



## **Treasury Minutes on the Thirteenth to Seventeenth Reports from the Committee of Public Accounts 2005-2006**

- 13th Report: The Office of the Deputy Prime Minister: Tackling homelessness
- 14th Report: Energywatch and Postwatch
- 15th Report: HM Customs and Excise Standard Report 2003-04
- 16th Report: Home Office: Reducing vehicle crime
- 17th Report: Achieving value for money in the delivery of public services



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**Presented to Parliament by the Financial Secretary  
to the Treasury by Command of Her Majesty  
February 2006**

TREASURY MINUTES DATED 15 FEBRUARY 2006  
ON THE THIRTEENTH TO SEVENTEENTH REPORTS  
FROM THE COMMITTEE OF PUBLIC ACCOUNTS,  
SESSION 2005-2006

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# Thirteenth Report

## Office of the Deputy Prime Minister

### Tackling homelessness

**PAC conclusion (i): As far back as 1991 the Committee called for improved information on homelessness but official statistics remain inadequate and there is a paucity of reliable data.... the Department needs to undertake regular surveys of homeless households focusing on the underlying reasons why they became homeless and track over time the long term success of support provided to help them.**

1. The Office of the Deputy Prime Minister (ODPM – The Office) agrees the need for timely and accurate information. Statistics and other evidence on homelessness have been much improved since the Committee’s 1991 report. There is, of course, always more that can be learned and we will continue to monitor and review the data we collect and research we undertake.

2. Local authorities complete a comprehensive summary of homelessness information provided to the Office on a quarterly statistical return (PIE). The return monitors local authorities’ operation of the homelessness legislation and the scope of the data is regularly reviewed to ensure that it reflects and informs policy development.

3. We have progressively improved the data collected since 1991, including information on:

- ethnicity of all applicants, which has recently been expanded in line with Census categories;
- age of applicant upon acceptance;
- levels of repeat homelessness;
- identifying those who are accepted due to being vulnerable as a result of drug and alcohol abuse, and those who are vulnerable a result of being former asylum seekers;
- secondary categories of priority need, recognising that some of those accepted have complex needs;
- identifying what happens to households immediately after being accepted as homeless;
- extending the types of temporary accommodation recorded from 4 to 11;
- identifying the number of families with children and the number of children in each type of temporary accommodation; and
- the reasons why households left temporary accommodation and the length of stay in temporary accommodation.

4. Recent changes and expansions to the range of data collected have been drawn up following consultation with local authorities. The department recognises the need to minimise the burden on authorities and that only information essential for policy purposes should be collected. As a result of the Bed and Breakfast (B&B) target being met and sustained, the department will be ceasing to collect a wide range of data from

1 April 2006, as it is no longer essential for policy purposes. As well as improving the evidence base by collecting more information on statutory homelessness, attention over the last three years has focussed on improving both response rates (currently 95 per cent or more each quarter) and the quality of data received.

5. We continue to emphasise the benefits for both the Office and local authorities in obtaining timely and accurate data and during 2005 we made improvements to the ways we feed back our analysis of the data collected. For example we now provide detailed tables at local authority level to assist authorities in understanding the homelessness issues in their area. We are considering further ways to feed back customised analyses to authorities to meet their research needs and inform further development of their homelessness strategies.

6. In 2001 a supplementary return was established to collect additional information to that collected through the PIE, covering age and gender of applicants and the household type.

7. In *'Sustainable Communities: Homes for All'*, published in January 2005, the Office renewed a commitment to review its homelessness statistics. The first stage of this review has been completed and led to improvements to the content and presentation of the quarterly statistical release. The second stage will review additional information about other households, including those who are not owed a statutory homelessness duty.

8. In combination with data collection activities, the Office engages in an active programme of research. Recent projects include:

- an evaluation of local authorities' homelessness strategies, published in 2004;
- an investigation into the underlying causes and trends of homelessness, including a better understanding of ethnic minority issues, published in September 2005; and
- a survey of all local housing authorities in England in September 2005 covering homelessness prevention, reducing the use of temporary accommodation and efficiency savings, the results of which were published in December 2005.

Current projects are:

- an evaluation of homelessness prevention schemes, which will report early in 2006, and will be published with an accompanying good practice guide;
- a survey of 2,500 households who have experienced homelessness – the most important study of homelessness in England for more than a decade, which will report at the end of 2006; and
- a project to update our information about the costs of homelessness, including the wider societal costs, which will also report at the end of 2006.

Future projects being considered include:

- analysis of the characteristics of formerly homeless households in social housing compared with others in the sector;
- research on the role of housing associations in statutory homelessness, producing guidance to enable local authorities and housing associations to work together to tackle homelessness more effectively (in partnership with the Housing Corporation); and

- guidance for local authorities on data and analysis regarding homelessness and housing need, including advice on collecting appropriate data for predicting future homelessness trends and how analysis should be carried out, with practical advice and demonstrations.

9. All the Office's research reports and statistical outputs are available free of charge from our website at [www.odpm.gov.uk](http://www.odpm.gov.uk).

**PAC conclusion (ii): Registered Social Landlords' responsibilities for accommodating homeless households may need to be clarified. Local Authorities enter into agreements with Registered Social Landlords (housing associations) to provide social housing but some are reluctant to accommodate homeless households. The full extent of this problem is not known.... Compliance with these agreements should be routinely monitored and communicated to ODPM.**

10. The role of Registered Social Landlords in tackling homelessness is of increasing importance. The Housing Corporation is responsible for regulating Registered Social Landlords (known as housing associations) and monitoring compliance with their statutory obligations. We are working with the Corporation to improve evidence on housing association performance and to identify and break down barriers to co-operation between associations and local authorities.

11. The evidence for the extent to which housing associations respond to local authority housing need is available through the COntinuous REcording of Lettings system (CORE) and is regularly monitored. CORE provides a range of data not only about household circumstances at the time of the letting, but also about the route into housing association stock.

12. The statistical data available through CORE show that housing associations are generally co-operating with local authorities to house homeless households and people on the housing register. Of those households a local authority nominates to a housing association for general needs housing, about two fifths have been accepted as homeless. A further quarter are existing local authority tenants. The proportion of homeless nominations into supported housing is much higher at 70 per cent. The Corporation acknowledges, however, that there is likely to be room for improvement in some associations and local authorities in their co-operative efforts. A range of measures has been taken and further work is planned to ensure that associations are as proactive as possible in the future in helping local authorities meet their targets and respond to housing need.

13. A key objective for the Housing Corporation is to improve co-operation between housing associations and local authorities in the discharge of statutory duties. Formal nominations agreements are an important mechanism to enable co-operation. A good practice guide for drawing up and implementing these agreements was produced in July 2004 jointly by ODPM, the Housing Corporation, the National Housing Federation and the Local Government Association.

14. In recognition of anecdotal reports from local authorities and housing associations that nominations arrangements do not always work as well as they should do, ODPM and the Corporation have also agreed to examine with local authorities and associations ways of improving co-operation and performance in housing homeless households.

15. The Corporation wants to ensure that its strategic policies are based on good quality evidence. It therefore intends to commission York University to undertake a substantial research programme (partly funded by ODPM) to examine partnership working between local authorities and housing associations, with particular focus on co-operation to deliver homelessness strategies and the role of large scale voluntary transfer (LSVT) associations.

16. Additionally, as part of its special focus this year on supporting the local authority strategic leadership role, the Corporation is in the process of developing a protocol with the Local Government Association that will enable a regular reporting mechanism for both local authorities and housing associations to feed back to each other and to the Corporation on relative performance and provide evidence where co-operation appears to be failing. The Corporation will use its regulatory powers as appropriate in following up reports of poor performance.

17. The Corporation has placed tackling homelessness high on its corporate agenda for the next three years<sup>1</sup> and intends to publish later in 2006 a homelessness strategy statement. A public consultation paper is in production and will be published at the end of March, after which a series of discussion meetings will take place during the consultation period (April – June) across the country with interested stakeholders.

18. Finally, as part of the emphasis that it places on tackling homelessness, the Corporation launched in October its Gold Award for Excellence. The Gold Award is a competition scheme based on the Beacon Council Scheme intended to identify and reward excellent practice in housing associations and to raise operational standards across the housing sector for the benefit of residents. The two themes for the first Award round are: Tackling Homelessness and Innovation in Procurement. The Corporation expects to identify excellent and innovative approaches to tackling homelessness and has committed substantial funds to a national dissemination programme (assisted by the Chartered Institute of Housing) that will take off after the winners are announced in May.

19. We shall continue to promote best practice and through our joint work will aim to identify bad practice and work to eradicate it.

**PAC conclusion (iii): Reducing the number of families living in Bed and Breakfast accommodation from 6,700 in March 2002 to 28 families in March 2004 was a significant achievement, but some 20% of authorities consider that the quality of accommodation has not improved in recent years.... ODPM needs to obtain better assurance on the quality of temporary accommodation by collecting more systematic intelligence on the frequency and results of inspections, and apply pressure for improvements by promoting the new powers of local authorities under the 2004 Housing Act.**

20. Our aim is to offer more people the opportunity of a settled home and to halve current numbers of households in temporary accommodation by 2010. Where settled housing is not immediately available we want to ensure that the best possible temporary home can be offered to those for whom a settled home cannot be secured immediately. We propose to re-state and specify in the revised statutory guidance on homelessness the minimum statutory standards that apply to all accommodation,

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<sup>1</sup> Corporate Plan 2005-08, Housing Corporation.

and which must therefore be taken into account by local authorities when they secure temporary accommodation for homeless acceptances. The guidance will also include additional standards that must be taken into account when securing bed and breakfast accommodation as temporary accommodation. These standards will include the size and occupancy levels of rooms, the level of sharing, the provision of heating, cooking and washing facilities and management standards.

21. Latest statistics show that there are around 100,000 households living in temporary homes, 84 per cent of whom are living in self-contained properties with their own cooking and washing facilities, with 91 per cent of households with children in such accommodation. Only a small proportion of households live in bed and breakfast hotels or hostels.

22. As well as the physical fabric of the accommodation, the Office recognises the importance of ensuring that households have access to health, education, social services and other support, where necessary. We are currently undertaking a survey of households in temporary accommodation to help improve our understanding of the problems homeless people face, the impact of different types of temporary accommodation and the services people need to stay in their own homes.

23. In addition we have provided funding for the Association of London Government and the Greater London Authority who have set up NOTIFY, a pan-London initiative designed to improve access to services and support for people living in temporary accommodation when they move into, between and out of temporary accommodation. NOTIFY is an online system that will ensure that housing, health, social services and education authorities are notified when a household moves. In addition, NOTIFY will improve the coverage and quality of aggregate information about homelessness in the capital. We will promote the adoption of information, tracking and referral systems by local authorities in every region.

**PAC conclusion (iv): While temporary accommodation such as rented housing is better than bed and breakfast, it is only a short term solution, and the Government has a target to reduce the number of families living in this way from 100,000 to 50,000 by 2010... ODPM needs to promote more actively longer term innovative solutions that are proving successful. These include setting up on-line clearing houses to provide free quick access to private sector tenancies, rent deposit schemes to help families purchase their own home, loft conversion schemes to increase the capacity of existing accommodation and adjusting the eligibility requirements to be included on local authorities' main housing registers.**

24. The Office accepts that it can play a central role in promoting best practice and noted with interest those schemes highlighted by the National Audit Office (NAO) in its report 'More than a roof: progress in tackling homelessness'. Encouraging innovative ideas which can prevent homelessness is central to our work and the programme of ongoing visits and regional seminars being undertaken by our Homelessness and Housing Support Directorate.

25. The Office is determined that its target to halve the use of temporary accommodation will be met. Our homelessness strategy, '*Sustainable Communities: settled homes; changing lives*' sets out our plans for achieving the target which include:

- delivering a wider range of effective front-line preventative services, increasing homelessness grants to local authorities and voluntary sector agencies by 23 per cent by 2007-08 (£200 million over three years 2005-06 to 2007-08);

- helping 1.2 million vulnerable people sustain independent living through the £5 billion for Supporting People over the next three years;
- increasing the supply of new social rented homes by 50 per cent by 2008, providing 75,000 new social rented homes over the three years 2005-06 to 2007-08;
- making better use of existing social and private sector housing, including converting temporary accommodation into settled homes, where suitable, and improving co-operation between local authorities and housing associations in the allocation of social housing;
- taking forward a programme of work across Government to tackle the disadvantage that can cause homelessness; and
- investing £90 million in hostels to help more people move away from homelessness and avoid a return to the streets.

26. The private rented sector can provide suitable, affordable accommodation and therefore a solution to homelessness for many people. However statistics show that the sector can also contribute to homelessness, with around a fifth of all 'acceptances' being a result of assured shorthold tenancies coming to an end. Many local authorities have recognised the high levels of homelessness in their districts as a result of people losing their tenancies in the private sector and have responded positively, by investigating ways in which the private sector can provide solutions to homelessness. They have done this through the provision of rent deposits or guarantees, by offering approved lettings with accredited landlords, and by mediating to resolve problems between landlords and tenants. A recent survey of local authorities found that nearly 90 per cent of authorities currently operate a rent deposit scheme; nearly 60 per cent provide landlord mediation services; and 30 per cent have in place an accredited landlord scheme. We will continue to explore options for maximising the contribution of the private rented sector towards the effective delivery of our target.

27. The Housing Corporation is actively seeking ways in which it can co-operate with the Office to reduce the numbers of households living in temporary accommodation. In addition to the measures outlined under PAC conclusion (ii), the Corporation has recently registered a new association (Local Space) that has been set up to lease up to 1,000 local authority properties that are currently used as temporary accommodation with the intention of converting tenure to settled accommodation.

28. Additionally the Corporation has used social housing grant to enable associations to buy homes (where the landlord is willing) that are currently leased from private landlords temporarily to house people on the housing register. In this way homeless households can remain in a settled home, where they are willing to take up an association tenancy.

29. The Committee recommends adjusting the eligibility requirements to be included on local authorities' main housing registers. The Homelessness Act 2002 has removed the power for authorities to implement blanket exclusions of certain categories of applicant. Housing authorities must consider all applications to go on the housing waiting list, and anyone is eligible to be allocated housing with the exception of certain persons from abroad and individual applicants whom the authority decides are unsuitable to be tenants as a result of serious unacceptable behaviour.

30. The Office is committed to ensuring that all social housing tenants have more choice over where they live. We believe this is the best way to build communities which are stable, viable and inclusive. That is why we have set a target for all local authorities to have adopted a choice-based approach to the letting of long term social housing by 2010.

**PAC conclusion (v): Half of the 700 people housed in rough sleepers' hostels in one London Borough abandoned their accommodation or were evicted. This pattern of repeat homelessness is not uncommon. Local authorities that have been most successful in tackling rough sleeping and rehabilitating more people back into normal life have put in place a range of integrated support which needs to be more widely replicated. This typically includes having sufficient move-on accommodation together with specialist units, out reach workers, support for welfare and mental health, skills training and help in finding employment.**

31. The Office agrees with the Committee that the number of people leaving hostels for negative reasons is too high and has already put in place plans to address this.

32. In the Government's 2004 Review of the Voluntary and Community Sector (VCS), we identified and agreed that improving hostel provision was a key public service priority area. Concern about the effectiveness of hostels has focused on the inability of ageing stock to deal with the increasing number of residents with complex needs (notably increasing levels of drug dependency). In some cases the physical decline of hostels makes them inappropriate for today's client group. In others, the design of the hostels is poor, with dormitory style accommodation and a lack of suitable space for keyworking and training areas. Placements are often shortlived, with a high number of residents leaving for negative reasons, either being evicted or abandoning their places after only a few weeks.

33. In order to improve the outcomes for hostel residents, we developed a best practice toolkit which was published in March 2005 and which set out the contribution which can be made by factors including the physical fabric of the building and the support services provided, including access to training or jobs and mediation services.

34. The Office is also investing £90million over the next three years through the Hostels Capital Improvement Programme (HCIP). Underlying the programme is the need to change the very nature of hostels so that they provide better opportunities for people who have experienced homelessness and prevent them from becoming homeless again. Hostels will cease to be a place of last resort but instead will be centres of excellence and choice which positively change lives. Re-modelling will allow staff to better address the needs of residents and could also be used to link in other services such as JobCentre Plus or drug treatment work. In addition the Home Office's Active Communities Unit complements this programme through the £850,000 it is investing through 'Change Up' to improve infrastructure support for the homeless sector, and bring about a step change in service provision.

35. Combined with the other action set out in our strategy to prevent homelessness, provide support for vulnerable people, tackle wider causes and symptoms and improve access to settled homes, we expect hostel improvements to sustain reductions in rough sleeping and lead to further reductions in London.

**PAC conclusion (vi): All 354 local authorities in England have produced strategies to tackle homelessness in their areas but only 40% have identified the resources needed to fund their strategy or considered the full range of funding opportunities... very few have set specific targets to monitor progress. Lack of measurable targets is likely to make it difficult to track progress in tackling homelessness locally.**

36. The Office agrees the importance of local authorities having locally set targets through which to measure the effectiveness of their homelessness strategies and has issued guidance to authorities suggesting positive outcomes which local authorities should be aiming to achieve through their strategies.

37. We have also encouraged local authorities to set local outcome targets for reducing levels of homelessness and rates of repeat homelessness, as well as sustaining the nationally set targets around rough sleeping; use of bed & breakfast hotels for families with children; and reducing the use of temporary accommodation.

38. In recognition of the need to measure performance the Office has introduced a suite of five Best Value Performance Indicators (BVPIs), against which local authorities are required to set local targets. The BVPIs are:

No. 183 Length of stay in bed & breakfast and hostel accommodation

No. 202 Number of rough sleepers

No. 203 Number of families in temporary accommodation

No. 213 Homelessness prevented through advice services

No. 214 Repeat homelessness

39. All the BVPIs require local authorities to set local targets and to report performance.

40. In addition, the Office's research project evaluating homelessness prevention services will include best practice examples including advice about measuring the effectiveness of schemes and their value for money.

**PAC conclusion (vii): The number of black and minority ethnic households accepted as being homeless and in priority need is three times as high as might be expected.... Reliable communication networks that are easily accessible would give minority groups the confidence that their needs and concerns can be heard and addressed.**

41. The Office agrees that the rate of homelessness amongst ethnic minority groups is disproportionately high. Ethnic minority households are around three times more likely to become statutorily homeless than are the majority White population. In every region in England the proportion of homeless ethnic minority households is greater than the proportion in the population as a whole. Furthermore there are significant differences in the rates of statutory homelessness between various ethnic minority groups, with people of Black African and Black Caribbean origins being twice as likely to be accepted as homeless as people of Indian, Pakistani and Bangladeshi backgrounds. The reasons behind these greater rates of homelessness and the differences between communities are not well understood.

42. As a result of statistics which demonstrated the increased incidence of homelessness amongst ethnic minority households the Office commissioned ETHNOS to carry out research to gain a better understanding of the causes of homelessness amongst ethnic minority communities.

43. Amongst the key findings of the research, which was published in September 2005, was that most local authorities lacked a strategic approach to meeting the needs of ethnic minority homeless households. They did not have a systematic, coherent and evidence-based understanding of the causes of ethnic minority homelessness and of the best ways of preventing, reducing or alleviating it. Local authorities generally recognised that little effort had been made at targeting these groups and that significant numbers of vulnerable ethnic minority people were not accessing appropriate services.

44. A development guide has been derived from this research and was issued to local authorities and their partner agencies alongside the research. It aims to assist them in the development of inclusive, evidence-based homelessness services for their local ethnic minority populations and gives practical guidance on:

- designing a homelessness strategy which takes account of the needs of ethnic minority people;
- making mainstream services more culturally sensitive;
- developing specialist ethnic minority services;
- preventing homelessness amongst ethnic minority communities;
- tackling racial harassment;
- providing temporary and settled accommodation for ethnic minority homeless people; and
- providing culturally-sensitive support to ethnic minority households.

45. During 2006 we shall be further promoting the development guide amongst local authorities. We will also be announcing the results of successful bids to our £3 million Ethnic Minorities Innovation Fund (EMIF) which was launched in September 2005. The EMIF will provide financial support to voluntary and community groups working in partnership with local authorities to help deliver innovative projects that will prevent or reduce homelessness amongst ethnic minority groups. We shall continue to monitor levels of homelessness amongst ethnic minorities and, in due course, will review the impact of the development guide and outcomes achieved through the EMIF.

**PAC conclusion (viii): More priority needs to be given to preventing homelessness if more expensive remedial action is to be minimised in the future.... A key barrier to better prevention policies is a lack of definitive evidence about what works cost effectively in different local circumstances. ODPM has commissioned an evaluation of best practice, and the results need to be extensively disseminated including through a dedicated website for practitioners.**

46. The Office agrees the importance of investing in homelessness prevention and of disseminating best practice. We have already produced a number of good practice publications and policy briefing notes on homelessness prevention, backed by employment of experienced practitioners in the Directorate and regular seminars and conferences.

47. The Office has commissioned an independent evaluation of homelessness prevention schemes, including an assessment of the cost effectiveness of those schemes. When published this report will be accompanied with a good practice guide.

48. A recent survey of all 354 local authorities found that most authorities have eight or nine different schemes available, including over 80 per cent of authorities promoting rent deposit and mediation schemes. Just under two thirds of local authorities operated a spend to save policy on homelessness prevention.

49. The Office will consider the most effective way of disseminating best practice and is likely to continue with seminars and conferences. To date we have made use of the local government Beacon Council scheme which awarded Beacon status in 2003 to seven local authorities for their excellence in tackling homelessness. Building on this experience we have subsequently appointed 'Regional Champions' to provide expertise and advice to other local authorities.

50. We will keep our plans under review and will consider the role of web-based material, in parallel with improvements to the main the Office web-site. All of the Office's good practice guides and research reports are available free of charge on our web-site at [www.odpm.gov.uk/homelessness](http://www.odpm.gov.uk/homelessness).

51. There are a number of strands of work which will contribute to better information on the costs of homelessness and to assessing potential efficiency gains. These are set out in our response to PAC conclusion (i) above.

# Fourteenth Report

## Gas & Electricity Consumer Council Consumer Council for Postal Services

### Energywatch and Postwatch

**PAC Conclusion (i): It is not sufficient to rely on complaints as a way of understanding what concerns consumers. Complainants may not be representative of the full range of consumer experience as a whole. Energywatch and Postwatch should undertake more research into consumer concerns, focusing in particular on the needs and problems of the elderly and low income groups.**

#### *Energywatch response*

1. Energywatch agrees with this recommendation. As our primary statutory responsibility is to resolve consumer complaints, we both recognise and value the complaints we receive as a vital source of information into consumer concerns – information that should not be undervalued. However, we do accept that we need to maintain a broader understanding of the nature and extent of problems faced by consumers. For the period 2004-6, we have in place a comprehensive research strategy covering the domestic and business markets and consumer expectation of energywatch services. We have strengthened our analysis of both enquiries data, particularly where it is used to inform policy development and campaign activity, and of information we use to target our work with vulnerable consumer groups, including work on debt and disconnection and the Priority Services Register (PSR).
2. In June 2005, Accent Research completed research on improving the targeting of our products and services to different groups of consumers – in particular the information they need to get the best deal from the energy market. This research also helped us determine the characteristics of different groups of consumers, including those consumers who are able to help themselves and those who may need additional help and support (i.e. elderly and low income groups). This is enabling us to target our information, advice and services more effectively and efficiently.
3. In November 2005 we completed research to assist us in forming a view on whether the energy market is serving the best interests of business consumers, especially small businesses. This research has since informed our policy and regulatory work.

#### *Postwatch response*

4. Postwatch does not rely solely on complaints as a way of understanding customer concerns. To understand customer concerns, in addition to undertaking research and analysing complaint data, Postwatch organises and chairs the small and large mail user forums along with the work of its regional committees' locally organising and running focus groups and public meetings.
5. Postwatch agrees with the Committee's recommendation that it should undertake more research into the needs and problems of postal customers, particularly vulnerable customers and it has been doing so. Recent relevant research that has been commissioned includes:
  - In September 2005, Postwatch Commissioned MORI to undertake qualitative research to gauge the key concerns, needs and experiences of all types of customers. MORI subsequently interviewed customers in all socio-

economic groups, age groups, rural and urban areas, from small businesses, and those with disabilities. Postwatch also intends to commission in 2006 quantitative research and to subsequently track customers' experiences, needs and concerns. Again, this research will pay particular attention to ensuring the needs and concerns of vulnerable customers are captured.

- In September 2005 Postwatch Scotland commissioned a significant research project into mail deliveries in tenement dwellings in the cities of Glasgow, Aberdeen and Edinburgh. Tenements house up to a third of residents in Scottish cities and in particular supply a large proportion of the social housing stock for low-income households. Because of the way in which the quality of mail delivery is currently tested, frequent failures of delivery to tenement dwellings are substantially unrecorded although it is acknowledged by Royal Mail that there are major problems in this area. It was to address this problem that the research was undertaken and the findings will be available in early 2006.
- Also in September 2005 Environmental Resources Management and MORI were commissioned in collaboration with the Commission for Rural Communities to map access criteria to post offices in urban and rural deprived areas. The results of this research, which will be published like all Postwatch's other research results on its website ([www.postwatch.co.uk](http://www.postwatch.co.uk)), are expected to be available in early 2006. These results should focus on information about disadvantage in relation to postal products and services at post offices.

6. Postwatch will continue to make extensive use of its UK-wide regional network to keep in close touch with customers concerns and needs. Past examples include:

- The experiences, concerns and needs of customers in the Highlands and Islands are a focus for Postwatch Scotland through events, community liaison and research.
- The London Committee prepared and published a disability guide to the capital's main post offices.
- In the East of England, the problems experienced by asylum seekers in accessing postal services have been analysed and shared with Royal Mail and the Home Office.
- The Midlands region is working with Birmingham City Council on the implications for vulnerable customers of the closure of post offices in the city.
- In Wales there was a perception that Welsh language addresses received a poorer service. This was not substantiated by the research commissioned on the issue by Postwatch Wales. The Welsh Committee have also raised concerns with Royal Mail about last collections times being brought forward to as early as nine o'clock in the morning.
- Postwatch's Northern Ireland Committee members carried out a survey of disabled customers' access to post offices. One of the key findings was the lack of allocated parking bays for such customers. This resulted in Post Office Limited (POL) encouraging staff to apply to local authorities for 'blue badge' parking bays.
- Postwatch North covers all the areas involved in the postal voting trials in 2004. It monitored the process and liaised with the Electoral Commission.

7. All Postwatch regions were heavily involved in assessing POL's proposals for closing urban post offices under its Network Reinvention Programme. Over 7,000 post offices included in area plans were visited and assessed, with particular regard being paid to vulnerable customers and post offices serving urban deprived areas.

**PAC Conclusion (ii): Energywatch and Postwatch are unable to say whether those who suffer poor service are more likely also to be socially or economically disadvantaged. And they have not tried to quantify the losses suffered by consumers from poor quality of service. They should research the relationship between deprived areas and poor quality of service, starting with an analysis of the postcodes from which they have received complaints.**

*Energywatch response*

8. Energywatch agrees with the recommendation that it is important to identify the link between social deprivation and consumer detriment. In April 2005, we established a Priority Consumers Team to give greater focus to our efforts with those who most need our help and the bodies that represent them. We have introduced a nationwide strategy that will build on local successes and deliver challenging national campaigns with appropriate organisations (e.g. NHS Trusts, local authorities) on the uptake of priority services, on advice about the cheapest payment methods and on energy efficiency.

9. Further over the last twelve months we have, in partnership with Ofgem, developed guidelines for the industry to deal with debt and disconnection issues, we have worked with both the National Consumer Council (NCC) and Citizens Advice Bureaux (CABx) on the development of Fuel Direct and, in March 2005, we sponsored a cross-utility sector conference looking at how best to target and engage with vulnerable consumer groups.

10. In November 2005 we received a report from MRUK researchers into the needs and preferences of those consumers who are eligible for the industry required Priority Service Register, namely those consumers who are elderly, disabled or who have long term illnesses. The research also covered consumers who fall out of these eligibility criteria but who we believe should be reasonably thought of as priorities for energy suppliers.

11. Energywatch has used postcode analysis of complaints to identify those at greatest disadvantage within the market – families on low incomes and the elderly. In respect of disconnections, we analysed data by postcode and found that consumers who were likely to be disconnected came overwhelmingly from areas of high deprivation. Working closely with the House of Commons Trade and Industry Select Committee (TISC) and Ofgem, we were able to convince industry to introduce a code of practice on disconnections in summer 2004. Since the introduction of this code disconnections have fallen significantly.

<i>Year</i>	<i>Gas Disconnections</i>	<i>Electricity Disconnections</i>	<i>Total Disconnections</i>
2000	16,500	300	16,800
2001	26,088	375	26,463
2002	21,780	995	22,775
2003	15,973	1,361	17,334
2004	2,553	727	3,280

(Source: Ofgem Social Action Plan monitoring statistics)

### *Postwatch response*

12. Postwatch agrees that it should be able to speak authoritatively about any established link between poor postal services and the socially or economically disadvantaged. Postwatch certainly does not rely on complaint related information to inform its work on helping the disadvantaged.

13. Postwatch frequently acts as an intermediary between the various interest groups and the Royal Mail. For example, Postwatch campaigned on behalf of post office customers to influence the Department of Work and Pensions and POL to take proper account on customer interests when migrating 14 million pension and benefit recipients from payment by order book and giro cheque to electronic payment directly into a suitable bank account. In this campaign Postwatch co-ordinated concerns through its Counters' Advisory Group, which brings together 15 representative organisations. The campaign had several successes including ensuring that the number of Post Office Card Accounts would not be capped and that all those customers who wanted to continue to collect cash from a post office would be able to do so.

14. Postwatch will, within the first half of 2006, match complaints received against postcodes to see if there is any correlation with deprived areas. In addition Postwatch will compare standards of service performance data with areas of deprivation to see if there is any correlation. The results of this analysis will be published on the Postwatch website ([www.postwatch.co.uk](http://www.postwatch.co.uk)).

15. Postwatch is, of course, familiar with deprived areas and vulnerable customers through its work in maintaining post office services. Postwatch together with other local representatives opposed the closure of over 500 post offices in urban deprived areas. Over 100 of these post offices remain open. At the time of the network reinvention programme, government policy was that, other than in exceptional circumstances no post office in an urban deprived area should close if there was not another post office within a radius of half-a-mile. That policy no longer applies and Postwatch is urging the Department of Trade and Industry (DTI) to clarify what replaces the half-a-mile rule to ensure vulnerable customers have local access to post office services, including receiving benefit payments in cash.

16. Another example of Postwatch action to help disadvantaged customers is its intervention to ensure that Royal Mail fulfils its obligations to blind customers. There were problems with the delivery and return of talking newspaper cassettes.

17. In the context of customers on low incomes, Postwatch notes that problems experienced by postal customers are often in relation to the delivery end of the postal service where the receiving customer is not the paying customer. The financial circumstances of the customer may not therefore be a relevant factor when considering why the service has failed. Postwatch notes that to date postal services have been largely affordable. There are not customers who could easily be classified as the 'postal poor'. Unlike in regards to energy where a family that spends more than ten per cent of its income keeping warm is classified as being 'fuel poor'.

**PAC Conclusion (iii): Energywatch and Postwatch should provide better measures of the benefits they have achieved for consumers. Energywatch and Postwatch have only recently started to gather data on the compensation they achieve on behalf of consumers. They should record and report this information systematically.**

### *Energywatch response*

18. Energywatch agrees with the recommendation that we should be more explicit as to the benefits that we obtain for consumers. In our Annual Report for 2004 – 2005, we reported that we had achieved £4 million worth of direct compensation for consumers as a result of the intervention of our frontline complaint handlers. This meant that each energywatch frontline complaint handler brought in almost £24,000 in compensation.

19. To achieve real benefits for consumers, we have concentrated upon securing change within the energy market. Since 2001, we have undertaken major campaigns to tackle unsatisfactory selling practices (*Stop Now!*), improve the customer transfer process (*Smarter Switching*) and to improve billing standards (*Better Billing*).

20. To measure our impact we set Key Performance Indicators (KPIs) for the reduction of complaints in these areas. As the table following demonstrates, domestic complaints received have fallen in all of these areas.

<i>Year</i>	<i>Total Complaints</i>	<i>Domestic Accounting/ Billing</i>	<i>Domestic Transfer</i>	<i>Domestic Direct Selling</i>
<i>2001/2002</i>	74,809	37,075	30,743	6,991
<i>2002/2003</i>	109,228	43,060	31,412	12,951
<i>2003/2004</i>	86,687	44,164	18,263	4,933
<i>2004/2005</i>	69,992	37,441	12,480	1,188

(Source: energywatch Annual Reports 2000 – 2005)

### *Postwatch response*

21. Postwatch agrees with the conclusion that it should improve its measurement of benefits achieved for customers, but disagrees that it has only recently started to gather data on the compensation achieved for customers. In its Annual Reports since inception (January 2001) Postwatch has recorded for Parliament the amounts of compensation its regions have directly secured for customers. The total amounts are:

<i>Year</i>	<i>Compensation £'000</i>
2001-02	176
2002-03	320
2003-04	283
2004-05	314

22. Postwatch's experience is that whilst compensation can be an important part of resolving an issue it is not always the customer's primary objective. Often customers most want a clear, full, explanation, a sincere apology or a commitment that lessons have been learned so that the error will not be repeated.

23. Postwatch will consider and then introduce ways of better measuring and publicising the benefits achieved for customers. For example, Postwatch's recent Judicial Review success is expected to directly result in around an additional £45 million in compensation being paid to bulk mail customers for service failures in 2003-04 and 2004-05.

24. Postwatch has been using complaint and other data (such as the quarterly standards of service statistics broken down into the 121 postcode areas) to identify generic problems. It then works with Royal Mail to rectify the fault. For example, in recent months Postwatch has been working with Royal Mail to improve the entirety of the complaint handling experience, which can of course include the customer contacting Postwatch if they are displeased with a response from Royal Mail. As a direct result of this work Postwatch has seen a rapid fall in the number of complaints being received. The table below shows that the trend of complaints to Postwatch increasing year on year has now been turned around by working jointly with Royal Mail to improve their first response to complainants.

Year	Number of complaints received by Postwatch
2001-02	6,298
2002-03	18,273
2003-04	28,132
2004-05	34,228
2005-06 <i>estimate</i>	18,000

**PAC Conclusion (iv): The role of Energywatch and Postwatch is not well understood by consumers. Energywatch and Postwatch need to be more innovative in communicating with consumers, by developing partnerships with bodies who have greater public recognition and regular contact with consumers on a broader range of issues, such as Citizens Advice, and the new Consumer Direct helpline introduced by the Department of Trade and Industry.**

*Energywatch response*

25. Incurring significant expenditure to raise general awareness of energywatch would not represent the most effective use of resources. It is more important for consumers to be able to contact us when they need to. Our contact details are included on the reverse of all gas and electricity bills. Since November 2000, we have dealt with in excess of 350,000 complaints and over 4.5 million consumer contacts.

26. We continue to develop and maintain partnerships with a wide range of organisations that deal with consumers to promote awareness of, and access to, the help and support we can offer, including health professionals, debt advice agencies, disability groups, energy efficiency organisations and ethnic minority representative agencies. From the table below unprompted consumer awareness of energywatch is now measured at 4% (from 1% in 2001/2002), with prompted awareness levels measured at 44% (from 24% in 2001/2002).

<i>Year</i>	<i>Prompted Awareness</i>	<i>Unprompted Awareness</i>
<i>2001/2002</i>	24%	1%
<i>2002/2003</i>	Not measured	2%
<i>2003/2004</i>	38%	2%
<i>2004/2005</i>	44%	4%

(Source: energywatch Annual Reports 2000 – 2005)

27. We have been working closely with Consumer Direct throughout the rollout of their regional operations, ensuring we have effective working relationships with this new service. Energywatch staff have been involved with the National Stakeholder Steering Group, the IT working group and agreed processes with Consumer Direct for referral pathways, staff development and database reporting.

### *Postwatch response*

28. Postwatch agrees with this recommendation and will continue, subject to the outcome of DTI's consultation on the creation of Consumer Voice (Strengthen and Streamline Consumer Advocacy, published on Wednesday 25 January) to develop partnerships that will enable its role to be better understood. Postwatch already has well-established links with trade associations, major customers and with a range of bodies including Age Concern, the Disability Rights Commission, Citizens Advice, and the Royal National Institute for the Blind. Postwatch recognises that because customers do not receive bills/statements from Royal Mail showing Postwatch's details, that the building of awareness has been slow.

29. Prior to the publication by DTI of its consultation document, Postwatch was intending to improve residential customers' understanding of its role by pressing the DTI to facilitate greater cost-effective awareness of Postwatch's role through the obvious channels available. For example, information about Postwatch could have been made freely and readily available from every post office. There could also have been a leaflet about Postwatch delivered, free of charge, by Royal Mail to every customer annually.

30. Postwatch on publication of DTI's consultation document reviewed its intentions and decided that it would be inappropriate to significantly increase awareness of its 'brand' when it may be merged in 18 months time. It was also felt that it would be wasteful to spend money promoting awareness of a short-lived body and potentially confusing to postal customers.

31. Postwatch will continue to work with Royal Mail to ensure that its details are provided in Royal Mail's customer literature. This is a Condition of Royal Mail's licence with which its compliance has been less than impressive. However, good progress has been achieved in recent discussions and Postwatch expects all Royal Mail's explanatory literature to include its details by June 2006.

32. Through its regional offices, Postwatch have developed a full range of local contacts, including with local Trading Standards offices, but are re-focussing regional work programmes to further develop existing contacts and to create new partnerships.

33. Postwatch has close links with Consumer Direct and recognises that the promotion of a single consumer body and contact details should have significant benefits for the consumer representation sector as a whole.

34. Amongst large mailers Postwatch is confident that through its work with the trade associations its role is understood. The Postwatch Northern region in particular has established a strong relationship with the direct mail printing sector. This enabled Postwatch to argue the sector's case for at least 12 months notice for the introduction of Royal Mail's Pricing in Proportion policy.

35. It is the case that every customer that receives a written response to a complaint from the Royal Mail is given Postwatch's contact details. It is unfortunate that the same information is not afforded to those customers whose complaint is dealt with over the telephone. . The majority of the complainants who contacted Postwatch received the contact details from Royal Mail. Therefore, amongst one target group, those complaining about poor postal services who received a written response from Royal Mail, efforts to raise awareness of Postwatch have worked. Postwatch

recognise that disadvantaged customers may be among the least able or inclined to register their concerns. Postwatch through research intends to start to identify the hurdles preventing disadvantaged customers from registering their concerns. It appreciates that this is a complex area and that different groups will face different hurdles, (for example, in terms of physical access, lack of information, language and communications difficulties etc). There is unlikely to be a simple or single solution.

**PAC Conclusion (v): Energywatch and Postwatch do not need to have their headquarters in London. The range of contacts they maintain with the London-based media and government departments is not so wide as to provide a compelling reason for a central London location....**

*Energywatch response*

36. A review of energywatch offices last winter demonstrated that, because of long-term lease commitments, the net cost of moving the Head Office outside London would be over £2 million and would not represent good value for money. However, during restructuring in summer 2005, energywatch relocated functions from Head Office across our local office network. As at January 2006, we now have Head Office functional staff located in all of our local offices.

37. We have also taken steps to share part of our London premises previously allocated to complaint handling with others. From January 2006, we are sharing our London premises with the Welsh Assembly. There does, however, remain a significant requirement for our policy and communications staff to have direct access to key stakeholder organisations, the vast majority of which are located in London. These include Ofgem, DTI, Department for Environment, Food and Rural Affairs (Defra), Department of Health, Department for Work and Pensions (DWP), Energy Retail Association, the Energy Network Association and individual supply and distribution companies. Locating these staff outside London could result in significant logistical and financial costs.

*Postwatch response*

38. Postwatch disagrees with this conclusion. There are significant benefits in certain staff being located close to DTI, Royal Mail's Headquarters, the Postal Services Commission, various TV and radio studios, the National Audit Office, the National Consumer Council, increasingly other consumer bodies and Parliament.

39. Whilst relatively young, Postwatch has put considerable effort into establishing an economically and commercially literate team capable of helping to shape the UK's developing competitive postal market. A move away from London may jeopardize that team.

40. While maintaining a presence in London is important to Postwatch, the number of staff located there has been critically examined. During the past two years eighteen posts have been moved from London to the Belfast. Currently only 45 per cent of Postwatch staff, including the Greater London and South East regional staff, are located in London. Postwatch will, of course, continue to explore ways of reducing the costs, whilst maintaining effectiveness, of its operations in London and elsewhere. Any decisions will have to take into account DTI's proposals to merge a selection of consumer bodies and panels into Consumer Voice outside of Central London.

**PAC Conclusion (vi): Energywatch and Postwatch could also reduce costs by sharing support services such as Information Technology and human resources.... The Department of Trade and Industry should allow Energywatch and Postwatch to share back-office services.**

*Energywatch and Postwatch response*

41. Energywatch and Postwatch agree with this conclusion. Through the Consumer Action Network initiative they have been working to share resources not only with each other but also with other consumer bodies so as to improve effectiveness and service to customers whilst reducing its costs.

42. Postwatch is moving its IT helpdesk support to energywatch. The two organisations have been looking closely at all their common services to see where rationalisation and savings can be achieved.

43. The DTI fully supports this recommendation and will work with Energywatch and Postwatch to take it forward. Any proposals formally submitted to DTI would need to be considered on a case-by-case basis to ensure their feasibility and cost effectiveness.

44. HM Treasury and DTI jointly published their report on Consumer Representation in Regulated Industries on 14 July 2004. The report recommended, among other things, that:

- Sectoral consumer bodies should seek better value for money by pressing companies to handle their complaints more effectively in-house and seek synergies by working together with other sectoral bodies.

The report also included a proposed model whereby existing arrangements for utility consumer representation would be replaced by new arrangements under which:

- Consumer Direct would handle consumer enquiries and basic complaints;
- Complaints would, where necessary, be dealt with by ombudsmen or alternative dispute resolution bodies;
- Regional representation would be maintained where necessary, and
- Certain sector bodies would be consolidated with the National Consumer Council to provide a single consumer advocacy body.

The DTI is currently consulting key stakeholders over how these recommendations should be taken forward.

**PAC Conclusion (vii): The costs of Postwatch have increased 21 per cent since its creation in 2000, to £10.3 million in 2003-04.... It is hard to see why it now has a larger budget than that of Postcomm, the economic regulator of post....**

*Postwatch response*

45. Each year Postwatch has to justify its proposed budget to the DTI. Since Postwatch's creation on 1st January 2001 workloads beyond its control have increased to much higher than expected levels, notably in dealing with contacts from the public, complaints volumes and post office closures.

46. Over the past five years Postwatch has, as the Committee recognised, had to deal (until this year) with an ever-increasing number of complaints. This is despite the fact that unprompted awareness levels of Postwatch are very low. In addition to

dealing with increased complaint volumes, Postwatch was heavily involved in reviewing POL's proposals for closing urban post offices under the Network Reinvention Programme. Around 2,500 post offices were closed. Thousands more were visited by Postwatch. POL credit Postwatch with preventing the closure of around 500 post offices.

47. A direct comparison with the costs of Postcomm, the economic regulator, is inappropriate and hampered by the fact that Postcomm is an entirely London based organisation, whereas Postwatch by statute has to have offices in Scotland, Northern Ireland, Wales and England. Postwatch and Postcomm have different statutory duties, the latter benefits from not having to cope with demand-led costs such as those associated with post office closure programmes and increased numbers of complaints.

48. Postcomm relies on Postwatch's regions to assist with local consultations, to supply databases of contacts, to help arrange meetings and seminars and to assist with a variety of investigations into such matters as appeals on exceptions to the universal service or quality of service relief arising from a possible force majeure incident. If Postcomm were unable to call upon Postwatch's regions for help it is possible they would have to establish a network of their own. Any analysis of the costs of Postwatch's regional offices should therefore also reveal distinct benefits for Postcomm.

49. For the Financial Year 2003-04 the sponsor Department and Postwatch agreed to move to a three-year budget cycle so as to facilitate a more effective management and financial planning process. The costs in the first two years included the valuable work Postwatch had undertaken on the Urban Reinvention programme, system and organisational changes to manage increasing contacts and complaint volumes and software costs to implement resource and accounting systems.

50. Now that these organisational changes have been implemented we expect Postwatch to achieve maximum efficiencies and expect savings in real terms to be reflected in future bids for funding. The DTI endorses Postwatch's view that a direct comparison of Postcomm costs is difficult to make as Postwatch is required by statute to maintain a regional presence.

**PAC Conclusion (viii): Only 72 per cent of consumers are satisfied with how Postwatch has handled their complaint.... and it needs to improve these ratings.**

*Postwatch response*

51. Levels of satisfaction with how Postwatch handles complaints are a function of both the remedies it can apply and how helpful or efficient it has been in dealing with the complaint itself. The level of dissatisfaction relates almost entirely to the lack of powers to effect a remedy and not to the way the complaint was dealt with.

52. Customers can only complain to Postwatch if they have first given the relevant postal operator the chance to resolve the complaint. If dissatisfied with the postal operator's response the customer can take the matter up with the operator again or contact Postwatch. By the time a customer contacts Postwatch they have already received poor service and then feel that their complaint has not been dealt with properly. Often their expectation is that Postwatch will force Royal Mail to take remedial action. Parliament, through the Postal Services Act 2000, gave Postwatch the power to investigate and seek information but no enforcement powers. The same Act gave Royal Mail as the universal service provider (s89 – 92) the ability to limit its own liabilities.

53. Postwatch would also like it borne in mind that the biggest single source of complaints is lost mail. Postwatch can sometimes use its influence to persuade Royal Mail to pay goodwill compensation, give a more detailed explanation and/or a better apology. Postwatch cannot, however, find the lost items, despite many customers' expectations that it ought to be able to. Postwatch recognises that managing customers' expectations, without discouraging them from pursuing justified complaints, is an area it has to improve upon.

54. Postwatch accepts that there are, regrettably, a small number of occasions when it should have done more to press a customer's case with an unresponsive Royal Mail. Postwatch is working hard to reduce incidence of poor customer service. One way it is doing this is to ensure an example of every customer service staff's work is audited monthly by line management and quarterly by a committee comprising a Council Member and two non-staff committee members.

# Fifteenth Report

## HM Revenue and Customs

### HM Customs and Excise Standard Report 2003-04

*The Commissioners for Revenue and Customs Act 2005, which received Royal Assent on 7 April 2005, provided the legal basis for the new integrated Department, HM Revenue and Customs, which was launched on 18 April 2005. HM Revenue and Customs exercises the functions previously vested in the Inland Revenue and HM Customs and Excise. References below to “the Department” cover both the functions of both HM Customs and Excise up to 18 April 2005 and the new HM Revenue and Customs (HMRC).*

**PAC conclusion (i): Customs cannot validate the accuracy of in-year evidence about fraud and the effectiveness of their work until 8 months after the end of the year, when they get the estimate of annual losses due to oils fraud. Oils fraud is continually evolving and Customs need to have timely information on the nature and scale of the problem to tackle it effectively. They could also target resources to tackle key risks more effectively with a better analysis of the scale and type of oils fraud, for example, by region, or by identifying different groups involved in such fraud.**

1. The evidence shows that real inroads have been made in to tackling oils fraud. In 2001, oils fraud cost the Exchequer around £700 million – 6 per cent of the UK diesel market. The package of measures in place through the UK Oils Strategy has already helped to reduce this to 4 per cent and along with the narrowing of the differential between main and rebated fuel duty rates announced in the PBR which will reduce incentives for fraudsters, the target is to reduce it to 2 per cent by 2006.

2. The success of the Oils Strategy to date has built on HMRC’s ability to direct resources to areas where impact against the illicit market would be greatest. As a result of intelligence led enforcement and compliance activity since the introduction of the strategy in 2002 HMRC has:

- Disrupted 36 criminal gangs and 114 laundering/mixing plants;
- Raised more than £31.5 million in assessments;
- Challenged over 220,000 vehicles.

3. Data from a number of surveys conducted by the Department for Transport (DfT) are used to estimate the total consumption of oils in Great Britain. The data used includes total distances travelled by each vehicle type and the fuel efficiency of cars and HGV’s. These are important components of the calculation of the tax gap estimates and there are currently no usable alternatives to the DfT data. However, HMRC is also investigating a number of potential indicators of the level of the illicit oils market, which will provide in-year indications of changes in the underlying trend in the fraud. Whilst the tax gap provides the best indication of the overall level of oils fraud, it does not provide detailed information about how it is distributed. However, HMRC constantly monitors and assesses operational information in order to maintain its current knowledge of the nature of the fraud, the threats posed by changing illicit activity and the impact of its operational interventions. This then informs the deployment of the Department’s resources to risk

**PAC conclusion (ii): In using intelligence information, different Customs regions display different levels of productivity, in terms of information packages produced per officer, and number of successful operations (“hits”) per**

**information package. In 2003-04, on average, officers in Northern Region produced more than 100 information packages each, while officers in London and South Regions produced less than 20 information packages each. But whilst just over 1 in 10 packages in the North generated successful hits, in London and the South East the ratio was 1 in 5. In identifying and disseminating best practice, Customs should consider measures of productivity and effectiveness to assess the quality of intelligence work and compare performance across the regions.**

4. The effectiveness of HMRC's strategic approach to tackling fraud is dependent on a number of factors, key amongst which is the role intelligence has to play. This intelligence led, risk based approach is based on improved analysis of the patterns of non-compliance and targeting resources to high risk areas.

5. The performance of all aspects of HMRC's strategy are closely monitored in order to maximise their effectiveness and this includes systems to assess the quality of intelligence produced. HMRC is continually working to maximise the contribution of intelligence activity by identifying best practice, disseminating it and ensuring that it becomes the national standard, helping to reduce performance variations between regions.

**PAC conclusion (iii): Customs have not set a target deadline for traders under the Registered Dealers Scheme to provide returns electronically rather than manually, or sought to incentivise greater use of electronic submission. Processing manual returns and inputting data is a resource drain for Customs. Electronic submission of returns will allow reductions in processing resources and deliver efficiency gains. Customs should provide incentives for traders to move from manual, paper-based returns to lodging returns electronically, and set a target date for the full electronic submission of returns.**

6. HMRC provides the widest range of online Government services and has made good progress in increasing the take up of services such as Self-Assessment online and PAYE online. HMRC continues to explore ways to incentivise electronic submission as a part of its wider approach to e-services and this includes consideration of whether to make use of the online return mandatory.

**PAC conclusion (iv): Customs' assessment of the Registered Dealers Scheme was inadequate and based on an incorrect assessment of the number of traders dealing in rebated oils. Regulatory Impact Assessments need to be founded on a sound understanding of the nature of the issues and the likely effect of the proposed regulations.**

7. Government departments complete Regulatory Impact Assessments (RIAs) for new regulatory proposals and the Government is committed to reviewing regulations after they are implemented to ensure that they are having the intended effect. In addition, HMRC has now committed to reviewing published RIAs to check that the appraisal process was thorough and the assumptions made were reasonable. This is because RIAs can only ever be forecasts of anticipated impacts and these forecasts need to be reviewed in the light of implementation. In this instance, HMRC did undertake extensive consultation prior to, and following, the introduction of the Registered Dealers scheme. However, due to a lack of data about the full extent of the supply of rebated fuels, the consultation was too narrowly targeted and failed to appreciate fully the number of businesses that supply rebated fuels as an activity ancillary to their main business. In future, HMRC will consider the necessity for a wider public consultation to ensure all stakeholders are identified.

**PAC conclusion (v): Few traders were successfully prosecuted by Customs in 2003-04, and sentences for fraudsters average at 15 months. Customs should review whether the penalties for oils fraud provide a proportionate deterrent or punishment for the seriousness of the criminal activity. Customs also need to consider whether their prosecutions strategy is delivering the results needed to deter potential fraudsters.**

8. The effectiveness of the Government's oils strategy is carefully monitored and HMRC's aim is to recover lost revenue, deter re-offending and through its actions, to deter others from committing offences. Prosecution is one of several sanctions available and is only employed in serious cases when it is clear that other sanctions would not achieve that aim.

9. In addition to prosecution, HMRC seizes vehicles detected using illicit fuel, issues civil penalties to both the user and the owner of the vehicle, and raises assessments to recover revenue losses. In many instances, HMRC offers restoration of seized goods for an amount of money that may be equal to or in addition to other sanctions. HMRC applies the different sanctions, including prosecution, in proportion to the differing levels of fraud. This has proved to be an effective and efficient way of tackling the problem. Since the introduction of the UK Oils Strategy and tactics, including the use of sanctions, the illicit market has been reduced by 33 per cent from 6 per cent in 2001 to 4 per cent in 2004. However, HMRC is always looking to maximize the interventions available and is reviewing penalties as part of its wider review of the powers of the new department<sup>1</sup>.

**PAC conclusion (vi): Customs cannot identify the contribution of each element of their VAT Strategy towards closing the VAT gap and improving trader compliance, nor determine accurately the increase in receipts as a result of their own work as distinct from economic growth. Customs have a programme of activities to reduce VAT losses, some aimed at improving general compliance by traders, but cannot measure on a timely and accurate basis their impact on compliance and closing the VAT gap. They should investigate the feasibility of analysing the VAT gap on both a regional and sectoral basis as well as nationally.**

10. HMRC uses operational data and data obtained from tax records of individual businesses to estimate the revenue impact of its activities and this typically involves the evaluation of changes in tax performance data before and after specific interventions took place. However, it is difficult to determine robustly the extent to which changes in the overall VAT gap are caused by compliance activity or by other factors.

11. HMRC is working to develop a better understanding of the VAT gap. It has started a feasibility study into estimating sectoral VAT theoretical tax liability (VTTL). However the VAT gap, cannot be robustly estimated regionally, because neither the data underpinning the VTTL estimation, nor information about VAT receipts, are available on a regional basis. HMRC is also conducting research to gain a better understanding of the direct and indirect impact of its compliance activity on customer behaviour and subsequent receipts.

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<sup>1</sup> *HMRC and the Taxpayer: Modernising Powers, Deterrents and Safeguards* was published in March 2005 and is available at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

**PAC conclusion (vii): Customs cannot automatically compare a trader's payment and compliance performance to that of other traders within the same sector or industry. Customs rely on manual analysis of data from the VAT mainframe system to carry out such comparisons, and any analysis is ad hoc and far from systematic. Customs should fully develop their National Business Picture, which aims to provide this capacity by generating an overall picture of risk to revenue across the United Kingdom based on automatic analysis of trader records.**

12. The National Business Picture is a relatively new tool that continues to be developed. The current version enables global VAT data to be used in a number of ways to plot trends and emerging risks. HMRC uses it in conjunction with the well-established main VAT database to track trends and risks from high-level views such as trade sector down to smaller groups and individuals. The current level of functionality has been a substantial step forward in allowing a systematic examination of the VAT customer population and plans to automate the system fully are currently being considered.

# Sixteenth Report

## Home Office

### Reducing vehicle crime

**PAC conclusion (i): The Home Office has worked in partnership with motor manufacturers, insurers, the police and others to reduce vehicle crime... It should take steps to raise public awareness of its Car Theft Index and other data on the relative security of different makes and models of vehicles, perhaps by developing a Home Office rating standard which could be displayed prominently in car showrooms.**

1. The Department agrees with this recommendation. The Home Office Car Theft Index, since it was first published in 1992, has helped to make car security a marketing issue and enabled market forces to be used to encourage motor manufacturers to make continued improvements. The Index groups cars into one of three categories to illustrate whether they are at high, medium or low risk of theft. The Department publicises the Index by including it on its car crime prevention advice website aimed at motorists ([www.secureyourmotor.gov.uk](http://www.secureyourmotor.gov.uk)) and by making hard copies available to police Crime Prevention Officers to distribute as they see fit.

2. The Department, together with the Department for Transport, also supports the British Insurance Car Security Awards and car security star ratings published by the insurance industry on which the Awards are based. The Department includes information about both the Awards and the star ratings on its website [www.secureyourmotor.gov.uk](http://www.secureyourmotor.gov.uk) and encourages other stakeholders to take similar actions. Links to information about the Awards and/or the star ratings are included on the websites of the Association of British Insurers, the AA Motoring Trust, AA Limited and Norwich Union. Information is also provided in web-based advice to car buyers by companies such as Carpages and AA Limited and in some motoring magazines, for example What Car? and Auto Express.

3. The Department is designing a leaflet for publication in February 2006 listing the makes and models of cars that met the selection criteria for the 2005 British Insurance Car Security Awards which will be available on its website and which can be used by police forces and local authorities.

4. The Department has discussed with the Society of Motor Manufacturers and Traders the possibility of dealers displaying security ratings in car showrooms but has been unable to reach agreement. The Department considers that there are nonetheless other means of getting information about security ratings across to motorists mentioned above which it will exploit to the full.

**PAC conclusion (ii): Limited progress has nevertheless been made in improving vehicle security, and some successful measures have had to be imposed on manufacturers through legislation... The Home Office will need to promote, with manufacturers, the development and installation of new vehicle security measures arising from technological advances, and be ready to require their adoption, or further improvements in vehicle security may be harder to achieve.**

5. The Department agrees with this recommendation and will exercise its judgment about which, if any, new vehicle security measures arising from technological advances should be made mandatory. But as vehicle construction standards require agreement across the European Union, the United Kingdom would be unable to introduce mandatory standards in isolation.

6. The Department is currently reviewing in consultation with key stakeholders the security guidance it provides to manufacturers of cars, Large Goods Vehicles (LGVs) and construction plant. The aim of the reviews is to lever up standards of security in the light of technological advances since the guides were last published in 1998 (cars and LGVs) and 2002 (construction plant).

**PAC conclusion (iii): The Home Office has no separate data on the incidence of carjacking and similar serious car crime incidents, although such crimes may increase as vehicle security improves. It should collect such data from across the country to enable the police and Police Standards Unit to develop strategies for tackling such crimes.**

7. The Department agrees with this recommendation and it will, in future, publish separate recorded crime figures for carjackings and for thefts of car keys through domestic burglaries. The Department believes the best way of achieving this is through the proposed Home Office Data Hub linked to the National Management Information System. This has the advantage of avoiding extra bureaucracy for the police and associated risks to data quality that come with manual returns.

8. Subject to approval of funding, the Department hopes the Home Office Data Hub will become available from April 2007 and that it will be able to publish this data for 2007-08 onwards.

9. The Department's strategy for tackling this type of crime is to exploit advances in technology to make the crime more difficult to commit and riskier for the criminal. This includes:

- consulting stakeholders on revisions to existing guidance<sup>1</sup> to allow the Department to promote the use of systems which are compliant with insurance industry criteria<sup>2</sup> which safely enable the engines of stolen cars that have already stopped to be prevented from being re-started;
- working in partnership with the Department for Transport and the Association of Chief Police Officers (ACPO) to identify Government and police requirements of the next generation of After-Theft Vehicle Recovery Systems – including the ability to remotely immobilise moving vehicles;
- consulting stakeholders to reach agreement on the additional layers of security that might be put on car keys so that they are useless to car thieves; improving police intelligence on this type of crime (including information gained from the use of Automatic Number Plate Readers) to better identify criminals involved in this type of crime and to enable police enforcement action to be better targeted.

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<sup>1</sup> Stolen Vehicle Tracking: ACPO and Home Office Guidance to Companies on Police Policy Publication 14/02.

<sup>2</sup> Thatcham Vehicle Security Category 5 – “After Theft Systems for Vehicle Recovery”.

**PAC conclusion (iv): Approximately 20% of all vehicle crime takes place in car parks, but only some 1,350 of the estimated 20,000 car parks in England and Wales have joined the Association of Chief Police Officers' Safer Parking Scheme. The response amongst hospital and station car park operators is particularly disappointing. The Home Office should encourage police forces to publicise those car parks in their area complying with the scheme, and set a target and timetable for achieving greater take up.**

10. The Department agrees with this recommendation and expects to see a substantial improvement within 18 months. But the Department will exercise its judgment about whether any progress made is sufficient to deliver its objective of substantially reducing the amount of vehicle crime that takes place in car parks. The Department's interest in the Safer Parking Scheme is not simply with the number of car parks with the Park Mark® award but with the ability of the Scheme to reduce crime in the minority of car parks that the police and industry consider experience high levels of crime.

11. As well as the response of hospitals and railway stations, the Department considers that the response of local authorities to the Safer Parking Scheme has been disappointing. As at 1 January 2006, there were 1,851 car parks with the Park Mark® award in England and Wales, of which 98 were hospital car parks, 154 railway station car parks and 958 local authority car parks.

12. The Department is funding a £200,000 targeted publicity campaign to raise motorists' awareness of the Safer Parking Scheme and of car parks with the Park Mark(r) award in the region covered by the Government Office of the North-West. The campaign will take place over a four week period in March 2006 and will be evaluated to see how successful it is. Depending on the results of the targeted campaign and availability of funding from both Government and private sector sources, it might be possible to run similarly targeted campaigns in other areas where there are sufficient numbers of car parks with the Park Mark® award.

13. In addition, the Office of the Deputy Prime Minister has made available up to £150,000 in 2005/06 giving local authorities a time limited "window of opportunity" to join the police Scheme and have the costs of accrediting some car parks met.

14. The Department has agreed with ACPO that they will write to Chief Police Officers about publicising to the motoring public those car parks in their force areas that have achieved the Park Mark® award.

**PAC conclusion (v): Police detection rates are too low, with only 6% of thefts from vehicles and 13% of thefts of vehicles being resolved in 2003-04. The public need to have confidence that the police treat such crimes seriously, and the Home Office should therefore work with the police to raise detection rates, for example through a review and dissemination of best practice from across police forces.**

15. The Department agrees with this recommendation. Increasing "sanction detections" (i.e. recorded crimes detected through an offender being charged or summoned, cautioned, having an offence taken into consideration, receiving a fixed penalty notice or a formal warning for cannabis possession) is one of the five key priorities in the National Policing Plan 2007-08. This is intended to drive up detection rates across the board, including those relating to vehicle crime.

16. A range of measures has already been introduced to improve police sanction detection rates. This includes:

- More and better use by police forces of forensic evidence to tackle vehicle crime stemming from rolling out nationally the Scientific Work Improvement Model, disseminating good practice and including performance data on a restricted access website relating to police forces' use of forensic techniques to tackle vehicle crime.
- The Department's Police Standards Unit is working with the Association of Chief Police Officers and police forces to realise the full benefits of Automatic Number Plate Recognition (ANPR) systems. This includes using ANPR systems to collect intelligence and for the analysis produced to inform police operations. Updated good practice guidance on using ANPR systems will be issued in July 2005 and the way police forces use ANPR will be the subject of a thematic inspection by Her Majesty's Inspectorate of Constabulary towards the end of 2006.
- The Professionalising Investigation Programme which is currently being implemented in police forces nationally, aims to ensure that all police officers and staff involved in investigations have the required skills to successfully investigate crime;
- The Prosecution Team Performance Management system enables the Crown Prosecution Service and Police jointly to:
  - access sets of data which are timely, accurate and consistent;
  - to present data in a format which will enable managers to monitor trends, identify good performance and focus resource on activities to address performance improvement.
  - use consistent data sets which can be interrogated at National, Force and Basic Command Unit (BCU) level to facilitate management investigation with structures to enable the implementation of evidence based management action to drive performance.
  - provide managers with evidence of where targets and supporting indicators are being met and associated investigative tools to identify where and how performance can be improved.
- The Department's Police Standards Unit provides guidance on improving sanction detections on its website and through seminars to forces requiring support to improve performance.
- The National Minimum Standards for Call Handling (introduced in April 2005) provides specific guidance for call handlers in relation to management of volume crimes in line with the Management of Volume Crime Manual and together with associated training (due to be available from March 2006) will enable better investigation of crimes.

This wide range of activity is already delivering results, with the thefts from a vehicle detection rate improving by two percentage points (to eight per cent) in 2004-05 compared to 2003-04; and the thefts of a vehicle detection rate improving by one percentage point (to 14 per cent) in 2004-05 compared to 2003-04. The thefts of a vehicle detection rate rises to 15 per cent if account is taken of the detection rate for aggravated vehicle taking.

17. Notwithstanding the wide range of activity already in hand, the Department considers that a further, separate, review of good practice and dissemination across police forces would be helpful. The Department's Police Standards Unit will initiate this review in October 2006.

**PAC conclusion (vi): The introduction of Automatic Number Plate Recognition systems provides an opportunity to improve detection rates, but with wide variation across different police forces, from just over nine arrests per 100 hours of a Police Officer's time to less than one arrest. The Home Office should work with the police to identify the factors which lead to the most effective use of the technology, and encourage their adoption across police forces.**

18. The Department agrees with this recommendation. The Department's Police Standards Unit has already undertaken work to identify the factors which lead to the most effective use of ANPR systems. These include: a focused approach which targets priority offences and offenders, using well trained officers to stop vehicles, and good intelligence databases and strong back office support to analyse vehicle movements to ensure ANPR teams are appropriately deployed.

19. The Department's Police Standards Unit has provided advice in hard copy on the most effective use of ANPR systems to all police ANPR practitioners. From July 2005, the advice has been made available to police officers and other agencies engaged in law enforcement on a restricted access website.

**PAC conclusion (vii): If Automatic Number Plate Recognition systems are to help in the fight against vehicle crime, an accurate vehicle registration database is essential. Currently there are some 950,000 vehicles which are not registered or taxed. Around 70,000 vehicles may have been cloned through the use of someone else's number plate. The Driver and Vehicle Licensing Agency is undertaking a survey to verify the accuracy of its database. Once the outcome is known the Agency should consider whether there are other means by which it could trace keepers of vehicles, for example by making use of electoral registers.**

20. The Driver and Vehicle Licensing Agency (DVLA) agrees with this recommendation.

21. The results of the DVLA 2005 Accuracy Survey indicated that there had been a significant improvement in the accuracy of the vehicles database. Analysis of the survey responses has confirmed that the information on DVLA's vehicle records enable 97.4% of vehicle keepers to be traced, compared to 90% in 2003. This increase has occurred as a direct result of the introduction of Continuous Registration in January 2004.

22. The results of the drivers' survey indicated that no improvement had been made in the drivers traceability level, despite an intensive "Call to Action" publicity campaign to encourage drivers to notify a change in details. DVLA will now consider more enforcement-related action to address this area of non-compliance.

23. DVLA already uses the electoral register to trace registered keepers of vehicles, but the opt out clause in the register limits its usefulness for improving the accuracy of the vehicle and driver databases. DVLA is discussing with the Department for Constitutional Affairs' Electoral Policy Division how the accuracy of the electoral register might be improved.

24. As part of a feasibility study, DVLA has considered using information held by third party sources, including the private sector. DVLA is liaising with the ACPO Assistant National ANPR Coordinator to discuss the possibility of a joined-up approach to capturing, storing and accessing information obtained from third party sources.

**PAC conclusion (viii): The Home Office estimated that 10% of offenders committed 50% of all crime, and it has required its 370 Crime and Disorder Reduction Partnerships to identify and focus attention on the fifteen to twenty most prolific offenders in their area. The Home Office should facilitate the sharing of good practice in designing and implementing projects to tackle vehicle crime between Partnerships.**

25. The Department agrees with this recommendation. The Prolific and other Priority Offenders (PPO) programme team is engaged in a continuing programme of work to improve the regular sharing of good practice at a Crime and Disorder Reduction Partnership level. The Department's research indicates that 24 per cent of Prolific and other Priority Offenders in the programme nationally have been convicted of vehicle crime which shows the significant impact this programme can have on reducing the level of vehicle crime.

26. Government Offices/Welsh Assembly Government highlight month on month changes in levels of crime, including vehicle crime, at Crime and Disorder Reduction Partnership, Basic Command Unit, police force and regional levels. Reducing vehicle crime is an important component of meeting the Government's Public Service Agreement 1 target to reduce overall crime and progress is regularly discussed at Government Offices/Welsh Assembly Government performance meetings with Partnerships and key partners. Underlying reasons for any recent increases in vehicle crime are debated and shared, as is good practice on addressing this type of crime. This partnership approach to achieving reductions in volume crime also features strongly in the negotiations around the Safer and Stronger Communities Block of the Local Area Agreements.

**PAC conclusion (ix): Attempts to tighten controls over the disposal of vehicles are being jeopardised by the failure of some local authorities to establish a register of motor salvage operators as required by the Motor Salvage Operators Regulations 2002. As well as working with the Office of the Deputy Prime Minister and the Local Government Association to secure compliance, the Home Office should consider a policy of naming and shaming those authorities which fail to take action.**

27. The Department agrees with this recommendation.

28. In response to the findings of an earlier MORI survey reported in the National Audit Office "Reducing Vehicle Crime" report, the Department has commissioned a further MORI survey of the 108 highest crime local authorities that were previously shown not to have opened a register of motor salvage operators (or to have no names on it) and 42 police forces (i.e. all forces in England and Wales excluding the City of London). The survey results will show which local authorities have established registers and which police forces have been actively engaged in enforcement action.

29. The Department will publish the results on its website [www.crimereduction.gov.uk](http://www.crimereduction.gov.uk) within the next month.

**PAC conclusion (x): One way of inhibiting sales of stolen vehicles is to make it more difficult for criminals to disguise them by using the details of another similar vehicle. The Driver and Vehicle Licensing Agency already checks a random selection of applications by the public for information on someone else's vehicle. The Agency should make it explicit on the relevant form that it is a criminal offence to unlawfully procure personal information, and that the Agency makes sample checks to verify that there is a reasonable cause to request such data.**

30. The Driver and Vehicle Licensing Agency agrees with this recommendation.

31. DVLA already requires persons who request information about someone else's vehicle to complete a form (V888) supplying full details of the incident giving cause for the request, and full supporting evidence including police reports, insurance reports, claim details and witness details. The form includes a warning which states:

“It is a criminal offence under section 55 of the Data Protection Act 1998 to unlawfully procure disclosure or sell computer held personal information. The maximum penalty is a fine not exceeding £5,000.”

32. Persons requesting information have to sign a declaration that any information DVLA provides will not be used for any purpose unrelated to the enquiry for which it is granted. DVLA select a random sample of requests to verify the authenticity of the application and will make clear in future re-prints of the form that this checking procedure is in place.

33. DVLA considers each request on its merits, and it will provide the registered keeper's name and address where it is satisfied that its criteria have been met. DVLA does not disclose any other information.

**PAC conclusion (xi): Unregistered motor salvage operators should be known to local authorities and the police and yet few prosecutions have been brought under the Vehicles (Crime) Act 2001. The Home Office should identify with the police and local authorities reasons for this outcome, and take action as appropriate.**

34. The Department agrees with this recommendation.

35. The Department's Permanent Secretary wrote on 4 July 2005 to all Chief Officers of Police and Chief Executives of Local Authorities in England and Wales saying that the Department expected police forces to work with local authorities to enforce the Motor Salvage Operator Regulations 2002 both in terms of checks on registered operators and, importantly, taking enforcement action against unregistered operators.

36. The Department's letter followed guidance issued by ACPO in April 2005 which set out minimum standards of police enforcement (e.g., police forces should establish a single point of contact to support local authorities and operators should be visited at least annually). The extent to which police forces have followed this guidance will be taken into account by HM Inspectorate of Constabulary when conducting vehicle crime thematic inspections or inspections of police force volume crime performance.

37. The Department will consider with ACPO and the Local Government Association what further steps can be taken to improve the number of prosecutions under the Vehicles (Crime) Act 2001 once it has considered the results of the MORI survey (see paragraph 28).

# Seventeenth Report

## HM Treasury

### **Achieving value for money in the delivery of public services**

*The government welcomes this incisive report which draws on the experience of the Public Accounts Committee over a decade. The Government values the Committee's considered advice, reflecting evidence gathered at hearings on a wide variety of subjects of public interest.*

1. The Government believes that the 17th report is a positive contribution towards improving the delivery of public services. The Government takes the Committee's recommendations seriously as the fruit of the accountability process. The best proof of this is that, as the report acknowledges, the great majority of the Committee's recommendations have been acted upon. The Committee has thus helped the Government to secure financial savings, raise the standards of public services and improve the quality of delivery.

2. This Treasury Minute first examines a number of cross Government initiatives which are already in hand. Each of these is intended to improve the efficiency, economy and effectiveness with which public resources are deployed. In undertaking them the Government intends and expects to deliver many of the objectives which the Committee's report highlights.

3. The Minute then turns to consider each of the Committee's themes in turn, delineating progress since the PAC reports to which the 17th report refers. Finally, the Minute looks ahead to the Comprehensive Spending Review (CSR). Announced by the Chief Secretary to the Treasury on 19 July 2005, this will set the priorities for public expenditure until 2010-11 and thus challenge departments to improve further the quality of their service delivery.

#### *On cross government initiatives*

4. The Government is taking forward a number of initiatives to improve the departments' performance in a number of key areas. These include corporate governance, financial management, staff professionalism, and capacity to meet current and future challenges in an efficient and cost effective manner.

5. Good corporate governance in departments is fundamental to delivering good performance. It helps departments make decisions wisely and timeously, plan adequately and keep track of their performance. To guide departments toward improving their corporate structures, the Treasury published in July 2005 a *Code of Good Practice on Corporate Governance in Central Government Departments*. The code establishes for the first time a high level set of principles for departments to promote good internal management, accountability and transparency. Through a pragmatic enabling framework, the code encourages departments to develop practical systems for decision-making and delegation. While it does not disturb the overall responsibilities of ministers nor the ultimate accountability of Accounting Officers for implementation, it suggests how departmental boards can contribute to enhancing departmental performance and improve value for money in use of public funds.

6. The Treasury places emphasis on good corporate governance because it is a prerequisite of good financial management. During 2005, the Treasury worked with departments to examine their frameworks of financial management and develop practical plans for strengthening them. Each department emerged from its review with a clear grasp of its strengths, development priorities and barriers to progress. The Treasury is following up these reviews and will take forward cross-government issues arising from them. This process is intended to build on, and work with, the Government's commitment to resource based accounting and budgeting, and thereby provide good quality financial information and to underpin sound decision making and effective management of resources as emphasised in **the Committee's 15th Report, Session 2004-05**.

7. The Government welcomes the Committee's support for departmental capability reviews. These reviews are designed to help improve the capability of the civil service to meet today's delivery objectives and to be ready for the challenges of tomorrow. Working with outside experts they will help departments to identify where they need to strengthen their performance and what support they need to achieve this. Reports of these reviews will be published, with clear assessments of current performance and key actions to be taken. This should give Accounting Officers and other agents of delivery a real grip on how well their services are performing against independent, credible, objective assessment.

8. Underpinning these initiatives, the Government is seeking to secure major efficiencies for taxpayers by pursuing shared service solutions for departments' corporate service functions. At the same time, the civil service is seeking to achieve higher professional standards of competence and expertise among its leaders and doers through the Professional Skills for Government initiative. This will also contribute to efficiency savings through departments making more use of in-house expertise and skills rather than relying on expensive external consultancy.

*On planning carefully prior to implementation*

9. The Committee's first theme is the importance of careful and thorough planning. This is indeed sound advice which the government takes seriously. In particular, the Government recognises the value of testing implementation routes before full scale introductions. For instance, a current example, recently considered by the Committee, is the introduction of assistance for employer training. The Learning and Skills council is piloting this scheme before national rollout to make sure that, after proper evaluation, it is sound and fit for purpose.

10. Another important tool is the Achieving Excellence in Construction initiative launched by the Office of Government Commerce (OGC). This provides a suite of guides for use by people purchasing construction services to improve the likelihood of success in their project delivery. The National Audit Office (NAO) has estimated that the current gain from adopting this guidance is already some £800 million, with potential to reach £2.6 billion in annual construction expenditure through similar performance improvement across all of the public sector.

11. Another tool now universally used in central government is the Gateway™ process, developed by OGC to help progress procurement programmes and projects. In the last five years, over 1,200 reviews have guided more than 700 projects and programmes. Alongside the Gateway™ process, PRINCE2, the internationally

recognised project management methodology also developed by OGC, helps avoid many of the pitfalls associated with project failure.

12. Turning now to the projects picked out by the Committee, there is substantial progress to report. Policy implementation is rarely straightforward because each initiative brings new challenges, as do advances in technology and methodology. The Government aims to learn from experience and is grateful to the committee for distilling useful messages of wider application from individual cases.

13. The Home Office (HO) has learned important lessons from the implementation of a computerised casework system for immigration cases (**7th Report, Session 1999-2000**). The Department has adopted an incremental approach to the deployment of new systems. An internal scrutiny and approval process has been introduced for all significant projects. They are now referred to the Home Office Group Investment Board for consideration and approval.

14. The Committee was critical of the inefficiencies caused by the late and inflexible provision of funds by the Home Office to its crime and disorder reduction partnerships (**23rd Report, Session 2004-05**). The HO now makes funding announcements as early as possible and provides greater freedoms and flexibilities to partnerships about how money is to be spent, so minimising bureaucracy.

15. The lessons learned by the Department for Work and Pensions (DWP) from the Benefit Payment Card project (**C&AG's Report HC 857, Session 1999-2000**) have benefited follow up programmes (Payment Modernisation and Universal Banking Services) with real successes. These have achieved better risk management, simplified commercial relationships, and avoidance of big bang launches and bespoke IT. The Public Service Agreement (PSA) target of paying 85 per cent of benefits into recipients' accounts by the end of 2005 was met more than a year early with 97 per cent now being paid into accounts. Payment modernisation will generate savings in excess of £1 billion over five years.

16. DWP has also built on the many lessons learned from the ONE project (**16th Report, Session 2002-03**), which the Committee has identified as an example of good practice. The most important lesson was the ability to test the different delivery mechanisms in a live and safe environment that has been put to good use in the creation of Jobcentre Plus.

17. Following the problems with the introduction of Individual Learning Accounts (ILAs) (**10th Report, Session 2002-03**), the Department for Education and Skills (Dfes) has put in robust risk management procedures for project and programme management. Over 1,500 staff, including 230 in its Non Departmental Public Bodies (NDPBs), have now been trained in these techniques.

18. The Committee criticised poor planning and flawed implementation of the new computerised system for processing passports in 1999 by the then UK Passport Agency (now the UK Passport Service: UKPS) (**24th Report, Session 1999-2000**). UKPS took quick and decisive action to deal with the immediate aftermath and put in place a recovery plan. As a result, UKPS has delivered consistently excellent service throughout the six years since the crisis of 1999. Approaching 7 million passports have been issued each year, 99.5 per cent within the new standard of ten days; and some 4.5 million telephone calls from the public are answered annually

round the clock with 90 per cent response within 20 seconds; and the six major IT upgrades since 1999 have all been introduced smoothly, maintaining the required levels of service to the public.

19. The Committee also censured the failure of the NHS Executive to undertake a rigorous assessment of costs and benefits for the purchase of Read Codes and the management of the NHS Centre for Coding and Classification (**62nd Report, Session 1997-98**). Since the report the NHS Information Standards Board (ISB) was established in 2001. It provides an independent mechanism for the assurance and sign-off process for information standards in the NHS in England, including coding and classification, and those required by the NHS in relating to other agencies. ISB ensures that NHS information standards are fit for their stated purpose and can effectively integrate and interoperate across the NHS and in England. The NHS Connecting for Health Agency established in April 2005 provides clear lines of management and accountability for those information-related functions that are performed nationally.

*On strengthening project management*

20. The Committee's second theme, related to its first, is that project management must be robust and effective. Here too the government and the Committee are on common ground. Improving public sector programme and project management capability is key to improving their success rates and enhancing the quality of new initiatives and the effectiveness with which they are implemented. Gateway™ reviews are clearly key to informing project management and securing reliable delivery.

21. The Committee has quoted a number of projects which could have benefited from strengthened management. Since the HO sold the Directorate of Telecommunications in 1991 (**28th Report, Session 1995-96**) project management has been strengthened throughout the Department with particular emphasis on achieving value for money. Each significant business area of HO now has its own priorities, plans and governance arrangements and is accountable to a value for money programme board.

22. Similarly, Her Majesty's Revenue and Customs (HMRC) has strengthened its IT management since the introduction of the National Insurance Recording System (NIRS2) in 1997 (**46th Report, Session 1997-98**). Since 2000, 12 significant releases of new and improved functionality have been introduced successfully with minimal business impact. NIRS2 has recently been re-platformed to operate on new hardware, using new versions of the operating system and database, located in a new data centre, using new networks, and without disturbing expected functionality. Plans were also in place to deal with any operational impact of changes. HMRC seeks to deliver similar standards of delivery across all its IT systems.

23. The Committee identified the complex Libra Project (**44th Report, Session 2002-03**) as inadequately managed. Since then the Department of Constitutional Affairs (DCA) has moved it on considerably. Magistrates' courts now have a functioning IT service serving its 12,000 staff with modern PCs, printers, office software, intranet and secure e-mail. A full technical refresh of the system (earlier than the contract originally intended) has recently given staff new hardware and a software upgrade. Because the cost of Libra escalated significantly, in re-negotiating the contract with ICL (now Fujitsu Services) in 2002 DCA commissioned an independent price benchmark which showed that the revised price was within the industry price range.

24. The Department of Health (DH) has also experienced challenges in implementing complex and disaggregated modern IT systems in the NHS (**Committee's 7th Report, Session 1996-97**). In June 2002, the NHS published a new IT strategy, *Delivering a 21st Century IT Support for the NHS*. This was designed to learn from the experience of the 1990's to deliver an IT solution to enable patient information to be shared between NHS organisations and to build an integrated care record in line with the vision of the Wanless Report of January 2002. Under the leadership of a new Director General for NHS IT, this is the largest civil IT programme in the world, supported by a skilled team of IT, programme management and commercial management professionals. The national programme is intended to enable NHS patients to make informed health choices and increase the efficiency and effectiveness of NHS staff.

25. The Committee takes a particular interest in projects managed under the private finance initiative. Several are mentioned in the 17th report.

26. One of these is the Guy's Hospital Phase III Development completed in 1997 (**28th Report, Session 1998-99**), where poor project management led to delays and spiraling costs. By the time the project was approved for construction, the cost had risen to £83.1 million from the original unrealistic £35.5 million, by which stage a fresh appraisal had given an assurance about realism. In the light of this experience, in 1994, the NHS sharpened its project management systems and accountability arrangements with the issue of the capital investment manual. Further disciplines were introduced in 1999 to improve management of larger hospital schemes, including routines to underpin affordability within the context of the local health economy. More recent NAO reports (e.g. *PFI construction performance (2003)*) have confirmed that most PFI funded hospital schemes now come in on time and to budget.

27. More generally, the Treasury has been grateful for the Committee's advice on the design of PFI projects and has used it to redesign and make more effective the ground rules for selecting and operating PFI schemes. The third edition of *Standardisation of PFI Contracts* was published in April 2004 drawing on the experience of the public and private sectors since 2002. It now incorporates a number of improvements which the Committee has helped identify over this period such as in sharing refinancing gains.

#### *On reducing complexity and bureaucracy*

28. The Committee's third concern is the damage that can be done by unnecessary complexity and bureaucracy. The Government has a long standing commitment to reduce over-regulation and cut out red tape. This can and should free up resources and improve access to public services.

29. The Government is committed to regulate only when necessary; set exacting targets for reducing the cost of administering regulations; and rationalise the inspection and enforcement arrangements for both business and the public sector. To take this task forward the Government established the Better Regulation Executive (BRE) in May 2005. Carrying forward the work previously pursued by the Regulatory Impact Unit, the work of the BRE covers public, private and European issues and also how inspection and enforcement arrangements are carried out on the ground. The BRE will also oversee implementation of the Better Regulation Task Force report *Regulation – Less is More*, and of the Hampton report, *Reducing administrative burdens: effective administration and enforcement*, both published with the 2005 budget.

30. Under the guidance of the BRE, all departments are preparing simplification plans to make real reductions in bureaucracy. The first three so far published have agreed to reduce administrative burdens as follows:

- the Department of Trade and Industry (DTI) intends to achieve more than £1 billion of regulatory savings by 2010 including plans to make company law more flexible and easier to understand;
- the Health and Safety Executive (HSE) plans to reduce the burden of form filling by 25 per cent;
- the Department of Food and Rural Affairs (Defra) has identified 64 initiatives which will save businesses more than £68 million each year.

31. It is also important to use new technology to find smarter ways of delivering services. The search for them in the public interest must be relentless. Sometimes clever systematic use of IT can make it possible to offer a simpler service at the front end which customers will find easier and quicker to use. The 17th report refers to a number of such examples from previous reports. One of which is the report *Difficult forms: how government departments interact with citizens* (**26th Report session 2003-04**). DWP has simplified a number of forms to make them easier to understand and complete. For example, the attendance allowance and disability living allowance claim forms have been redesigned and shortened, where possible, in line with the Committee's guidance, and it should shortly be possible to claim both benefits on line. Forms also direct customers to the Benefit Enquiry Line telephone number in case they need help in completing these forms. Similarly, DWP has already improved procedures for claiming benefits by encouraging claimants to use the telephone to contact them. Jobcentre Plus is introducing an electronic customer management system and has appointed financial assessors to help individuals with their claims. In addition, the Disability and Carers Service on line claim facility will prompt customers to complete all mandatory and relevant information. If further help is required customers will be assisted via the Benefit Enquiry Line.

32. The Committee has repeatedly expressed concern about fraud and error in benefit expenditure (**55th report, Session 2001-02** *Fraud and error in income support*). DWP shares this concern and has set targets to reduce fraud and error. The latest estimates for fraud and error in Income Support and Jobseekers Allowance had reduced by 44 per cent since 1997 and Housing Benefit fraud alone has fallen by around 30 per cent over a two year period. To assist with measuring progress DWP now measures fraud and error in several means tested benefits as pointed out in the Committee's **4th Report, Session 2005-06**. DWP has put in place arrangements to provide a more reliable and accurate estimate of overpayments through fraud and error across the benefit system.

33. The Committee was also concerned about the accuracy rate of the Child Support Agency (CSA) (**1st Report, Session 1995-96**). This covered the first operational year of the CSA. Since then CSA has faced persistent problems with its IT system but nevertheless remains committed to improving the accuracy of its maintenance calculations. While performance has improved, challenges continue. The new Chief Executive, appointed in April 2005, has reviewed the Agency's operations and service delivery. The findings, which include proposals to increase accuracy levels have recently been made public and the Secretary of State for Work and Pensions announced the way forward through an oral statement to the House on 9 February 2006.

34. The Committee also drew attention to the need adequately to explain alterations to pension inheritance arrangements over a period of 10 years from the mid-1980s (**Committee 5th Report, Session 2000-2001**). Because of the incorrect or misleading information given to some people the Government postponed the change to the rules on inheriting a State Earnings-related Pension Scheme (SERPS) pension and announced further rules that came into force in October 2002. A leaflet explaining inheritance of SERPS pension was published in 2001 and has been reviewed regularly since.

35. More generally, DWP accepts that there is a case for seeking to simplify the benefits system. It now aims to build on changes already made, with proposals in its forthcoming Welfare Reform green paper. A dedicated team has been set up to work on the simplification of benefits within the Department. Amongst other things, the team will consult NAO and the Social Security Advisory Committee to guide work on benefit design and delivery. There will be regular progress reports.

36. The Committee also commented on the accuracy of tax assessment (**4th Report, Session 1994-95**). Good progress has been made with tax assessment. In 2004-05 HMRC accurately processed 95 per cent of returns with no tax errors (achieving the national target).

37. In addition HMRC has introduced a shorter Self Assessment Short Tax Return that is 4 pages long as compared with 12 to 16 pages for the main Return. HMRC continues to evaluate savings from the Self Assessment Short Tax Return including processing data automatically.

38. In 1996, the government set up the Tax Law Rewrite project, planning to rewrite tax legislation to make it clearer and easier to use, without changing the effect of the law. The project has since produced three major Acts, and has a further two Bills in active preparation. It will shortly have rewritten all of the income tax code, and corporation tax will follow. In addition to rewriting tax law, the Government acts to simplify the tax code when the opportunity arises and other priorities permit. A striking example of this is the recent simplification of the tax rules for pension schemes.

39. The Committee also commented on the management of Tax Credits (**29th Report, Session 2002-03**). The most effective and efficient way to tackle tax credit fraud is to identify any risk before the claim goes into award and to use the full set of co-ordinated powers provided by the Tax Credit Act 2002. The aim is to do so in an effective and timely way, striking a sensible balance between protecting the Exchequer and preventing hardship to genuine claimants by stopping or reducing payments without a sound basis for doing so.

40. HMRC checks all tax credits claims, changes in circumstances and renewals of claims before authorising payment. HMRC scrutinises the data for risk factors and may then use one or more of a graduated series of interventions to make sure that payments are accurate. In the most serious cases criminal prosecutions may be warranted. Further administrative improvements, including to the helpline service, will make it easier for claimants to understand their awards and obligations, so reducing the likelihood of mistakes.

41. The Committee also drew attention to the level of overpayments of Tax Credits (**26th Report, Session 2003-04**). HMRC is measuring the general level of fraud and

error in tax credits by carrying out an annual programme of random enquiries on a statistically representative sample of finalised claims across the tax credit population. The first report in respect of 2003-04 awards is due in Spring 2006. This programme will also provide detailed analysis of the key risk areas and the effectiveness of the risk management processes. The Department intends to use this data to further inform strategic and operational planning.

42. The Committee also urged UKPS to devise ways of improving its forms and business processes (**26th Report, Session 2003-04**). Using the principles outlined in NAO guidance, UKPS has developed an improved process for applying for passports on line for introduction in spring 2006. The new facility will route and guide applicants through the form, only requiring them to complete the sections relevant to their circumstances. Market testing of pilots of the new process suggests over 90 per cent customer satisfaction. This is a telling example of using complex technology to simplify the experience for the customer in a genuinely useful way.

43. The Committee has a long standing concern about unnecessary complexity in delivery chains for public services. One example, involving regional policy, is set out in its **51st Report, Session 2003-04**. The government is seeking to rationalise departmental funding streams going into local areas and much of the bureaucracy that goes with them. One such development is the Local Area Agreements (LAAs) that provide a radical new approach to dealing with multiple funding streams. LAAs simplify arrangements for multiple funding streams allowing local areas to focus on achieving outcomes and giving them more flexibility to fund local priorities. Following piloting, the Government expects LAAs to be rolled out to all top tier English local authorities by 2007. The Committee also referred to the complexity created by the creation of too many bodies to deliver policy objectives. It is also government policy to establish a new organisation only where no other existing vehicle would serve.

44. In its **34th Report (Session 2003-04)**, the Committee discussed complexity in the rail industry. The Railways Act 2005 has now simplified the rail industry's structure. The Strategic Rail Authority is being wound up and the Department for Transport (DFT) has taken over responsibility for rail strategy. Network Rail has taken over responsibility for operations and performance. The Health and Safety Executive has consulted on a package of new safety legislation which will simplify the existing regime and meet EU requirements.

45. Complexity has also been reduced in a number of ways by joint working between the Crown Prosecution Service (CPS) and the police since 1997-98, tackling the concerns expressed in the **33rd Report, Session 1997-98**. For instance, each police force now works with a single CPS area. Another valuable simplification is CPS' use of Designated Caseworkers to present straightforward cases in magistrates' courts, so using fewer external agents. Using the Compass programme, CPS now operates a single case management system. New trilateral arrangements to improve the operation of the criminal justice system have been introduced including the creation of the Office of Criminal Justice Reform, the establishment of Local Criminal Justice Boards (LCLBs) and a National Criminal Justice Board which sets performance targets for LCJBs, agrees their plans and monitors their performance. And the police and CPS are now rolling out a new process – Prosecution Team Performance Management – to manage both the throughput of work at busy police charging centres and to analyse the outcome of those cases that have been prepared and presented by the prosecution team and so spread good practice.

*On improving public service productivity*

46. The Committee has also drawn out some useful recommendations for improving public service productivity, both in the use of physical assets such as buildings and by driving down sickness absence in the public sector.

47. Here too the Government has progress to report. For example, better management of patient admissions has reduced the average hospital length of stay, cutting treatments costs by over £300 million so far and freeing up over 1 million bed days to treat more patients, more quickly. A new Probation Service computer system will automate the preparation of reports for court, saving 110,000 hours of probation officers' time each year. And a £40 million saving from better accommodation contracts has contributed to a £250 million reduction in the cost of support for asylum seekers.

48. Responding to the Committee's concerns about the level of absences among public sector workers, there are a number of initiatives in hand to challenge and tackle sick absence patterns. All civil service departments now have individual targets to reduce sick absence. Measures are in place to help unions and employers understand the causes of sickness related to workplace practice. And the new National Director of Occupational Health is leading a health work and well being strategy.

49. To quote some specific examples of the action in hand:

- since the Committee's **33rd Report, Session 1998-99**, the Prison Service Agency has improved its management information systems and has achieved a 20 per cent improvement in absences from the adjusted 1998-99 levels, saving some £27 million a year by 2004-05. The agency is now striving to do still better;
- since the Committee's **50th Report, Session 1997-98**, the Metropolitan Police Service (MPS) has taken targeted action and reduced the sickness rate for MPS officers which for 2004-05 is now 13 per cent less than the national police equivalent;
- Land Registry has reduced its absence rate (unadjusted) from 9.9 days a year in 1996 to 7.4 days in 2004 against a Civil Service average of 9.1 days in 2004;
- DWP introduced a new method of calculating sickness absence in 2003. The figure for average working days lost per staff year in November 2004 was 12.5 (based on a rolling 12 month calculation to flatten seasonal variations). By November 2005 the figure had fallen by 1.6 days to 10.9 days.

50. The Committee's **20th Report (Session 1999-2000)** looked at the management of medical equipment in NHS acute trusts in England. The NHS has taken action to improve its purchasing performance by establishing the NHS Purchasing and Supply Agency (PASA) which focuses on clinical engagement and spreads information about best practice through its regional structure. PASA also makes available information about product performance benefits to help purchasers take account of the longer-term financial implications when making purchasing decisions. DH is now considering whether it would make sense for PASA to partner with the private sector.

51. The Committee also commented on the delays in discharge of older patients from NHS acute hospitals (**33rd Report, Session 2002-03**). Working with local

authorities, the NHS has already made significant progress in this area. In the two years to September 2005, the number of people delayed in hospital fell by some 46 per cent, of which the numbers over the age of 75 dropped by some 41 per cent. The NHS is now using best practice guidance on the practical steps health and social care professionals can take to improve discharge rates.

52. Since the Committee's **14th Report (Session 2000-01)** on the management of vacant family quarters the Ministry of Defence (MOD) has disposed of 14,000 surplus properties, reducing the proportion of vacant quarters from a high of 24 per cent. A further disposal of 2,100 properties will reduce this to 12 per cent against the target of 10 per cent of vacancies in the service family accommodation estate. Allowing for the 3,000 empty properties held for potential future requirements MOD's management margin should by then achieve a 7 per cent vacancy rate.

53. The Committee drew attention to obtaining better value for money from departments' procurement of professional services (**21st Report, Session 2001-02**). Following the Committee's report, OGC published guidance for departments to support the NAO recommendations. In particular this included advice on how to ensure that there are appropriate levels of departmental approval before committing to consultancy expenditure, and to ensure that procurement professionals are involved where appropriate. Jointly with the Management Consultancies Association and the Institute of Management Consultancy, OGC also developed a Statement of Best Practice for purchasing consultancy services, and this was endorsed by the NAO. OGC also monitored progress against the NAO recommendations via a series of departmental returns.

54. In 2004, the Professional Services Forum was established to bring together Industry and the Public Sector to establish a better understanding of the issues associated with procurement of Professional Services. Opportunities to improve the engagement process and to maximise the value from consultancy assignments have been examined, and through the Forum and its sub-groups, OGC has been working with both departments and suppliers to share best practice.

55. OGCbuying.solutions supplies a wide range of Frameworks under the Catalist brand covering Management and IT Consultancy Services and Contractor and Interim Manager Supply. Savings delivered by these Frameworks are currently being calculated and will hopefully be available next month.

#### *On being more commercially astute*

56. The Committee has a striking theme urging the public sector to be more commercially astute. The government already seeks to hire a wide range of people with diverse experience and skills, including commercial skills, to make sure that the public sector is fully equipped to negotiate shrewd and effective deals delivering good value in the public interest.

57. Complementing this upskilling, OGC continues to act as a centre of expertise in purchasing to boost the quality of public procurement. OGC has now achieved gains across central civil government of £2.3 billion in 2004-05. The next challenge is to encourage departments and other public sector bodies to aggregate demand, move to better deals, and make greater use of framework agreements. In addition, the government has set up a new Public Sector Construction Clients' Forum to strengthen leadership and co-operation in public sector construction activity.

58. Negotiations of a number of commercial deals by departments also promise to deliver savings. Under a Government purchasing deal with Microsoft £84 million will be saved on over a million software licenses. For example DWP has agreed arrangements with EDS and BT to simplify the complex structure of their legacy contracts. This will introduce industry standard services at benchmark prices and deliver a modernised infrastructure and communications network, which will provide customers with a more reliable, better performing service.

59. The Committee has quoted a number of examples from past reports where departments could have been more commercially astute. Good progress has been made since the committee's reports were published.

60. The Committee's **43rd Report (Session 2003-04)** looked at MOD's major projects. The MOD's Smart Acquisition (SA) initiative now more effectively controls costs and timescale variances which had been a concern in major procurements and the recent NAO Report on Major Projects in 2004-05 (Major Projects Report 2005) recognised that improvements have been made. MOD recognises the need to do better at de-risking projects before the main investment decisions are made. MOD is using techniques such as three-point estimating and the application of Technology Readiness Levels to improve risk measurement and management in the assessment phase which precedes the investment decision phase. SA has been further improved and integrated project teams have been established to engage key stakeholders. The recently published Defence Industrial Strategy (DIS) will also provide the overarching framework that draws these initiatives together and drives forward further improvements.

61. The Chinook Mk2 programme, which the Committee considered in its **45th Report (Session 1999-2000)**, was delivered on time and below budget. While there were some restrictions on use of the helicopters 90 per cent of operational activities could still be conducted. MOD gained independent assurance on the performance of Full Automated Digital Engineering Control (FADEC) software through the successful verification and re-documentation of all the software. The government does not agree that the finding of the Royal Air Force Board of Inquiry into the tragic crash of Chinook ZD567 in June 1994 failed to satisfy the burden of proof. In the 11 years since the Mull of Kintyre accident, MOD has examined all the complex technical, legal and airmanship issues raised by those opposed to the finding, but have found nothing that undermines it. The Government retains every confidence in the judgement of the reviewing officers in the Mull of Kintyre tragedy, who paid particularly careful attention to the FADEC System.

62. The Committee also criticised disposal and management of MOD stores, respectively in its **27th Report (Session 1993-94)** and its **13th Report (Session 2002-03)**. MOD's Disposal Services Agency (DSA) fully recognises the need to maximise sale proceeds, while its Defence Logistics Organisation recognises its responsibility for optimising its inventory. In particular, DLO is seeking to dispose of obsolete assets and is reviewing the requirement to hold slow moving items. MOD's Defence Storage and Distribution Agency is also rationalising to reduce warehousing space, so as to use inventory more effectively and deliver supplies so far as possible just in time. With this in mind, supplier lead times are also being critically examined to determine optimum stock holdings. This may mean taking more business risk in holding inventory, with a view to striking the right balance between essential operational support and value for money.

63. The Committee also commented on the collection of fines and other financial penalties in the criminal justice system (**68th Report, Session 2001-02**). Her Majesty's Court Service Enforcement Programme has achieved considerable progress since then in that amounts now written off have reduced by some 90 per cent. The payment rate has also improved significantly, up from 59 per cent to 80 per cent for 2004-05. At the moment a pilot initiative is testing the effectiveness of using private sector partners to enforce fines outstanding for over a year. Meanwhile, the enforcement programme has driven up performance using innovative business solutions such as identifying the optimum payment rate by in-depth analysis, involving benchmarking against the private sector and building in assumptions about improvements in performance that would flow from planned initiatives. This analysis suggests that a national average payment target rate of 85 per cent was the maximum achievable and plans to reach that level by March 2008 have been developed. Further, new powers in the Courts Act 2003 introduced automatic attachment of earnings or deductions from benefits, vehicle clamping, registration of the fine which may lead to the defaulter being denied credit and the appointment of Fines Officers to manage the collection and enforcement process. These measures are testing previous boundaries and will be fully rolled out by March 2006. Further measures, including chasing debts by telephone and texting, are also under consideration.

64. The Committee was concerned about recovery of debt by the then Inland Revenue (**49th Report, Session 2003-04**). HMRC now successfully collects over 99.5 per cent of its total revenue. The majority of the amount written off results from business failure and personal insolvency. Now that HMRC is established as a single department it has brought together management and collection of debt for direct and indirect taxes and is prioritising action against large value cases to protect the flow of funds to the Exchequer. Self-assessment debt is to be moved into the integrated debt management system, so enabling HMRC to direct an increased number of straightforward debts through the telephone centre. Wherever possible, pursuit of debt is automated using business rules within the system, with the aim of minimising clerical handling, speeding up the process and accelerating the flow of funds to the Exchequer.

65. HMRC continues to review its performance measures to identify the most appropriate intervals at which to review outstanding debt. It now uses a debt analysis matrix, as a means of helping identify more accurately where debt sits, and to target it. The department has service delivery targets for the percentage of taxpayers that pay on time. With the Treasury, HMRC is also reviewing its powers, with a view to shaping a new civil penalties policy for non-compliance.

66. The Public Trust Office (PTO) and Lord Chancellor's Department acknowledged that the conclusions of the **PAC 35th Report (session 1998-1999)** demanded a fundamental programme of change. This led to the establishment of the Public Guardianship Office (PGO) in April 2001. The PGO has continued to address all the PAC's recommendations. The NAO's most recent study of this area *Public Guardianship Office: protecting and promoting the financial affairs of people who lose mental capacity* in June 2005 showed that the PGO had improved the overall quality of service provided to its clients compared to its predecessor. In particular information quality has improved and accounts are collected more promptly – the collection rate from receivers is now over 90 per cent, up from 80 per cent in 1998-99.

67. In response to the Committee's **39th report (Session 1993-94)** the PTO cleared the backlog of 887 un-reviewed accounts by end September 1994. To counter bogus payments, PTO also took action to improve control, both financial and in office management. The PTO accepted the importance of reviewing receivership accounts in order to protect patients' funds from fraud and abuse. Improvements in monitoring procedures were introduced to ensure that reviews were kept up-to-date and the PTO undertook to pursue outstanding accounts more vigorously. NAO's recent report on the PGO assesses that the problems with collection of accounts identified in the 1993-94 PAC report have now been addressed satisfactorily.

68. The Committee drew attention to the low commercialisation rate achieved by research funded by Defra (**18th Report, Session 2002-03**). While Defra research is not primarily intended to develop near market proposals, the department has now established arrangements for a standard split of 90/10 in the contractor's favour, to encourage exploitation of those projects where commercial results can be foreseen. In addition Defra is developing R&D framework agreements with its main contractors, including a requirement to report annually on project results and any commercial development opportunities.

69. Similarly, Defra's three science agencies actively manage their research programmes and continue to build up expertise in the area of commercialisation of research results. Promising opportunities are individually examined to assess the best route to market (e.g. via licensing, joint ventures or spin-outs). In building on their knowledge and expertise the science agencies have also developed greater insight into the risks in engaging in commercial opportunities and how these may be best realised. Further work to ensure that an appropriate balance is achieved will be put in place through the work of the Department's new Laboratory Strategy Committee which will oversee the activities of the three science agencies.

#### *On tackling fraud*

70. The Government shares the Committee's concern to tackle fraud, however it arises. The Government has set up an inter-departmental review of fraud to report to the Attorney General and Chief Secretary to the Treasury by late spring 2006. The review will consider the prevention, detection, investigation and prosecution of fraud. It will consider the scope for improving the current arrangements with the objective of reducing the amount of fraud and the harm it causes to the economy and wider society. Key departments like DWP and HMRC are investing in professional training, improving intelligence-led detection, increasing use of risk profiling, and will continue to tackle serious, high value frauds as well as enforce customers' responsibility to report changes in their circumstances. The departments will continue to set challenging targets to reduce fraud and improve and refine measurement systems to gain a more accurate picture of the level of fraud – and where and when it is most likely to occur. The Government is also committed to reducing mistakes made by staff and customers.

71. While it is never possible to forestall every new kind of assault on the integrity of the public sector as the cheats seek to exploit every new opportunity, the government remains vigilant and is ready to take prompt action. HMRC's recent discovery of identity fraud in the tax credit system is the latest such challenge.

72. Since the publication of the Committee's **27th report (Session 1997-98)** and its **31st Report (Session 2001-02)**, DWP has developed a robust methodology for

continuously measuring fraud and error in housing benefit. This now produces a range of information which is used to inform departmental programme protection policy. Latest estimates of Housing Benefit fraud and error, from April 2002 to March 2005, show that the loss in the working age is 6 per cent (£410 million) and the overall loss is 4.8 per cent (£530 million).

73. Since the Committee's **36th Report (Session 2003-04)**, data published with the 2005 Pre Budget report showed that following the introduction of HMRC's VAT Compliance Strategy in April 2003 the estimated amount of VAT not detected (the VAT gap) fell from 16.8 per cent in 2002-03 to 13.5 per cent in 2004-05.

74. The Committee also referred to HM Customs' Appropriation Accounts in the **54th Report (Session 1997-98)**. Since 2000 Customs, and now HMRC, has adopted a strategic approach to tackling excise smuggling and fraud. Formal strategies have been successfully implemented to reduce revenue losses from tobacco smuggling (in 2000), the misuse of oils (in 2002) and alcohol fraud (in 2005). Each strategy includes bespoke supporting policies for the use of criminal and a wide variety of other sanctions aimed at maximising the impact of operational activity on the revenue loss. Each strategy is also supported by legislative measures designed to change the environment in which the smugglers and fraudsters operate and to increase the risk of detection. These strategies are proving successful: the illicit market for cigarettes was reduced from 21 per cent in 2000-01 to 16 per cent in 2003-04, and the illicit market for oils came down from 6 per cent in 2001 to 4 per cent in 2004.

75. The Committee also explored fraud in payment of direct taxes in its **1st Report (Session 2003-04)**. Before the merger into HMRC, the Inland Revenue dealt with difficult fraud cases through its Serious Compliance Office (SCO), in whose last full year of operation (2004-05), 178 people were reported for prosecution for tax fraud, with a further 548 people reported for tax credit fraud. In this year SCO significantly increased its financial yield from investigation work to £1.035 billion in 2004-05, well up on £388 million the previous year. In 2004-05, a new departure was the recovery of £3.5 million through confiscation orders from those convicted of tax or tax credit fraud. This step change demonstrated a serious determination to tackle fraud across the whole range of activity. More generally, in 2004-05 the Revenue's compliance work in local tax offices, generated a yield:cost ratio of 4.4:1 up from 3.6:1 in 2001-02.

76. Responsibility for dealing with tax fraud now falls to HMRC, which continues to deal with fraud by use of cost effective civil procedures with a view to monetary settlement, including duties, interest and penalties, wherever possible, with tough action through the Special Civil Investigations (SCI) unit dealing with the most serious and sensitive of those cases. As in the former Inland Revenue, HMRC has a selective criminal investigation policy, reserving criminal action for cases where a strong deterrent message is warranted or where the conduct involved is such that only a criminal sanction is appropriate. HMRC has recently secured significant publicity for its high profile cases, including one individual extradited from Switzerland and subsequently convicted and imprisoned for 12½ years. HMRC continues to seek appropriate publicity to build on the deterrent effect of prosecution for tax evasion and fraud. HMRC also works pro-actively to publicise the benefits of taxpayers coming forward voluntarily to disclose inappropriate tax. The media have been particularly interested in work to detect and deter offshore fraud.

77. The merger of HMRC in April 2005 created an opportunity to investigate direct and indirect tax frauds alongside one another since losses to the Exchequer can accrue to both from the same criminal behaviour. This should both increase the efficiency of criminal investigations and enhance understanding of the degree to which various taxes are being evaded, increasing HMRC's ability to close gaps in legislation and practice that facilitate evasion.

*On better and more timely implementation of policies and programmes*

78. The Committee's final theme is timely and proper implementation of policies and programmes and careful consideration of their implications. There is a potential tension here with the Committee's first theme of thorough planning but there is no doubt that it is vital to strike the right balance between adequate planning and addressing pressing policy imperatives.

79. Under this heading the Committee has given a number of examples of the need for better and more timely implementation of programmes and policies. The Government has taken forward recommendations made by the Committee and good progress is being made.

80. The committee's **42nd Report (Session 1999-2000)** and the **C&AG's progress report (Session 2003-04)** dealt with the management and control of hospital acquired infections (HAI), including Methicillin-resistant Staphylococcus Aureus (MRSA). The Government agrees that HAIs are a significant public health problem both in the UK and in other countries. While not all of these infections can be prevented, minimising them is a top priority for the NHS, which has developed a wide-ranging evidence based programme as there is no silver bullet solution. A number of practical steps have been taken, including usage of hand cleansing gels, and appointment of matrons to make sure wards are clean and infection control measures are properly applied by staff. These are to be backed up by a discretionary power for the Healthcare Commission to issue improvement orders to NHS bodies whose performance falls short.

81. This government is the first to introduce mandatory surveillance for healthcare associated infections, and has set a target to halve MRSA blood stream infections by 2008, supported by informative but not intrusive reporting systems. Since 2001 mandatory surveillance has been extended to infections other than MRSA, including *clostridium difficile*, glycopeptide resistant enterococci and surgical site infection in orthopaedics. To help trusts that are lagging behind in working towards the 2008 target Department of Health is setting up teams of specialists to work with them through 2006. The Department has also set up the Performance Improvement Network for trusts to meet quarterly to share best practice and learn from each other. The Department will also publish on-line enhanced reporting data every six months.

82. The Committee also referred to the **69th Report (Session 1997-98)**. In response the NHS established a number of initiatives to improve the coverage and effectiveness of cervical screening. The Government sees this as part of the broader programme of action to reduce health inequalities in the context of neighbourhood renewal. The aim is 80 per cent coverage for cervical screening in the relevant age cohort of women, with special action to encourage deprived and minority ethnic groups. By 2004-05, 80.3 per cent of eligible women aged 25 to 64 in England had been screened at least once in the previous 5 years, probably saving some 5,000 lives a year in England.

83. The Committee discussed the use of on line services in Government in its 21st Report (**Session 1990-2000**), **54th and 66th Reports (Session 2001-02)**. At the time of the report only 33 per cent of services were reported to be available online. By comparison at the end of 2005 some 96 per cent of Government services were expected to be available online. Take-up is rising fast:

- 57 per cent of internet users (33 per cent of the population) have visited Government web sites within the last 12 months up 11 percentage points in six months;
- 60 per cent of University and Colleges Admissions Service (UCAS) applications are now conducted electronically;
- Job Centre Plus receives around 4 million visitors a month online;
- NHS Direct gets 1 million visitors a month online and 600,000 calls per month; and
- 45 per cent of driving test bookings are now made via the internet or automated telephone services.

84. The government believes that electronic services offer users real benefits since user satisfaction is high. For instance:

- 30 per cent of internet users (18 per cent of the population) have saved time by using Government e-services;
- 30 per cent of internet users believe Government e-services have delivered them greater convenience and availability;
- satisfaction and loyalty are generally high with 88 per cent of users generally satisfied and 88 per cent planning to use e-Government again.

85. Generally, the Government recognises that IT in delivery of public services must be a priority. Improved performance through sharing services should in future ensure delivery that is better focussed on customer needs. In doing so there will be a number of challenges to overcome, including how best to use common infrastructure, share data, manage personal identity data and assure information quality without prejudicing users' privacy. This is part of a coherent programme of work to transform public services using technology. The Government is currently consulting across the public and private sector on the strategy and its implementation and intends to make an annual report to Parliament on progress.

86. The Committee's **18th Report (Session 1997-98)** cited project Trawlerman as an example of waste through poor design, management and implementation. Valuable lessons were learned and applied to the successor system that was put into service utilising commercial off-the-shelf technology at a fraction of the original cost.

87. The Committee's **46th Report (Session 2002-03)** criticised MOD for the delay and inadequate support arrangements for the introduction of Apache helicopters. The Apache has shown the clear benefit of appointing a prime contractor responsible for all aspects of an acquisition programme. This is being taken forward in the rotary wing sector by an integrated operational support solution which is being introduced for Sea King and planned for other legacy and new aircraft. The Memorandum of Understanding on Apache of May 2000 continues to provide good arrangements for consulting the US with mutually beneficial collaboration.

88. The Committee's **23rd Report (Session 2003-04)** referred to lack of proper planning and estimation at the General Communication Headquarters Cheltenham (GCHQ) that led to cost increases for its new accommodation. GCHQ accepts that provision of its new accommodation would have been better managed as a major programme from the start and that it failed fully to appreciate the complexity and costs associated with the IT aspects. Once GCHQ had initiated its New Accommodation Programme in January 1999 it adopted best practice and was an early pioneer of OGC's Managing Successful Programmes (MSP) 99 and helped develop the methodology and its successor MSP-03. NAO has recommended that others might learn from this experience. More generally, GCHQ has overhauled its planning processes, for example to drive its annual corporate plan.

*On the Comprehensive Spending Review*

89. More generally, the Government is determined to realise opportunities to improve efficiency of departments. A good start has been made with the Gershon Review and the forthcoming Comprehensive Spending Review 2007 will look at how the public expenditure framework can best embed and extend ongoing efficiency improvements and support the long term investments needed to meet public service delivery. The Government is committed to maximising efficiency within the public sector, minimising bureaucracy, and eliminating unproductive work to free-up more resources for front-line services.



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