement to Departments as part of its responsibility for improving the delivery of services to citizens.

16. The Contact Council will work with the new cross-government Digital Inclusion coordination team in the context of the Digital Equalities Strategy and other relevant organizations on how to advise departments and agencies in developing their channel strategies. Guidance will be drawn up and published in time for departments and agencies to develop their strategies by March 2010.

**PAC Conclusion (8): The Department [DIUS] should specify the levels of service that users can expect from the [UK Online] centres, such as basic IT training and personal support in accessing and using government websites.**

17. Department for Innovation, Universities and Skills (DIUS) accepts this recommendation. UK online centres were formerly the responsibility of DfES and are now the responsibility of DIUS. The centres were established to reduce the digital divide by providing individuals with access to the internet and e-learning. The 6,000 centres are independent of central Government. Around half are in libraries, with some 2,000 in voluntary and community sector organisations and the rest in further education colleges and other organisations. The sources of funding for the centres are diverse, and in 2006/07 DfES provided grant support to only 400 UK online centres.

18. The priorities and services offered are ultimately a matter for individual centres. However, DIUS has a role in encouraging UK online centres to set standards for their service provision, and encourages each to support a “quality promise” of what centre users can expect. There is a membership scheme, which UK online centres are encouraged to join – to date some 3,000 are members and member centres commit to basic services and standards for their users. Through grant support and encouraging centres to help users move from digital exclusion to inclusion, DIUS supports particular actions including training for centre staff, internet taster sessions, Skills for Life initial assessments and e-skills passports.

19. DIUS expects UK online centres will play an important role in the new Digital Equality Strategy and in meeting the UK’s targets and commitments to the EU Declaration on e-Inclusion. DIUS will work closely with the new cross-government Digital Inclusion coordination team to ensure that use of the centres more widely by government is a key strand of the strategy.

**PAC Conclusion (9): There are risks associated with establishing intermediaries’ identities and their right to act on behalf of others. In 2007, the Cabinet Office commissioned research on this subject, which the CIO Council should use to agree common principles for engaging with intermediaries, to be adopted by all government departments.**

20. The Cabinet Office accepts this recommendation. In recognizing the importance of establishing intermediaries’ identities, there are a number of projects examining the best means of ensuring access for those supporting others less able or denied access to online services. These include a combinatorial approach being explored by the cross-government Employee Authentication Service, where the Trust Level granted to a particular person in a particular session will depend on the strength of identity verification (who), the strength of the authentication (how) and a number of “maturity” factors, and a role-based authentication for specific organizations who act on behalf of citizens, which is being explored by DWP.

21. Building on these explorations, the Delivery Council through the Contact Council will develop principles by March 2010 for mediated access and trusted roles appropriate for different situations and set security and identification standards to be put into place by delivery services.

# Seventeenth Report

## Foreign and Commonwealth Office (FCO)

### Managing risk in the Overseas Territories

1. The Department has studied carefully the Committee's report on the management of risk in the Overseas Territories and accepts the Committee's overall conclusion that more needs to be done to manage risk across a range of areas. The Department has refocused its business plan for the Territories to follow up the key issues raised in the NAO report.

2. The Department takes risk management in the Territories very seriously. The Department is pleased that the Committee recognised that there have been improvements in areas such as standards of disaster management and that the Department is taking steps to drive up capacity, and to encourage the Territories to improve financial regulatory standards.

3. The Department notes that the observations made by the NAO reflect an overview of the issues faced by the Territories prior to the report. The recommendations are consequently quite generic and do not always take into consideration specific advances made in the Territories, or the differences between individual Territories. In this regard, a number of Territories have expressed concerns that certain sections of the report are not up-to-date and could damage their reputations. The Department notes that the constitutional relationship between the UK and each Territory is different. Some of the references in the report and the Department's response do not apply to all the Territories.

**PAC Conclusion (1): The Department has responsibility for managing risks such as crime and disasters, but does not have direct control over funding, which is provided by Territory Governments. The Department should go beyond its usual reliance on persuasion, and be more prepared to require money from Territory governments in areas where the UK has constitutional responsibility. It should also publicise where standards are not being met, better to inform Territory citizens.**

4. The Department notes the Committee's recommendation to be more prepared to require money from Territory Governments in areas where the UK has constitutional responsibility, specifically internal security and disasters. The Department's view is that, while some Governors have reserve powers to require funding from Territory Governments, where services or standards of governance are failing, these powers have to be balanced against the need to respect democratically elected local Governments, whose responsibility for providing funds is enshrined in their Constitutions. The Department considers that reserve powers, where they exist, should be used sparingly. Such action inevitably provokes strong local resistance and can be counter-productive to delivering sustainable improvements.

5. The Territories recognise the importance of security to their future prosperity and stability. However, the Department acknowledges that Territory budget management and allocation, and operational standards in relevant Territory agencies, could be further improved. The Department will continue to help Territory Governments to deal with any inadequacies at an early stage, and to encourage them to make sufficient provision to deal with urgent needs.

6. The Department considers that publicising standards that are not being met is for the local Public Accounts Committee, Ombudsman, Auditor General or equivalents. The situation is different in each Territory, and it is therefore better that oversight is carried out by those with a detailed knowledge of local circumstances. Governors should where possible act in support of the autonomous actions of local scrutiny bodies. However, the Department accepts that, on occasion, intervention by a Governor, for example a public statement or setting up of a commission or working group, could be necessary.

**PAC Conclusion (2): Overall regulatory standards in most Territories, particularly those with smaller financial centres, are poor compared to standards achieved in the Crown Dependencies. The Department and other relevant UK agencies, such as the Financial Services Authority, the Treasury and the Serious Organised Crime Agency need to deploy their expertise and capacity jointly to manage the risks better, particularly in the small offshore centres.**

7. The Department accepts this recommendation and is already stepping up its efforts to encourage the Territories and relevant UK Agencies to bolster regulatory standards. The Department considers, however, that progress has been made in the more developed Territories in recent years to meet international standards. For instance, the statistics quoted in Figures one and two of the NAO report are from a 2005 International Monetary Fund assessment based on findings from earlier years. Since then, many of the Territories have made advances in relation to regulatory standards in the financial services sector.

8. Following the recommendation of the NAO, the Department is developing a financial services strategy aimed at providing targeted UK assistance to Territories where specific vulnerabilities have been identified. The Department's response will take account of the different levels of development and capacity amongst the Territories.

9. Initial discussions on the strategy took place earlier this year with Whitehall partners and Governors. It is crucial that a partnership approach is developed with the Territories. The Department is discussing requirements with Territory Governments and Agencies. Discussions were held in April-May 2008, with Territory Attorneys General, Police Commissioners and with Territory Regulators. The Department hopes to be in a position to agree individual Action Plans, where appropriate, at the Overseas Territories Consultative Council meeting in London in October 2008.

**PAC Conclusion (3): Territories' financial services lack the investigative capacity to scrutinize suspected money laundering activity fully and Governors have not used their reserve powers to rectify this. In such a sensitive aspect of the global financial system it is complacent to allow Territories for which the UK is responsible entirely to manage the risk themselves. UK technical assistance and advice should be matched by local efforts and funding to drive forward regulatory improvements. The Department and the UK agencies should bring in more external investigators or prosecutors from the UK to bolster capacity until the Territories can be self-sufficient in this area.**

10. The Department does not agree that there has been any complacency in its approach to managing the risks of money laundering in the Territories. But it accepts the recommendation on the provision of external investigators where appropriate. The Department's general approach has been to work with Territory agencies to enhance their own systems to detect, investigate and prosecute money laundering and other suspected abuses. The Department funded the drafting of updated proceeds of crime legislation in the Turks and Caicos Islands, which was introduced in September last year. This was based on UK provisions and included the introduction of a civil forfeiture regime.

11. Action is in hand to introduce similar legislation in Anguilla and Montserrat. The Cayman Islands will also soon introduce this legislation. A major, lengthy money laundering investigation conducted jointly by the authorities in Bermuda and the British Virgin Islands was recently successfully concluded, and will result in the two Governments sharing \$45million of confiscated funds.

12. Gibraltar has a robust regulatory regime to combat money laundering and complies with its EU obligations, matching, as necessary, the standards of regulatory risk applied in the UK under the Third Money Laundering Directive.

13. The financial services strategy under development will include capacity building, training and secondment initiatives in the areas of financial investigation and prosecution.

**PAC Conclusion (4): The Department has no dedicated training programme for Governors, despite the special characteristics of the role compared to mainstream diplomatic activities. The Department should provide all Governors and other key staff with training in the key risk areas relevant to their post, including financial services. Training needs should be assessed throughout each Governor's posting.**

14. The Department agrees that Governors need to be trained and briefed sufficiently to understand the expectations and limitations of their roles, especially in the key risk areas relevant to their post. Governors are appointed following a careful selection process to ensure that individuals have the right experience and skills. Before taking up a posting, Governors undergo training and spend time with the Department and with key Whitehall departments and relevant UK agencies. Governors are also encouraged and expected to use their experience in other previous roles, whether as diplomats, aid policy officials, politicians or military officers to understand the key risk areas and to judge how best to persuade local Governments to minimise those risks.

15. The Department arranges training for Governors and other staff in the key risk areas relevant to their post, including financial services. For example, the Governor of Bermuda, who took up his post in December 2007 (the most recent Governor appointment), had pre-posting calls on a range of financial services-related departments, agencies, associations and companies in the UK. He also visited relevant experts in Washington and the Cayman Islands and had extensive consultations with his predecessor. Training needs are considered on an on-going basis throughout Governors' postings. The Department is considering additional financial services training for Governors and their staff where appropriate. Governors and Heads of their Offices also now undergo specialist pre-posting disaster management training.

**PAC Conclusion (5): The Department acknowledges that policing standards in the Territories fall short of its expectations, yet has used external inspection by HM Inspectorate of Constabulary on only three occasions. Territory citizens should not have to accept less efficient use of police resources, nor less professional oversight than citizens in the UK. The Department should lay down the policing standards expected of the Territories, and test whether they are met on a more consistent basis.**

16. The Department agrees that Territory citizens should not have to accept less efficient use of police resources, nor less professional oversight than in the UK. The Department is working with the Territories to build local policing capacities. Further such development will be of the greatest long-term benefit to the Territories. Practices in Territories vary, reflecting local cultural and public attitudes. Imposing a consistent standard across the Territories without the necessary local political and public support would be impractical and counter-productive. Building that support, especially for the core principles of avoiding police corruption and deterring political interference in policing matters, is an important objective of every Governor.

17. The Department will consider the option of further independent police inspections with Territory Governors and Governments, and the most appropriate forms for such inspections. HM Inspectorate of Constabulary (HMIC) inspections are an expensive option and based upon policing requirements in the UK. The Department is concerned that future inspections should be tailored to meet the needs of individual Territories, taking into account local capabilities and resources. Local participation in this process would be paramount to the success of the inspections, as would the commitment of Territory Governments to providing the necessary resources to implement recommendations.

**PAC Conclusion (6): There have been improvements in standards of disaster management, but ten years after the Committee's last report on the subject not all Territories have comprehensive disaster management strategies. The increased risks posed by climate change and rising sea levels make disaster planning especially important for low-lying Caribbean Territories. The Department, together with the Department for International Development and Territory governments, should draw up disaster management strategies where they do not exist, setting out the responsibilities of each party and the minimum requirements for the frequency of disaster plan tests.**

18. The Department is pleased that the Committee has recognised the improvements in standards of disaster management, and will continue to work closely with both the Department for International Development (DFID) and Territory Governments to implement a range of practical measures to ensure faster and more effective response in those Territories whose strategies are not so advanced. A joint FCO / DFID team has reviewed these Territories with the objective of raising standards and promoting the development of comprehensive disaster management strategies. Where possible these Reviews have been timed to allow the Review Team to observe and make recommendations on a major exercise.

19. The Department and DFID co-funded a Disaster Management Seminar in Montserrat in June 2008 for Directors of Territory Disaster Management Offices. The seminar discussed risk management, comprehensive disaster management strategies (including climate change), testing and frequency of contingency plans, and sharing best practice. Representatives from the Caribbean Disaster Emergency Response Agency, the British Red Cross and the Pan American Health Organisation participated. DFID will continue to fund an advisory post based in the Caribbean region, which can provide ongoing technical assistance to support the Territories in disaster risk reduction. In addition, the Department continues to coordinate the Government's preparation for a disaster in a Territory, by engaging Whitehall partners in regular dialogue, which includes testing response mechanisms.

20. Territory approaches to disaster risk reduction look beyond hurricanes and emergency response. The four Territories that are Caribbean Disaster Emergency Response Agency members have endorsed and subscribe to the regional Comprehensive Disaster Management strategy. National structures and legislation in these Territories provide oversight for all hazards and include emphasis on pre-emptive risk reduction. In most Territories Environmental Impact Assessments now include hazard assessments. Territories realise that effective disaster risk reduction must include all sectors of society. There is more private sector involvement in disaster management structures, contingency plans increasingly include key economic sectors and public awareness and media management strategies have been developed.

**PAC Conclusion (7): The Department's Overseas Territories Programme Fund has been too thinly spread over too many projects to be effective in increasing capacity or promoting sustainable development in the Territories. The Department proposes to move to fewer, larger projects in 2008-09, which should have the potential to generate a greater impact. The Department should develop benefits realization for these projects to verify that they have lasting effect.**

21. The Department accepts this recommendation and recognises that it was difficult to assess the success of its original Overseas Territories programmes. Since 2006, the different funds available to the Territories have been amalgamated into one programme to ensure that Departmental funding is better targeted. Programme priorities now directly reflect the Government's White Paper and UN Charter commitments and, since publication of the 2007 NAO report on the Territories, have focused on key risk areas.

22. The Department agrees that the success of earlier programmes was limited by the large number of small projects it supported. The Department is now working to identify larger projects, and to support Territories through regional initiatives with a wider impact. This includes work on criminal justice, governance, financial services and disaster management.

23. The Department recognises that local buy-in is crucial to the long-term success and sustainability of projects. Where appropriate, projects are therefore now required to demonstrate a strong commitment from Territory Governments before support is agreed. For example, the Department has worked closely with Territory Governments to ensure sustainability through part-funding initiatives where the financial burden is increasingly taken on by local Governments as Departmental project funding draws to a close. This helps ensure that project benefits are realised and sustained beyond the period of FCO funding. Progress is monitored during the life of the project and the success of projects is measured on completion. The Department is strengthening procedures to evaluate projects.

**PAC Conclusion (8): The UK continues to subsidise wealthier Territories such as Bermuda and the British Virgin Islands, in the latter case providing over £600,000 of free services each year to regulate civil aviation on their behalf. Unless there are compelling reasons to the contrary, the UK should charge for services such as aviation regulation where Territories are able to pay from their own resources.**

24. The Department accepts this recommendation, and agrees that those Territories that can afford to do so should fund their own air safety regulation.

25. The Department wishes to clarify the figure in respect of Bermuda in table 12 of the NAO's report, which details the allocation of resources across the Territories. The figure of £338,000 for Bermuda indicates all funds spent by the Department during 2005-06 on programme, staff and administration costs. However, it does not take into consideration reimbursements made by the Government of Bermuda for the salary and other related allowances of the Deputy Governor and Executive Officer. The Department regrets that this was not picked up at an earlier stage. The figure for UK expenditure should read £203,000, the majority of which (£112,000) was spent on supporting biodiversity projects including environmental education and habitat restoration, in line with UK commitments under the Bermuda Environment Charter. The UK contributions to these projects formed part of significantly larger local financing packages.

**PAC Conclusion (9): Public accountability in the Territories is difficult to sustain in small communities, and not all Territories have functioning Public Accounts Committees. In dialogue with individual Territory governments, the Department should also explore how Territories can better use the expertise available in the UK to support the development of their own capability, and whether more use could be made of ex-officio members in individual Public Accounts Committees.**

26. The Department accepts this recommendation and is in discussion with the UK National School of Government (NSG), as part of a wider public sector reform programme, about how best to support improvements in public accountability in the Territories. As a first step, NSG will undertake a study to assess the effectiveness of existing public accountability functions in each Territory. They will make recommendations on how the Department can support further development in partnership with Territory Governments. This support may include making available expertise from the UK, or creating opportunities for sharing existing good practice among Territories. NSG will also consider as part of their study whether more use could be made of ex-officio members in Territory Public Accounts Committees, as recommended in the NAO report.

**PAC Conclusion (10): Civilian use of regular military flights between the UK and the Falklands has become vital to the social and economic development of the Islands since the closure of Argentine airspace to civilian services. The Department, the Ministry of Defence and the Falklands Government have been successful in jointly developing civilian use of these capabilities. As the new operator contract is taken forward, costs, risks and rewards should be apportioned between the partners so that reliable public access to the Islands is provided and the requirements of all parties (such as a set number of premium seats) are met.**

27. The Department is pleased that the Committee recognised the success that it, the Ministry of Defence (MOD) and the Falkland Islands Government (FIG) have had to date in jointly developing civilian use of the South Atlantic Airbridge. There are now three return flights a fortnight to the Falklands from the United Kingdom, with a guaranteed number of economy seats and, since October 2007, premium economy seats, each charged on a cost recovery basis.

28. The Department is liaising between the MOD, and the Governments of the Falkland Islands and Ascension Island, on negotiations for the future service, including seat costs, advance payment and booking mechanism, and the MOD's contract for 2008-2011. The Committee's recommendation is in line with the British Government's objectives for those negotiations. In the negotiations, the MOD continues to be willing to provide a service that better meets the requirements of the Governments of the Falkland Islands and Ascension Island, in return for these Governments taking on a greater share of the costs, risks and rewards of the service, and which does not undermine the Airbridge's primary task to support the British Forces South Atlantic Islands.

29. The Department intends that these negotiations will be concluded before October 2008, when a new three-year contract is scheduled to begin.

# Eighteenth Report

## Cabinet Office

### Improving corporate functions using shared services

1. The Cabinet Office, the Department of Health and Her Majesty's Prison Service welcomes this report by the Public Accounts Committee in which it examined the Cabinet Office's efforts to improve corporate functions using shared services, as well as the performance of two of the more established public sector shared services in the NHS and the Prison Service.

**PAC Conclusion (1): Government lacks reliable information on the cost of corporate services. Departmental Management Boards should receive clear information on the cost and performance of their corporate services on a regular basis so that they can consider the contribution these services make to key business objectives and whether they are providing value for money.**

**PAC Conclusion (2): Inconsistency in the way corporate services are recorded prevents regular benchmarking to help secure improvements in value for money. The Cabinet Office should develop standard definitions for what constitutes corporate services and how their costs and activities should be reported. The Cabinet Office should undertake regular benchmarking exercises to identify scope for further efficiencies.**

**PAC Conclusion (3): It is not clear how the £1.4 billion potential savings from shared services will be achieved. The Cabinet Office will find it difficult to drive improvements until it obtains clear information on the relative performance of departments' corporate services. Departments should publish an overview of their corporate services performance in their annual report, including an analysis of costs by corporate function, how shared services are being used to improve value for money, and performance against centrally agreed benchmarks.**

2. The Cabinet Office agrees with the need for government departments to ensure that they have sufficiently accurate and clear data on the performance of their corporate services, and to regularly review whether there are more cost effective ways to obtain these services. We agree that establishing a shared services culture might be better supported by the central collation of cost and performance data. Departmental Management Boards should already receive clear information on the cost and performance of their corporate services. This data has not been centrally collated in the recent past as corporate services have been delegated to departments and shaped in accordance with their business requirements.

3. We acknowledge that there is work to be done to develop mature, robust, and effective ways of collecting and disseminating this information. A key role of the Cabinet Office's shared services team is to coordinate different initiatives, provide assistance, and share best practice in how a department can best assess the real cost of providing its corporate services. Two key initiatives in this respect are being undertaken to agree pan-government benchmarks on the cost and performance of HR and Financial corporate services. This work is being taken forward by the heads of profession in government (HR and Finance) in cooperation with departments. These programmes will bring consistency and transparency of measurement to each profession across government. It is anticipated that the first set of benchmark data for HR and Finance will be published in 2009.

4. The Cabinet Office agrees that transparency of information is crucial in the development of effective and efficient shared services across government. We note the recommendations on the analysis of corporate services performance, for inclusion in Departmental Annual Reports. The Cabinet Office, with Heads of Profession, will work with Departments to provide them with the relevant benchmark data to facilitate this recommendation. With regard to potential savings, the Cabinet Office wishes to reiterate that the £1.4 billion refers to potential annual savings from finance and HR services across the public sector.

**PAC Conclusion (4): The Cabinet Office does not have sufficient grip on the cost of its activities to promote shared services. The team set up to encourage the use of shared services did not know how much money it had spent or how it was allocated across different activities. To improve performance and operational efficiency, the team should routinely record and analyse all its expenditure and assess the cost effectiveness of different interventions.**

5. The Cabinet Office regrets that sufficient information on the costs of the shared services team and its activities were not easily available at the time of the hearing. However, detailed financial information was provided to the Committee, in cooperation with the NAO, following the hearing as requested.

6. The Cabinet Office recognises that there were anomalies between its initial estimates and the actual costs, of the shared services team. The main causes of this disparity were the rapid growth and turnover of the team's membership and the evolution of its account structure as the shared services team inherited the cost code previously used by other teams. Now that a permanent team of civil servants has been established, more effective recording and analysis of the team's costs and activities will be possible.

**PAC Conclusion (5): The number of NHS organisations using NHS Shared Business Services will need to increase significantly if the forecast annual savings of £250 million are to be secured by 2014-15. To encourage greater participation, the Department of Health should lead by example by setting a firm date to become a customer now that the system has been redesigned to meet the Department's needs. Where corporate services are retained in-house, the Management Boards of NHS organisations should be clear that the decision represents better value for money than alternative options such as NHS Shared Business Services or outsourcing.**

7. The Department of Health accepts this recommendation. The Department has set a date of the 1st October 2008 upon which it will be moving its financial systems across to NHS Shared Business Services.

8. The Department explicitly requires the NHS to deliver efficiency savings of 3 per cent in 2008-09 and in each of the two successive years of the current Spending Review. The NHS Operating Framework points to the potential for better quality and efficiency through better procurement, commissioning, organisation and management. Accordingly the Boards of NHS bodies should be regularly reviewing their corporate services on a value for money basis. The Department proposes that it writes to the Chairs of NHS Boards on this as part of its Efficiency Deployment strategy.

**PAC Conclusion (6): Within the NHS, less than 30 per cent of invoices received reconcile with purchase orders, increasing the risk of incorrect or unjustified payments. The Department of Health should work with NHS organisations, regardless of whether they are customers of NHS Shared Business Services, to achieve a dramatic improvement in the proportion of invoices that match to purchase orders, improving productivity and timeliness.**

9. The Department of Health recognises that in addition to supporting the efficiency agenda, the matching of purchase orders to invoices received improves financial control. Accordingly the Department will engage with the Finance Directors of NHS bodies, via the Strategic Health Authorities, to focus improvement in this area. The Department will also speak with the Audit Commission to explore the usefulness of a Commission review of this area.

**PAC Conclusion (7): There is doubt about the scale of staff cost savings in HM Prison Service arising from the use of shared services. The Prison Service claims that reductions in prison budgets are proof of staff cost savings arising from the introduction of shared services, but only has inconclusive evidence. The Prison Service needs to have better information to track reductions in staff posts, which should be validated by internal audit or other assurance arrangements.**

10. The Prison Service accepts the recommendation. The Prison Service changed its benefits tracking process during the implementation of the changes to Human Resources processes so that the surplus staff were identified and tracked in a separate cost centre. The Prison Service Phoenix Programme is now in its final stages and on course to complete by the end of this financial year. A key element of the programme closedown will be a standard Post Implementation Review (PIR); this is due to commence and complete during 2009-10. The PIR will include an audit of a representative sample of establishments across the Prison Service to determine if the savings have been realised by reducing the number of staff employed in Finance, HR and Procurement.

**PAC Conclusion (8): Further savings could be achieved through economies of scale if more small departments bought their corporate services from larger departments. Smaller departments should evaluate the benefits of buying corporate services from one of the two designated sellers – HM Revenue and Customs and the Department for Work and Pensions. To allow this to happen, these two departments must develop the capacity to provide shared services and market the benefits to smaller public sector bodies.**

11. The Cabinet Office agrees with this recommendation. A key role of the shared services team is to encourage smaller departments to examine their options for improving their corporate services including receiving their services from the two designated selling departments, HMRC and DWP. The team has contributed to a number of events where HMRC and DWP have set out the basis of their offerings to smaller departments. The team also provides detailed guidance, available on the CIO website, on the issues relating to customers and providers.

12. The Cabinet Office itself is leading the way in this regard through its current programme to receive its HR, Finance and Procurement services from DWP. It is hoped this process will provide other smaller departments with a roadmap on how best to buy services from a larger department. The Departments for Children Schools and Families, and Innovation Universities and Science have already both made commitments to become customers of DWP shared services over the next couple of years.

**PAC Conclusion (9): Whether or not they move to using shared services, public bodies will miss potential efficiency savings if they do not streamline their administrative processes. Even when shared services are not adopted, public bodies should be able to show that they have mapped all the key processes in their corporate functions and used the results as a basis for driving out waste.**

13. All central government departments are actively using shared services or are engaged in the planning and rationalisation process of their corporate services with a move to using shared services in the short to medium term. The Corporate Functions Board (a sub-group of the Civil Service Steering Board) leads the development of common corporate service processes across government. The Cabinet Office and CFB are now working on opportunities for Agencies and Non-Departmental Public Bodies to engage shared services.

# Nineteenth Report

## Department for Culture, Media and Sport (DCMS)

### BBC Procurement

1. The Department for Culture, Media and Sport notes the report by the Public Accounts Committee (PAC) in which it examined, on the basis of a report by the Comptroller and Auditor General, the savings in procurement achieved by the BBC, how the BBC is meeting its business needs, and the BBC Trust's oversight of the Executive.

2. Five of the six recommendations in the PAC's report are aimed at the BBC. It is for the BBC to respond to these recommendations and, given the BBC's independence from Government, it is not appropriate for the Government to comment on them. One of the recommendations is aimed at both the BBC and Government.

**PAC Conclusion (6): Despite the BBC Trust having now operated for a year, little has changed in how the value for money of BBC activities are reviewed and BBC spending remains closed to proper scrutiny. It is still the case that the Trust alone decides what value for money reviews are conducted on how the BBC spends the public's money. We remain convinced that the only effective way to provide proper scrutiny is for the Comptroller and Auditor General to have the same powers to identify and undertake studies that apply to the other value for money work we examine. As the Trust has never rejected a topic suggested by the Comptroller and Auditor General, we see no reason why it should object to the Comptroller and Auditor General having such powers.**

3. The Government does not accept this recommendation. The BBC's audit arrangements were considered fully as part of the BBC's recent Charter Review. The conclusion from Charter Review was that to bring the BBC fully within the remit of the NAO and PAC would risk undermining the Corporation's editorial independence. While NAO and PAC scrutiny might be formally be confined to financial and value for money issues, it would in practice be impossible to preserve a clear distinction between such matters and decisions involving editorial or artistic judgment. For example, questions concerning the allocation of resources to a particular programme would almost certainly lead to consideration of the programmes content and quality.

4. Furthermore, the Government has overwhelming evidence from research that the public is wary of greater levels of Governmental or Parliamentary involvement in the running of the BBC.

5. Under the current Charter arrangements, the BBC Trust is responsible for examining the BBC's value for money. This involves the Trust discussing regularly with the Comptroller and Auditor General the possible scope of its audit programme and ensures the NAO has a major role in the scrutiny of value for money achieved in the BBC's use of the licence fee. These arrangements strengthen the relationship between the BBC and NAO.

# Twentieth Report

## HM Revenue and Customs (HMRC)

### Helping individuals understand and complete their tax forms

1. HM Revenue and Customs (HMRC) welcomes this report by the Public Accounts Committee and its recognition of the improvements already made in helping individuals understand and complete their tax forms. Each year millions of people submit a tax return or other forms to the Department. Helping people to provide accurate information about their tax affairs is essential if they are to pay the right amount of tax.

2. The Department is encouraging people to use the most cost-effective method of contact that meets their needs. It plans to reduce the number of avoidable calls by improving its forms and guidance, as well as its website. This will enable more people to find information online rather than having to contact the Department directly.

**PAC Conclusion (1): The Department answers 72 per cent of telephone calls within twenty seconds compared with a general industry benchmark of 80 per cent. The Department's performance affects around five million people a year, who contact the Department by telephone about their personal tax affairs. The Department should aspire to be an industry leader, aiming to match the average standards achieved by other organisations and then to achieve those of the top-performing organisations industry-wide.**

3. The Department accepts the Committee's conclusions. The phone service is a key element of the support HMRC provides to its customers and the Department aspires to be an industry leader across a range of different variables including ease of access to the service, speed of answering and quality of advice given. In meeting this aspiration, HMRC needs to balance increasing levels of demand, the uneven pattern of the demand associated with the structure of the tax year – for example: Self Assessment filing deadlines – and changing customer behaviour switching between channels. This means that, HMRC is not always able to fully meet the levels of service to which it aspires.

4. The Department is making a series of changes to improve the service it offers. HMRC has improved productivity in the operation of its phone service by 15 per cent over the last three years and is targeting further gains over each of the next three years. From Autumn 2008, the Department plans to increase overall Contact Centre capacity by creating a new Contact Centre site and increasing the overall number of advisers in its Contact Centres. The Department has also just launched a major initiative to improve the management of telephone demand, including reduction in unnecessary contact and migration of basic information seeking contact from the phone to the web.

**PAC Conclusion (2): The Department's target to answer at least 90 per cent of telephone callers within a day is not demanding, nor in line with industry benchmarks. To measure its performance and set targets it should introduce recognised industry benchmarks such as the average time to answer and the percentage of calls answered within twenty seconds.**

5. The Department accepts the Committee's conclusion that it is important to use a wide range of measures to effectively assess Contact Centre performance. HMRC's customer research indicates that customers most value the ability to access the service they require on the day they need assistance. This is why, in April 2007, HMRC's Contact Centre operation increased its key accessibility target from 90 per cent of callers answered in a day to 95 per cent.

6. The Department continuously monitors performance using a basket of measures and industry standard benchmarks including speed of answer, levels of calls abandoned and ability to access the telephone queue. The Department uses this information to manage its Contact Centres and the service they offer to customers in 'real time' to ensure that it is providing the best possible service to customers across a range of different variables.

**PAC Conclusion (3): Telephone callers sometimes receive incorrect or incomplete advice because they are not referred to staff with appropriate knowledge. The Department plans to introduce mystery shopping which, together with its quality monitoring, should enable it to track the handling of the more complex enquiries. It should use the results to identify training needs and develop its guidance on referring calls, as well as assess the numbers and expertise of staff needed to match the changing volume and patterns of enquiries.**

7. The Department accepts the Committee's conclusion. HMRC places significant emphasis on the quality of the advice it gives to its customers. In 2007-08, 198,000 calls to its contact centres were monitored for quality purposes with 96 per cent of these calls meeting the required level of quality.

8. The Department is seeking to continually improve the quality of the advice it gives its customers. In April 2008, it introduced an improved Contact Centre quality-monitoring process, which placed even greater emphasis on the accuracy of information provided. The emerging indications are that this is already having an impact on improving the quality and accuracy of advice given.

9. The department is considering how it can use internal mystery shopping exercises more widely and effectively, but their utility is limited in an environment where very little business can be transacted before an identity check is necessary.

10. HMRC continues to seek better ways to engage with all of its customers and strengthen the overall service that its Contact Centres provide. All HMRC Contact Centre advisers have a route for escalating calls to an experienced member of staff with the appropriate technical knowledge. The Department is also strengthening its service by introducing services that provide appropriate customers with direct access to experienced technical advisers. For example, a pilot for a dedicated line for Tax Agents was launched in December 2007. Feedback has been positive, and this service is now being extended more widely.

**PAC Conclusion (4): The Department's website is not user friendly and falls short of the standards achieved by tax administrations in other countries. It should improve accessibility with more effective search engine and navigation tools, including last-modified dates on web pages, and by meeting Cabinet Office guidelines on accessibility for groups such as blind and partially sighted users. It should not wait for the Direct.gov website to become available in 2011 as the main web channel for citizens before carrying out these improvements.**

11. The Department accepts the Committee's conclusions. The Department has already taken significant steps to improve its website in advance of migration to the Directgov and businesslink.gov.uk sites in 2011. These improvements include: better navigation, improved search, and a new "find a form" tool that enable customers to find the form they are looking for quickly and easily. Significant amounts of new content were published in April 2008, including a wide range of new content for personal taxpayers, covering income tax, tax credits and material for pensioners. Customers have been closely involved in the design through usability testing of both content and new tools. More content will follow during 2008-09 and 2009-10, with full convergence with the cross government sites in 2011.

12 The department is committed to keeping all it's core, customer focused content up to date and to making more effective use of the "what's new" section of the internet to draw attention to new or significant changes to guidance. We believe this is as effective as using last-modified dates and is in line with the approach taken by businesslink.gov.uk.

13. All new content and transactional services are being built to the Cabinet Office guidelines, based on the internationally regarded W3C AA standard. Services developed to these standards are accessible to disabled users and support a range of assistive technologies, such as screen readers and voice activated software. These services include the latest releases of existing transactional services, such as Self Assessment and PAYE, where the Department is also investing heavily to improve usability.

14. The Department is undertaking a programme of work to improve accessibility to existing areas of its website including an external, Independent Accessibility Review of the site, which included disabled users, technical experts and specialist analytical software. The Accessibility Report recommended a number of areas for improvement and the Department has already addressed two thirds of those. Of the remaining areas, 15 per cent will be improved by the end of 2008 and the more technically complex issues have been escalated to the Department's technical partners.

**PAC Conclusion (5): The Income Tax Self Assessment return is the only personal tax form which can be filed online and the Department offers very restricted facilities for people to contact it by email. Expanding its online services would offer greater choice to the public and could save the Department over £100 million. It should increase the number of forms which can be completed online and expand its use of email contact, trialling new services to ensure a reliable and good quality service. In doing this, it must continue to offer high quality telephone, post and face-to-face services for those who prefer not to use online services.**

15. The Department accepts the Committee's conclusion that it should expand the range and depth of its online services. In doing so it needs to strike a balance between the number of likely users of a channel and the costs of providing electronic services for their use. The Income Tax Self Assessment return is the main personal tax form, completed by some nine million citizens. In 2007-08 almost four million returns were filed online. The Department has invested heavily in the Self Assessment online service, and in April 2008 delivered a new and significantly improved online return that had gone through significant user testing with customers.

16. The Department is also actively seeking more innovative ways of providing lower cost online services for taxes where the user base will be comparatively small and the cost of building the service needs to be proportionately lower. This includes looking at solutions, where customers download and host HMRC software onto their own systems and interact with the Department's systems over the web as well as greater use of intelligent electronic forms.

17 The Department is keen to provide more ways of interacting with its customers electronically, recognizing that data security and customer authentication are critical. HMRC has developed a range of structured and secure eContact solutions, which are used where the Department can be certain about authenticity of the contact and security of the content. Electronic transmission of CWF1 form, which individuals use to tell HMRC they have become self-employed, went live in April 2008. A service to enable customers to submit amendments to their online Stamp Taxes form also went live in May 2008.

18. HMRC are currently piloting email for some processes involving Tax Agents, including the pension coding form (P161), a new Benefits in Kind notification form, and the Agent Enquiry form, offering Agents the chance to contact the Department about issues relating to them, through its Portsmouth processing centre. The Department is also using Shared Workspace e rooms, a collaborative tool which is both secure and efficient, with some of its key customer groups.

**PAC Conclusion (6): Many people have to contact the Department to obtain information which should be readily available on its website in printed guidance or in letters. The Department should reduce avoidable contact by providing sufficient explanatory information on forms, guidance and letters, such as examples of calculations and clear explanations about why tax is due, as well as by keeping its automatically generated letters and forms up to date and relevant to people's needs.**

19. The Department accepts the Committee's conclusion. In addition to launching a wide range of new website content for personal taxpayers in April 2008, the Department recognises the importance of providing sufficiently clear explanatory instructions, including worked examples on its forms, guidance and letters. HMRC continuously tests revised information products with customers to help ensure this is achieved. Key recent products improved through customer usability testing include, from April 2008, the new main tax return, and the tax repayment form (R40). In addition, the improved Inheritance Tax Account and pension coding form (P161) are expected to be available in Autumn 2008. The Department has also enhanced its database of automatically generated forms and letters and during 2008-09 expects to review and improve some 2000 separate forms, accompanying guidance notes and letters out of a Departmental total of 8000 as part of its ongoing work to ensure that this material continues to meet customer needs.

**PAC Conclusion (7): Only 10 per cent of the Department's forms advertise the availability of documents in alternative formats for blind and partially sighted people, special telephone numbers for people who are hard of hearing and translation services. The Department should advertise these services more widely by including details on all forms and guidance and on its website. The Department should also provide facilities for people who are hard of hearing and wheelchair access at all enquiry centres.**

20. The Department accepts the Committee's conclusions, save in relation to wheelchair access to all enquiry centres, where an alternative and more appropriate service for disabled customers is provided. The Department agrees that its forms and guidance should advertise available services for customers requiring special assistance and acknowledges that this is an area requiring improvement. The Department is taking every opportunity to build in signposting to its range of services for people with disabilities, including amongst others, guidance in Braille, audio and large print to the 2000 forms, it expects to review and improve accompanying guidance notes and letters during 2008–09.

21. Most HMRC Enquiry Centres have disabled access. Where they do not and the customer's circumstances do not allow them to deal with the Department in another way, HMRC are able to arrange a home visit. In April 2008, HMRC Enquiry Centres introduced new digital hearing loops and their accompanying aids for customers who suffer mild or moderate hearing loss. For profoundly deaf customers the Department can arrange for the services of a professional interpreter via the Royal National Institute for Deaf People.

22. HMRC's website also includes advice on the other specialist services it offers disabled customers. Work was completed in May 2008 to make the message on the website more visible to those customers who need it.

**PAC Conclusion (8): The Department does not systematically assess the accuracy and completeness of advice given in face-to-face contact at enquiry centres, and these centres do not always tell visitors about alternative formats or translation services. Building on the National Audit Office's market research, the Department should use mystery shopping to track how well it meets the needs of different groups of people and to assess the quality of advice it provides through its enquiry centres.**

23. The Department accepts the Committee's conclusion that robust assessment of the accuracy and completeness of advice given in enquiry centres is needed. From September 2008, the Department's Enquiry Centres will be piloting a quality measurement system to measure the accuracy and completeness of the advice given in face-to-face contact. The pilot will last for eight weeks and it is intended that it will then be introduced nationally. The pilot approach is based on the quality measurement system used by HMRC's Contact Centres.

24. The Department is considering how it can use internal mystery shopping exercises more widely and effectively but their utility is limited in an environment where very little business can be transacted before an identity check is necessary.

25. Each Enquiry Centre displays posters advising customers of the Department's translation services and alternative formats available for those with specific communication needs.

**PAC Conclusion (9): In a sample of commonly used guidance leaflets, half required a reading age higher than the national average. The guidance accompanying the Department's forms is lengthy and dense, making it difficult to understand. The Department should shorten the supplementary guidance for its forms, and make more use of plain language and worked examples, so that the information is easier to read and understand. Reducing the volume of guidance would also help the Department meet its sustainability commitments to reduce paper consumption.**

26. The Department accepts the Committee's conclusion. HMRC is committed to making guidance that accompanies its forms easy to read and digest so that customers can meet their obligations and understand their entitlements. The Department has already made improvements in this area, starting with some of its most widely used forms where the impact of improvement will be greatest. In 2007, for example, the Department successfully introduced a new P2, PAYE Notice of Coding for individual taxpayers that removed the need for a detailed accompanying booklet by tailoring specific guidance to personal circumstances and including this on a single, short, form. The new main tax return introduced in April 2008 was tested with customers who welcomed significant improvements in language, structure and layout.

27. The Department recognises that more needs to be done in this area and has undertaken a range of further initiatives. In December 2007, it commissioned work with education specialists to develop a deeper understanding of the functional skills of customers at the different levels of the National core curricula for literacy and numeracy. As a result of this work, the Department is developing improved internal guidance and learning resources for the range of people in HMRC who create customer facing communications. These will be published by the end of 2008.

28. In addition, HMRC has commissioned external information design experts to enhance its design standards and processes to match industry best practice. These will be implemented in September 2008. The Department also plans to undertake detailed quantitative research into the cause of errors on forms and specifically to identify which of these can be addressed by better design. The results of this work will be available in Autumn 2008.

**PAC Conclusion (10): The Department as estimated that the level of underpayments on Self Assessed Income Tax was £2.8 billion in 2001-02, of which around £330 million may have been due to unintentional mistakes by taxpayers. It has not estimated the amount of tax overpaid. The Department should set a timetable for producing its first estimate of overpayments. It should also identify the main reasons why taxpayers are making mistakes and publicise common errors to reduce the levels of underpayments and overpayments.**

29. The Department accepts the Committee's recommendation. HMRC has a programme of work underway to establish how much of the error detected is due to unintentional error, failure to take reasonable care and evasion. This is very complex work and necessarily involves making judgments about customers' intentions and motivations. So far this work has concentrated on error resulting in underpaid tax, but as previously recommended by the National Audit Office, the Department is now looking at how it can broaden this work to include overpayments.

30. The Department aims to introduce a new way to measure overpayments by the end of 2008. Due to the lengthy enquiry process it will take time before reliable results about overpayments become available. Nevertheless the Department currently believes that results should start to become available towards the end of 2010.

# Twenty First Report

## Department for Environment, Food and Rural Affairs (DEFRA)

### The Carbon Trust: accelerating the move to a low carbon economy

1. The Department for Environment, Food and Rural Affairs (DEFRA – the Department) welcomes this report by the Public Accounts Committee in which it examined the work of the Carbon Trust, a private company established in 2001 to help businesses and public sector organisations in the United Kingdom reduce their carbon dioxide emissions and to support the development of commercial low carbon technology. The Department welcomes the Committee’s conclusion that the Carbon Trust appears to be on course to meet its target of an annual reduction in emissions of 4.4 million tonnes on 1990 levels by 2010, and acknowledges that further progress depends upon contacting greater numbers of organisations without a corresponding increase in costs or a breach of the European State Aid rules.

2. The Department also agrees that the Carbon Trust should make greater use of its Energy Efficiency Accreditation Scheme to enable businesses to market initiatives taken to reduce carbon dioxide emissions.

**PAC Conclusion (1): The Carbon Trust appears likely to meet its 2010 target of an annual reduction in carbon dioxide emissions of 4.4 million tonnes, but the target was not a particularly challenging one in the context of the Department’s overall target to reduce emissions by 118 million tonnes a year by 2010. As energy prices rise and public awareness of the need to tackle climate change increases, the Department should identify ways in which the Carbon Trust’s contribution could be greater.**

3. The Department welcomes the Committee’s conclusion that the Carbon Trust is on-track to meet its 2010 annual carbon dioxide reduction targets. However, the Department does not agree that this expectation was “not a particularly challenging one.” The Government’s expectation for the Carbon Trust was agreed as part of *Climate Change: The UK Programme 2006*<sup>1</sup>. This was informed by independent evaluation, which concluded that this expectation was challenging but achievable. Whilst there is always room for improvement, any significant increase in carbon savings would be likely to require a significant uplift in resource.

4. As set out in the National Audit Office (NAO) report, the Carbon Trust has the second highest cost-effectiveness of all of the policy measures affecting business in the UK Climate Change Programme (see Annexe 1 – *Table 2: Expected Outputs from parts of the UK Climate Change Programme affecting Business* from NAO: *The Carbon Trust Accelerating the move to a low carbon economy*)<sup>2</sup>.

<sup>1</sup> <http://www.defra.gov.uk/environment/climatechange/uk/ukccp/pdf/ukccp06-all.pdf>

<sup>2</sup> [http://www.nao.org.uk/publications/nao\\_reports/07-08/07087.pdf](http://www.nao.org.uk/publications/nao_reports/07-08/07087.pdf)

**PAC Conclusion (2): By the end of 2006–07 businesses and public sector organisations had implemented less than 40 per cent of carbon dioxide savings identified by the Carbon Trust over the period 2003-06. The Carbon Trust should:**

- i) require its account managers to collate data on typical energy costs in each key business sector to strengthen the evidence base used to demonstrate to business leaders the commercial benefits of improved energy efficiency; and**
- ii) review its financial support incentive of 100 percent interest free loans for smaller businesses, to enable it to assist more eligible businesses within its funding constraint through partial as well as full support measures.**

5. The *Stern Review: The Economics of Climate Change*<sup>3</sup> concluded that a number of market failures exist preventing businesses from adopting energy efficient and low carbon technologies, behaviours and practices. In this context, the Department considers that the Carbon Trust's work to enable businesses to implement 40 per cent of its recommendations within a three year timeframe represents a success for the company, not least since business decisions to make significant capital investments in energy efficient equipment are likely to take a long time and tie-in to multi-year business planning and investment cycles. Nonetheless, the Department agrees with the Committee that more needs to be done to convince business leaders of the commercial benefits of implementing energy efficient and low carbon measures.

6. The Department agrees with the Committee that collecting and sharing information on energy costs is important, and believes that this is already in place. All of the Carbon Trust's recommendations to its customers quantify the financial costs of energy consumption and the benefits to business of improving energy efficiency. The Carbon Trust's account managers use this information to demonstrate the benefits to business leaders. Energy price indices for industrial sectors are available from the Department for Business, Enterprise and Regulatory Reform (BERR) so the Carbon Trust does not plan to duplicate this.

7. The Department agrees with the Committee's conclusion that the Carbon Trust should assist as many eligible businesses as possible through partial support measures under its energy efficiency loans scheme. In fact, the Carbon Trust energy efficiency loans scheme has always offered partial loans (for less than 100 per cent of the costs of a project to install energy efficient equipment). In 2007-08, 70 per cent of loans offered were for less than 100 per cent of the value of the project.

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<sup>3</sup> [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/stern\\_review\\_report.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm)

**PAC Conclusion (3): Institutional investors and other shareholders would be more likely to support implementation of the Carbon Trust's recommendations to improve energy efficiency if they could be shown to enhance long term share values. The Carbon Trust should raise the profile and impact of its Energy Efficiency Accreditation Scheme by:**

- i) using future marketing campaigns to raise public awareness of the scheme;**
- ii) linking accreditation to implementation of the Carbon Trust's recommendations; and**
- iii) encouraging accredited organisations to display the logo in subsequent marketing campaigns.**

8. The Department and the Carbon Trust agree with the Committee that "Institutional investors and other shareholders would be more likely to support implementation of the Carbon Trust's recommendations to improve energy efficiency if they could be shown to enhance long term share values" and that "The Carbon Trust should raise the profile and impact of its Energy Efficiency Accreditation Scheme (EEAS), which enables businesses to derive commercial benefit from marketing their actions to reduce carbon dioxide emissions". The Carbon Trust has already taken steps to do so and in June the EEAS dramatically expanded its reach following a major re-launch as the Carbon Reduction Standard Company. The new company has a specific carbon focus and will promote good practice in carbon emissions measurement and reduction, and accredit organisations that achieve year-on-year emissions reductions.

9. The new Carbon Trust Standard, launched in June, challenges organisations to demonstrate conclusively that they are taking genuine action on climate change by reducing their carbon emissions. It is a robust standard that will measure, reduce and communicate the emissions of greenhouse gases associated with organisations' products and services. The new Carbon Trust Standard and the existing EEAS will be an integral part of the "early action" metric in the Carbon Reduction Commitment (CRC) league table. The early action metric will be used to demonstrate good energy management practices that have been undertaken by firms before the CRC starts. The CRC is a planned new mandatory emissions trading scheme for the large non-energy intensive sector.

10. The Carbon Trust plans to use future marketing campaigns to raise awareness of the scheme, and to encourage accredited organisations to display the scheme's logo. As the scheme will recognise all eligible emissions reductions made by accredited organisations, it is not appropriate to restrict accreditation to implementation of only the Carbon Trust's recommendations.

11. The Carbon Trust has an active investor engagement plan, informing investors about the impact of climate change. In 2007-08 it ran a series of briefings and training sessions for investment analysts on how to incorporate the impact of climate change into share price valuations, and it is close to publishing a report identifying climate change risks and opportunities from an investor perspective.

**PAC Conclusion (4): Increasing the uptake of energy consultancy services by businesses depends upon empowering private sector specialists to contact organisations and build closer working relations. The Carbon Trust has to restrict the frequency of consultancy commissions to stay within the Department's funding. With a typical cost of £435 a day for a standard survey and £700 a day for more specialist advice, businesses already pay a proportion of the consultancy costs in some circumstances. The Carbon Trust should explore a franchising model that would enable accredited consultants to build closer working relations with businesses whilst retaining the credibility of the Carbon Trust's expertise.**

12. The Department believes the Carbon Trust is rightly focused on informing businesses and other organisations of the benefits of taking action to improve energy efficiency and reduce carbon emissions, and provides practical advice and funding to overcome the barriers preventing them from taking action. The Department agrees with the Committee and the NAO that it is also important that energy consultants have the necessary skills and tools to generate savings and can demonstrate their credibility to the market. The Carbon Trust's accreditation scheme and quality assurance processes help ensure that the advice its consultants provide are of a high standard.

13. The Department is refocusing its funding through its national programmes (such as the Carbon Trust) away from free or low cost advice to individual businesses and towards providing evidence to the business community at large to maximise influence and catalyse action.

14. The Department agrees with the Committee that the Carbon Trust should maximise the opportunity for businesses to reduce carbon emissions within the funding available for its support. As the Committee has noted, the Carbon Trust already requires many of its customers to pay a proportion of the costs of consultancy services provided. In 2008-09 the Carbon Trust has increased the proportion of its customers who are required to pay a proportion of costs, as well as the proportion they are expected to contribute. The Carbon Trust is currently reviewing options, including the franchising model suggested, for it to reach further organisations given the nature of the market and the funding available to it. This review is due to conclude in August.

**PAC Conclusion (5): The need for public funding of energy efficiency advice should decrease as public awareness of climate change and energy prices increase. The Carbon Trust should develop an exit plan to scale back its advice work over the next five to ten years, setting out:**

- i) clear trigger points for the Carbon Trust and the Department to determine when it might be appropriate to reduce public funding, taking account of the stability and growth of the private sector energy consultancy market; and**
- ii) an objective review process to examine the need for ongoing funding involving representatives from the Carbon Trust, the Department for Environment, Food and Rural Affairs, other government sponsors, and the market.**

15. The Government believes that the taxpayer should not generally be subsidising environmental and resource efficiency advice, which comes straight through to the bottom line of individual businesses, unless there are clear wider reasons why this is appropriate (for example for demonstration projects). As a consequence, the Department is examining the evidence supporting its move to refocus its funding through its national programmes (such as the Carbon Trust) away from free or low cost advice to individual businesses and towards providing evidence to the business community at large to maximise influence and catalyse action. The Department will look to establish sensible transitional arrangements over the current Comprehensive Spending Review period.

16. The Carbon Trust has always ensured the appropriateness of using public sector funding for energy efficiency advice (and its other activities). With reference to the perceived value of its advice to customers, where customers are not willing to pay – for example on-site surveys to smaller businesses – the Carbon Trust uses full public funding for its advice; where customers perceive value at or close to the cost of the service, the Carbon Trust requires customers to co-fund the advice – for example Carbon Management for larger businesses.

17. In response to the NAO's recommendations, the Carbon Trust is currently reviewing the market for energy efficiency advice to understand the scale and extent of the on-going market failure and to determine options to develop its services, including on a more commercial basis, over the next five to ten years. The review is due to conclude in August.

18. Regarding the recommendation for an objective review process, the Department recently established a review of its delivery landscape for providing support to business, public sector and consumers in the drive to a resource efficient, low carbon Britain. The Carbon Trust is one of the bodies being covered by the review. The review will look closely at the overarching principles in respect of public funding and at the roles, remits and responsibilities of the relevant delivery bodies and programmes to ensure that coherent, efficient and effective services are available to our customers. It will also consider the Department's own sponsorship and governance structures to ensure an effective performance management framework with clear objectives and priorities for delivery. The review is due to report by the end of 2008.

**PAC Conclusion (6): An approach targeted at those businesses or sectors responsible for large scale carbon dioxide emissions would bring benefits, but compliance with European Union rules on State Aid may restrict the Carbon Trust's ability to do so. The Carbon Trust should record cases where State Aid rules may have hindered the efficiency of efforts to reduce carbon dioxide emissions and the Department should then engage with the European Commission to discuss whether the limitations can be overcome.**

19. As set out in the supplementary memorandum following the PAC hearing, the Department has not made any representations to the Commission, as it considers that in practice the state aid rules do not unduly constrain the Carbon Trust's support for businesses. The Carbon Trust has agreed with DEFRA and BERR that its carbon management and energy efficiency advice activities operate as a "general measure" under state aid rules, and therefore do not constitute state aid.

20. Neither the Department, nor the Carbon Trust, believes that the general measure principles have acted as a significant constraint on the Carbon Trust's ability to work with those organisations with the greatest potential for making carbon savings. The general measure status requires the Carbon Trust to make services available to all organisations in the UK, but this has not prevented it from developing a range of different services appropriate to the diverse needs of customers based on their energy consumption, thereby ensuring the cost-effectiveness of its services. Although the state aid general measure requirements mean that the Carbon Trust's services must be reactive and open to all, this is considered appropriate given that public money is being used.

21. The Carbon Trust is not prevented from giving support for the specific needs of an organisation, provided that it offers equivalent support to other organisations. Through its marketing and other promotional activities, it is also able to ensure that organisations, including those with the greatest potential to make carbon savings, are made aware of its services and encourage them to make contact.

22. The Department agrees with the Committee that, if there are cases where State Aid rules might hinder the efficiency of efforts to reduce carbon dioxide emissions, that the Carbon Trust should record these cases and that the Department should then engage with the European Commission to discuss the cases.

**PAC Conclusion (7): In successfully leveraging private sector investment in emerging low carbon technologies, the Carbon Trust has adopted practices consistent with the venture capital market. However, a runaway success in one of the fund investments could leave the Carbon Trust open to criticism if its fund managers make considerable returns. The Carbon Trust should regularly review such remuneration arrangements for fund managers with market rates in the private sector to confirm that the package helps the retention of experienced staff and the maintenance of investor confidence, whilst also protecting the public purse.**

23. The Department agrees with the Committee's conclusion. The Carbon Trust undertakes venture capital activities on a purely commercial basis, and has always regularly reviewed the remuneration arrangements for its fund managers to ensure that they are in line with market rates. The remuneration arrangements have been agreed by the Carbon Trust's Board, which includes private and public sector members. Any such payments will depend on the performance of CT Investment Partners, and the portfolio has to deliver a return in excess of six percent internal rate of return before any such performance related remuneration would be possible.

24. The remuneration arrangements are contractually binding for the duration of the existing commitments. The Carbon Trust will review the remuneration arrangements for any new commitments to venture capital activity.

# Twenty Second Report

## Office of Government Commerce (OGC)

### Improving the efficiency of central Government's use of office property

1. The Government welcomes the Committee's report and agrees that, despite the fact that good progress has been made in property asset management and disposal on the central Government estate there is still room for improvement. It is important to note, however, that the statistics and figures used within the Committee's report are derived from 2005-06 (the latest year for which full audited accounts were available at the time of the NAO's<sup>1</sup> report in November 2007) and that there have been improvements to the management and use of the estate since then.

2. Through its *High Performing Property* (HPP) seven-year transformation programme, launched in November 2006, Government has raised the strategic profile of property asset management by making it a key part of business planning and delivery. Implementing HPP will realise savings of between £1 billion and £1.5 billion a year by 2013. It will also contribute to the Government's target of disposing of £30 billion worth of assets by 2010 and to the delivery of the government's sustainability targets for its estate. Together these savings will allow for the release of funds to the front line that are the equivalent of building fifty new schools or ten new hospitals each year.

3. Additional steps have been taken to improve efficiency including the establishment of new and challenging standards for workspace efficiency, the application of property procurement controls in London and the Greater South East to rationalize the Government estate, and the mandated use of the OGC's Property Benchmarking Service to all government organisations as of 1 April 2008. Furthermore, the recent establishment of a Centre for Expertise in Sustainable Procurement (CESP) within OGC will ensure a stronger drive towards the achievement of the Government's targets for improved sustainable performance on the Government estate.

**PAC Conclusion (1): Government departments are a long way from achieving full value for money from their office estate. To achieve better value for money, departments need to achieve greater consistency in meeting accepted space standards, improving space utilisation through desk sharing and remote working, realising opportunities for collocation and relocation, and tackling and ultimately disposing of inefficient buildings.**

4. The Government agrees with this conclusion. HPP requires all central departments, their agencies and arm's length bodies to adopt a strategic, value for money approach to property management. This is being achieved through the delivery of departmental property asset management plans, overseen by Board level Property Champions and Property Asset Management Boards. These plans will also expose opportunities for disposal of surplus or inefficient buildings and for collocation where that is feasible. OGC will agree these plans and opportunities and will monitor their delivery.

<sup>1</sup> *Improving the efficiency of central government's office property*, November 2007

5. From 1 April 2008, OGC introduced new workspace standards that all Government organisations will be expected to strive to achieve. These standards reduce the current average workspace per person of around 17 square metres to 10 square metres per person for all new builds or major refurbishments and between 10 square metres and 12 square metres for all other refurbishments or workspace layout changes. Adoption of these standards will be monitored by the Property Champions and Property Asset Management Boards, and by OGC via its mandated Property Benchmarking Service (PBS). Improved workspace is expected to deliver annual efficiency savings of up to £1 billion, and to be a significant contributor to improved government working environments and workforce productivity through driving a cultural change in the way people work.

**PAC Conclusion (2): Departments' buildings are, as a whole, performing at almost 40 per cent worse than the private sector benchmark average. Cost and space utilisation is between 14 per cent to 50 per cent worse than equivalent buildings in the private sector. If departments brought their performance into line with private sector averages they would achieve gross savings of around £320 million.**

6. The Government agrees with this conclusion. OGC's research shows that office floor space across the central government civil estate is used about 25 per cent less efficiently than in the private sector and has concluded that improved use of workspace is the most effective way of achieving significant efficiency savings from the government's office property portfolio. This will also have a resultant impact on the sustainability performance of the estate.

7. OGC's workspace standards will directly address this shortfall in performance. However, OGC has acknowledged that, although all government organisations are expected to strive to achieve these standards, not all of them will be able to do so because of the configuration of their estates or the specialist nature of individual buildings, including some listed buildings.

**PAC Conclusion (3): Departments lack key information to manage their office property effectively. Accurate data on building location, costs, occupation density and day-to-day occupation level are necessary for the proper understanding of performance. Departmental property asset management boards should routinely collect, validate and use such information to benchmark performance and tackle underperformance.**

8. The Government agrees with this conclusion and notes that the situation is improving. Having robust performance data is a fundamental pre-requisite of improving the management and use of both individual buildings and the whole of a department's property portfolio. There has already been a significant level of engagement by departments in the OGC's PBS, which is focused on the office estate. To the end of 2007, this has included, on a voluntary basis, 48 central government organisations covering over 2.1 million square metres, which equates to 24 per cent of the office estate. Use of the PBS has been mandated for all central government office occupations over 500 square metres on an annual basis starting from FY 2008-09. It is estimated that this will encompass 150 organisations and over 2000 individual occupations.

9. To support the mandated PBS, OGC has developed an online reporting tool, which enables senior managers in departments to understand, compare, improve, and measure performance in key areas of asset management. This will be available to main departments from June 2008 providing stakeholders in central government with access to the performance data held by the OGC's electronic property database e-PIMS. This tool will allow performance comparisons against key metrics at a range of levels, from sector through department and property centre, down to individual building level where appropriate.

**PAC Conclusion (4): Only five out of sixteen Departments had developed asset management plans as required by December 2007. Without strategic leadership and proper accountability, progress in achieving better value for money will be limited. Property performance should be a standard item for consideration at departmental board meetings. Departments' annual reports should set out progress in meeting property standards and realising efficiency improvements, together with clear explanations where significant variances remain.**

10. The Government agrees with this conclusion. Eight departments have provided plans so far and the remaining plans will have been submitted by September 2008. A number of departments have had difficulty in finalising their plans as a result of recent machinery of government changes or other changes in their organisations.

11. The Government also agrees that Departmental Boards should be considering property performance where that department or its agencies and arm's length bodies hold sizeable property portfolios. Departmental Property Asset Management boards will also address property performance as a standing item on their agendas.

12. OGC is continuing to push for asset management performance to be included within Annual Reports, and again there is evidence of this happening on an increasingly frequent basis. OGC recognises that there is insufficient public exposure to property management performance across the government estate and in order to address this, is launching an annual report on the *State of the Government Estate* in July 2008 that examines mid year performance and looks forward to performance objectives and targets for the next year.

**PAC Conclusion (5): Departments do not have data on the level of energy consumed for three out of ten government buildings. Metrics covering energy consumption, the proportion of energy from renewable resources, recycling and the quantity of water consumed are important for identifying opportunities to improve both value for money and sustainability. Departments need to seek assurance, drawing on expert opinion, that their building performance metrics, including sustainability, are sufficiently comprehensive and fit for purpose. Departments must also be confident that responsibility for taking action where metrics highlight potential for improvement is clearly defined and understood.**

13. The Government agrees with this conclusion. Sustainable operation of the Government estate has been identified by the Cabinet Secretary as one of his four corporate priorities for the civil service for 2008-09. The Government continues to demonstrate its commitment to strong leadership on achieving a sustainable Government estate and on sustainable procurement as evidenced through the establishment of the CESP within OGC and demanding targets for improved performance, strong governance, and structures in departments.

14. OGC is working closely with DEFRA and the Sustainable Development Commission (SDC) to enhance the data collection process for future reporting against the targets for Sustainable Operations on the Government Estate (SOGE). From 2009 data collected by the OGC through the Property Benchmarking Service using e-PIMS for individual buildings will form the basis of the reporting mechanism. This should significantly improve the veracity of the data, identifying gaps and highlighting areas for improvement. OGC has also been working with Communities and Local Government to establish the feasibility of linking e-PIMS to exchange data on each government building's energy performance as assessed under the Energy Performance of Buildings Directive

15. The Government recognises that further effort is, and will continue to be, required to support departments in delivering their sustainable procurement objectives. The lead on this will be given by the CESP that will address the need for stronger integration between the Government's action on procurement and the government estate, achievement of the SOGE targets and Sustainable Procurement Action Plan (SPAP) commitments through strong cross-Whitehall collaboration. The Centre will provide stronger central coordination of performance management, and guidance and support to help departments rapidly develop the capability and capacity to deliver the Government's commitments. The appointment of a new post of Chief Sustainability Officer within OGC will strengthen leadership in this area.

**PAC Conclusion (6): Departmental buildings in London have the highest accommodation cost at £507 per square metre and the North East the lowest at £133 per square metre. While relocation can incur implementation costs such as redundancy payments and dilapidations on surrendered leases, departments can achieve cost savings by locating in less expensive regions. Departments' asset management plans should explicitly consider the business case for relocation and challenge preconceptions that staff have to be based in London.**

16. OGC agrees with this conclusion. On average, excluding pay costs, it costs 2.5 times more to locate a civil servant in London than elsewhere in the country and London has the highest property costs. The Government's relocation initiative aims to reduce Government's presence in London through relocating 20,000 civil service posts out of London and the South East by end March 2010. The Chancellor's Budget statement of March 2008 reported that 15,710 posts had been relocated as of December 2007.

17. Controls on property acquisitions and leases have been in place in London and the South East since 2005. These require government organisations to produce a robust business case for remaining in that area every time a property acquisition is proposed, or a lease expiry or lease break arises. The business case is approved by OGC in the first instance, and if necessary by the Chief Secretary to the Treasury (upon advice from OGC and HMT). As at September 2007, 379 cases have been referred for approval, most of which have been resolved by OGC with the relevant government organisation, without the need for referral to HMT or the Chief Secretary. The operation of the controls has so far led to the release of 316,000 square metres of space and has taken over £54 million off Government's annual rent bill in London. These controls are timeless and are the main spur on government organisations to continuously review the business need to locate in London.

**PAC Conclusion (7): The High Performing Property initiative has potential to improve value for money but requires more active participation from departments. Launched by the OGC in November 2006, the initiative encompasses a range of actions to improve the cost effectiveness of government buildings. Its success will depend, however, on the full commitment of departments. It will also depend on OGC making greater use of its remit to set standards, as well as monitoring and challenging departments on key performance metrics such as the application of space standards.**

18. The Government agrees this with conclusion and has already taken steps to address this through the establishment of departmental Board level Property Champions and Property Asset Management boards. The Government recognises that it is departments themselves that will predominately deliver the savings. OGC has put in place robust oversight of progress on delivering HPP and will use its remit under *Transforming Government Procurement* to challenge where progress is not as active as expected.

**PAC Conclusion (8): The OGC needs to be clearer as to how the £1 billion to £1.5 billion efficiency savings will be achieved. The success of High Performing Property depends on achieving significant efficiency improvements. There is, however, little detail on the specific source of expected savings. OGC needs to develop a more detailed assessment of the make up of the efficiency improvements, together with a robust approach for measuring and reporting them.**

19. The Government agrees with this conclusion. The source of the expected savings is research undertaken by Leeds University in 2005-06 that supplements research undertaken by Sir Michael Lyons for his review in 2004<sup>2</sup>. OGC is now working with departments to develop the methodology for identifying and scoring savings achieved through individual asset management plans in order to gauge whether these will deliver the expected level of HPP savings, and if not what needs to be done to achieve these. This methodology will be in place by Autumn 2008.

**PAC Conclusion (9): The Treasury was the worst performer in 2005-06. The Treasury had the highest accommodation cost per person at £12,041, the highest space allocated per person at 21.9 square metres per person and the third highest cost per person at £529. The Treasury has taken some steps since to improve performance but still has excess capacity in its main building and needs to set a better example to the rest of government. The Treasury should further improve space utilisation by accommodating more staff to fully utilise existing buildings at optimum levels, and implement flexible working policies and practice to further improve space efficiency.**

20. The Treasury does not fully agree with this conclusion. The annual unitary payment made to the PFI provider in its primary property at 1 Horse Guards Road (1HGR) in London includes the capital element representing the cost of the refurbishment completed in 2002. Cost comparison with other buildings is therefore not on a like for like basis where they are occupied on a freehold or leasehold basis. Notwithstanding that, the Treasury's costs per square metres are consistent with the average for London.

<sup>2</sup> *Towards Better Management of Public Sector Assets*, December 2004

21. The Treasury is committed to utilising fully the five buildings on its group estate. Of those, 1HGR not only dominates the estate, but also represents significant challenges. The building is Grade II\* listed, its design is inherently inefficient and it provides significant structural constraints. As a result, the measurement criteria used in the Report (Net Internal Area) provides a distorted assessment of current space utilisation as it makes no adjustment for the significant amount of space that cannot realistically be populated with workstations. The NIA of 1HGR is some 40 per cent larger than the Net Usable Area (NUA) that is available for workstations. The current occupation density based on NUA is 13.6 square metres per workstation.

22. The Department is actively seeking to increase the number of other public sector staff accommodated within 1HGR. This follows the collocation of the OGC into the building in October 2007. Bilateral negotiations are continuing with a number of public sector bodies, with assistance as necessary from OGC, with a view to filling available vacant space.

23. The Treasury already adopts many flexible working policies and practices. In addition, it is committed to considering whether further efficiencies are possible including, for example, the suitability and practicability of moving away from single person workstation occupancy.



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