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

December 2008

TREASURY MINUTES DATED 17 DECEMBER 2008 ON THE THIRTIETH, THE THIRTY NINTH, THE FORTY FIRST AND THE FORTY FIFTH TO THE FORTY SEVENTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS SESSION 2007-08

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Thirtieth Report

HM Revenue and Customs (HMRC)

Management of Large Business Corporation Tax

1. HM Revenue and Customs (the Department) welcomes this report by the Public Accounts Committee, which examined the Management of Large Business Corporation Tax. The Committee recognises that some businesses pay little or no Corporation Tax (CT) not because they are engaged in tax avoidance but because there are a number of reliefs that support business expenditure or they have historic accumulated or current tax losses that offset any current liability.

2. The Department accepts that further work is required to build on the substantial improvements made in targeting and managing large business corporation tax enquiries since the *2006 Review of Links with Large Business* (RLLB). This review provided the framework for a new approach to HMRC's relationship with Large Business where the Department focuses its resources on areas of greatest risk and manages its work to give earlier certainty and responsiveness to its customers.

PAC Conclusion (1): The Corporation Tax paid by large businesses is heavily skewed towards a small number of businesses. In 2005-06, of the 700 largest businesses in the UK, 50 paid two-thirds of the tax raised, and 181 paid none. The analysis published in the National Audit Office's report provides transparency on the variations in tax revenue and the contributions from different sectors of the economy. The Department should publish a similar analysis each year with explanations of the trends.

3. The Department accepts the Committee's recommendation. It will publish annually a sector-by-sector analysis of large business corporation tax revenues. The information published will be constrained by the duty in law the Department has not to disclose information that would enable the tax details of individual businesses to be identified or deduced.

PAC Conclusion (2): Businesses in the United Kingdom can legitimately reduce their Corporation Tax payments by claiming a range of reliefs and allowances. In some cases, the liability may reduce to zero, even though the businesses have made profits. The amount of tax foregone is likely to be substantial, but is not visible. The Department should publish an annual analysis by industry sector of the extent of these reliefs and allowances, as well as their effect on tax revenues.

4. The Department notes the Committee's recommendation. A limited amount of sector-based information is currently published on the HMRC website as part of regular national statistics. These statistics are updated annually.

5. To augment explanations of sector tax revenues, the Department will investigate the feasibility of producing a sector by sector analysis of the entitlements to reliefs and allowances given to large business, evaluating the potential benefits and costs of production.

6. A sector-by-sector analysis of reliefs and allowances could in some cases expose individual businesses to identification. The information published would therefore be constrained by the duty in law the Department has not to disclose information that would enable the tax details of individual businesses to be identified or deduced.

PAC Conclusion (3): Of the £2.7 billion additional tax generated by the Department's Corporation Tax enquiries in 2006-07, 99 per cent came from 40 per cent of the enquiries. To increase the yield from enquiries and make better use of its staff the Department should target those businesses that pose the greatest risks of non-compliance. To demonstrate its progress in targeting risks it should publish annually the distribution of its enquiries by value.

7. The Department accepts the Committee's recommendation. The Department has made significant progress in targeting corporation tax enquiries into areas of greatest risk. The number of open Large Business Service enquiries into less significant risks has dropped from 2140 in April 2007 to 288 in October 2008.

8. Resources have been refocused into areas of most significant risk. The proportion of LBS enquiries over £10 million tax has risen from nine per cent of all its open enquiries at January 2007 to 23 per cent at October 2008.

9. The analysis will be published annually.

PAC Conclusion (4): The Department aims to complete enquiries within 18 months, but 42 per cent of enquiries have been running for two years or more. Because of the delays the companies affected cannot determine their final tax bill, and the Department's staff are diverted from working to resolve current issues. By April 2009, it should aim to achieve this 18 month target at least 95 per cent of enquiries, and identify the reasons enquiries are not concluded to time.

10. The Department notes the Committee's recommendation. HMRC's focus on significant risks and the reduction in new less significant risk enquiries means that more complex and difficult to resolve enquiries make up a higher proportion of the total open risks than before.

11. Enquiries can be prolonged because of difficulty or unwillingness of businesses to provide necessary information, which can need formal proceedings to overcome. The number of Large Business Service open enquiries over 18 months old has reduced from 2044 in April 2007 to 1490 in October 2008.

12. Setting a target that only five per cent of open issues should be more than 18 months old by April 2009 could compromise the effectiveness of open enquiries and lead to a risk of loss of the tax which otherwise may become due on the outcome of these enquiries. The LBS has set a target that 70 per cent of issues more than six months old at April 2008 should be resolved by April 2009. From April 2009 the LBS will set a target for closing enquiries within 18 months.

PAC Conclusion (5): The Department has appointed customer relationship managers to improve the relationship with large businesses and identify key risks across the different taxes. To establish whether the customer relationship manager role adds value, and improve overall compliance, the Department should undertake an evaluation of their effectiveness by the end of 2009.

13. The Department accepts the Committee's recommendation. The development of the Customer Relationship Manager (CRM) role is one of a number of changes made by the Department both prior to and following RLLB. Feedback from surveys of Business is that the CRM model is widely welcomed and has resulted in significantly improved relationships and improved accountabilities across taxes. A 2007 Survey found that there is a link between those large businesses who have a good relationship with HMRC and their willingness to be open with HMRC – the Department recognises that, for large business, good compliance is based on openness and transparency. This survey is being repeated in 2008, and will evaluate the CRM role.

14. A specific review of the CRM model will be undertaken in 2009. It is likely to be difficult to establish separately the contribution to improving compliance of each change to the Department's approach and changes to the tax legislative framework.

PAC Conclusion (6): The Department does not have a robust measure of the Corporation Tax gap (the difference between how much tax large businesses pay and their theoretical liability). It should develop such a measure and publish the results, with separate estimates being produced for large businesses and for small and medium-sized businesses, which are covered by its local offices.

15. The Department notes the Committee's recommendation. It is acknowledged worldwide that corporation tax gap measurement is very difficult for the large business tax population. No tax authority routinely publishes comprehensive tax loss estimates currently.

16. HMRC continues to work on a methodology and produce analyses of corporation tax identified as potentially at risk through non-compliance and avoidance. The Department needs to validate the collection process of new data for the purposes of tax gap estimation – preferably over at least two years – to ensure that robust results are being produced.

PAC Conclusion (7): Around half the growth in global trade currently comes from transactions between subsidiaries of multinational companies. The Department works through international fora, such as the Organisation for Economic Cooperation and Development, to research and share information on international tax avoidance practices. It should share information and assessments on individual high-risk companies with tax authorities in other countries to inform its own risk assessments.

17. The Department notes the Committee's recommendation and accepts it in so far as it can legally provide the information concerned.

18. As the Committee notes, the Department currently shares information of a variety of kinds internationally through the Joint International Tax Shelter Information Centre (JITSIC) and other bilateral communications. It also shares information on specific cases with tax authorities of other countries, under the terms of the relevant double taxation conventions. It will continue to do this. We will review specific risk assessments and pass to overseas colleagues information, which we consider to be foreseeably relevant to their work, where we are permitted to do so.

19. The Department has a duty in law not to disclose information about individual businesses, except in particular circumstances provided for in the law.

PAC Conclusion (8): In the United Kingdom, groups of companies are not required to prepare consolidated Company Tax returns so the Department cannot assess the effective Corporation Tax rate across a group of companies. Tax authorities in Australia and Canada can analyse the effective tax rates across groups of companies to differentiate high and low risk businesses. The Government should consider whether consolidated Company Tax returns would bring greater clarity on the tax position of large conglomerates in the United Kingdom.

20. The Department notes the Committee's recommendation, which concerns a matter of taxation policy. Company tax returns exist to enable companies to comply with their tax obligations by showing how much tax they are due to pay and a consolidated return for UK corporation tax purposes would therefore reflect only those group companies that are within the scope of UK CT. A consolidated return would need to be based on computations for each of the individual group companies resident in the UK for tax purposes, otherwise a considerable Exchequer cost could result from losses and reliefs being pooled within a group.

21. The Department does not think that a consolidated return would bring greater clarity to its understanding of the tax position of large groups – it already considers the amount of UK tax paid by UK resident companies in large groups as part of its risk assessment process.

22. Many large business corporate groups include subsidiaries that are resident and operating in other countries and, consistent with international taxation principles, the overseas territories assert primary taxing rights as the UK does for UK resident subsidiaries of foreign groups. In some cases UK-headed large business corporate groups earn almost all their profits abroad and pay substantial tax to foreign fiscal authorities and very little tax is due in the UK. In such a case a consolidated return would simply confirm to the Department that the group pays very little corporation tax in the UK, but such a return does not indicate that the company should be paying more tax in the UK.

23. Whether a group is paying an appropriate amount of tax in the UK will depend on the facts and circumstances, and a consolidated return would not assist the Department in forming a judgment on that issue.

PAC Conclusion (9): As the Department has reduced the use of generic avoidance schemes, tax advisers have developed bespoke schemes to help large businesses reduce their tax liabilities. In its risk assessments, the Department should consider a number of indicators to large business avoidance activity, such as the cost of professional tax advice, the direct recruitment of staff with expertise in tax avoidance schemes, and the businesses' wider international record.

24. The Department notes the Committee's recommendation. The Department has developed a variety of ways to identify large business avoidance activity. A significant one is the promotion of open, transparent relationships with business tax advisors where up-front disclosure of significant tax risk, including avoidance, is seen as mutually beneficial. This can forestall large numbers of unnecessary enquiries and enable business to obtain earlier certainty about whether the planning is successful.

25. The information suggested in the recommendation may be helpful in some limited cases, but it may not be possible in all cases to obtain it. Additionally it is of itself unlikely to lead to identification of specific risks. Use of professional tax advisors, depending on the reason for their use, may reduce a company's tax risk profile.

26. The Large Business Service approach to tax risk identification includes consideration of the capability and governance of the tax planning and administration function of businesses. A lack of transparency about this and tax planning strategy will feature as a risk indicator.

PAC Conclusion (10): The Department has introduced a new approach to dealing with large businesses to differentiate its treatment of those it considers high and low risk. The Department should publicise its new approach and emphasise the likelihood of fewer enquiries for businesses with low risk behaviour. It should also increase the number of penalties for companies engaged in serious avoidance activity, by robustly applying the new penalty regime when it comes into effect.

27. The Department accepts both parts of the Committee's recommendations, and considers that it has taken a number of steps to implement this since the original National Audit Office Report. The Department has publicised its risk framework for large business. This has been discussed in a number of forums and media, and been the subject of academic research and review. It will continue to do so, including proactive engagement by senior managers with the Boards and senior officers of Large Business Service customers and their professional advisors.

28. Large Business Service customers will have an annual risk review meeting with their CRM where the approach will be explained and discussed with the business.

29. The new penalties regime for incorrect returns will come into effect from April 2009. The Department will seek penalties where a return is carelessly or deliberately incorrect leading to a loss of tax or overstated loss (including for group companies). This may on occasions include serious avoidance activity. Customer relationship managers will explain the new penalty regime to their customers with a view to encouraging accurate returns. The Department expects that if there is no overall change in business behaviour in response to the new regime to ensure reasonable

care is taken, the number of penalties may increase because they will be due in wider circumstances than currently. Of course the intention of the new regime and the Department's approach is to promote that behavioural change.

PAC Conclusion (11): The Large Business Service faces a loss of skills and industry knowledge as more experienced staff are due to retire. The Department should assess the number and skills of staff it needs over the next 10 years and how it will recruit them, and develop a linked training programme to enable it to have sufficient expertise for its work.

30. The Department accepts this recommendation. It has recently reviewed the skills requirement of its tax professionals and has put in place a rigorous training and recruitment programme to ensure that, even as staff retire, the Department has the most up to date skills.

31. Specific initiatives include the introduction of a tax professional career path, an enhanced graduate level tax professional development programme, mandatory tax continuous professional development for all tax specialists, and external accreditation of a new tax professional qualification that will assure standards, consistency and credibility.

32. To support this development HMRC is in the process of appointing very experienced Anti Avoidance Advisers (AAA) from the private sector, including the top four accountancy firms. Part of the AAA role is to prioritise the development of existing HMRC staff, their professional awareness and tax technical skills.

Thirty Ninth Report

Department for Children, Schools and Families

Preparing to deliver the 14-19 education reforms in England

1. The 14-19 education reform programme aims to increase young people's participation in education and training beyond age 16 and raise their educational attainment. Young people presently have a complex choice of qualifications at ages 14 and 16. Central to the programme are reforms to simplify choices of learning route, including new Diploma qualifications in 14 occupational areas as well as languages, humanities and sciences that offer a blend of academic and vocational learning.
2. The Diploma is seeking to provide a qualification that will be attractive to young people, to higher education institutions and future employers. The Department for Children, Schools and Families (the Department) has involved universities and employers in designing the Diplomas and developing their content.
3. On the basis of a Report by the Comptroller and Auditor General¹, the Committee took evidence from the Department on: giving all young people access to Diplomas; reducing complexity and communicating simply; and having the capability to deliver the reforms.

PAC Conclusion (1): Providing more learning opportunities for young people that integrate academic and vocational study is commendable, but much remains to be done to achieve it. Local authorities are leading the implementation of the reforms, but there will still be a major role for the Department for some years, for example in developing clear, consistent communications about the reforms, helping consortia develop the capability to implement them by 2013, and promoting transparency and local accountability to demonstrate the cost-effective use of resources.

4. The Department welcomes the Committee's support for the integration of academic and vocational study, and agrees that it will be crucial to focus on supporting local areas to be able to deliver in 2013 and beyond. The reform programme embraces both curriculum change and integrated delivery at local level, and the Department will continue to offer support on all these aspects over the years leading up to 2013. So far we have invested over £100 million in helping consortia and local authorities prepare for the reforms in 2008-09, and we will draw on the experience of this initial delivery cohort to inform our future planning.
5. The Department remains committed to ensuring that consortia and local authorities are supported fully throughout this time, and will work with the Bureaucracy Reduction Group and the Implementation Review Unit to ensure local authorities are not overburdened as they take increasing responsibility for implementing the reforms.
6. The Department recognises that it needs to have a strong communication strategy, so that local authorities know exactly what the reforms entail on a local level and what support they can expect from the Department. The recent publication

¹ C&AG's Report, *Partnering for success: preparing to deliver the 14-19 education reforms in England*, HC 99 (2007-08)

*Delivering 14-19 Reform: Next Steps*² sets out clearly the roles and responsibilities of the Department, local authorities and consortia in delivering the reform programme. To support this, the Department is embarking upon a four-month programme of briefings on the reforms for consortia and local authority staff in schools and colleges across the country.

7. As the number of Diploma learners grows, it will be increasingly important for local areas to be transparent about their expenditure on these reforms, and to be accountable to their communities for their delivery plans. We are currently conducting a study into Diploma funding which will include research into distribution of funds at local level, identifying examples of best practice to provide a framework against which local authority cost-effectiveness and spending on the reforms can be measured.

PAC Conclusion (2): Diplomas could further complicate an already complex system of qualifications for young people. The benefits of providing more educational options will only be realised if good-quality, comprehensive and impartial advice and guidance are available and easily accessible. Young people and their parents also need access to providers of information, advice and guidance services with good knowledge of all the options from age 14, otherwise there is a risk that many young people may not select the best option for them.

8. The Department recognises that the current qualification system is complex. To combat this, the Department intends to streamline the system to make it better able to support the needs of learners. In March 2008 the Department published a 14-19 qualifications strategy³, which recognised the complexity of the current 14-19 qualifications offer and set out the intention to move towards a more streamlined and coherent system by 2013, when there will be four principal publicly-funded routes available to young people: GCSEs and A-Levels, Diplomas, Apprenticeships, and the Foundation Learning Tier (FLT).

9. The Department recognises that high quality information, advice and guidance (IAG) will be crucial to help young people choose which of these four routes is the best option for them. At school level, consortia are only judged suitable to deliver Diplomas if their IAG provision meets the IAG Quality Standards, which strongly emphasise impartiality. To support this, the Department has invested in a consultancy service, which will assess consortia IAG provision, identify areas for development and suggest improvements. Local areas can take advantage of bespoke training provided by the Diploma Support Programme to implement these changes.

10. At local authority level, the Education and Skills Bill 2008 will make the provision of local IAG a statutory duty for local authorities. The new online 14-19 prospectuses will tell young people what 14-19 options are available locally. Connexions Direct also continues to provide a popular and impartial information and advice service through a helpline, webchat and email.

11. The Department is working closely with the Training and Development Agency for Schools (TDA) to ensure that all secondary teachers are equipped with a good understanding of 14-19 pathways and career opportunities linked to their subjects. The Government will also require schools to deliver impartial careers education

² DCSF, *Delivering 14-19 Reform: Next Steps*, DCSF (2008)

³ DCSF, *Promoting Achievement, Valuing Success: a strategy for 14-19 qualifications*, TSO (2008)

through new legislation in the Education and Skills Bill. A Careers Education Support Programme is in place to support the IAG workforce through the provision of high quality classroom materials, briefings and good practice case studies.

PAC Conclusion (3): Some consortia are much more advanced than others in their preparations to offer Diplomas. Most support has been provided to those consortia introducing Diplomas in September 2008. Less advanced consortia may not develop the capacity to provide all 14 Diplomas by 2013. To manage this risk, all consortia need to have strategies to develop their preparedness, involving, for example, self-assessment tools to help identify areas for improvement, and secondments of people who have experience of leading implementation in areas that are much further ahead. The Department's support should be tailored to reflect local circumstances and to meet specific requirements identified by consortia. The Department should take care that general support and advice is of practical use at local level.

12. The Department agrees with the Committee on the importance of tailoring support to local circumstances. Through the Gateway process, the number of areas offering Diploma lines has been intentionally limited to allow the qualification to be phased in, ensuring that the young people taking Diplomas experience high quality teaching and learning. The Department wants to encourage more advanced consortia whilst learning the lessons from their good practice to help support all other consortia.

13. The Department has provided a comprehensive package of training and support to those consortia delivering in 2008 to ensure that they were ready for the launch of Diplomas. The Department is offering a similarly comprehensive package for those delivering Diplomas from 2009 – from which point 72 per cent of schools and 88 per cent of colleges will be involved in consortia offering Diplomas – as well as for those approved for delivery from 2010 and those who have not yet applied successfully to deliver Diplomas. The support package is necessarily changed each year to reflect the needs of the different cohorts as the focus moves from introducing the Diploma to planning towards entitlement in 2013.

14. The Department's approach recognises that some consortia are more advanced than others giving consortia a key role in identifying their own development needs so that training is responsive and appropriate. To help consortia do this, the Gateway process includes a compulsory initial readiness self-assessment tool so that consortia can quickly understand their strengths and areas for development. Early feedback on the first training package was that it did not allow enough flexibility to meet the needs of consortia at different stages of development and readiness. In response to this we have substantially changed the way the support is structured, so there is a small amount of core training and an increased amount of flexibility, in content and through bespoke modules, allowing local areas to co-construct a training package, which meets their needs.

15. The Department asks consortia and local authorities with particular strengths to host learning visits focusing on that strength for other consortia, and also supports a range of local and national networks disseminating good practice.

PAC Conclusion (4): Work experience is an essential part of the Diplomas, but some 45 per cent of consortia had not involved employers in deciding how to provide this. All consortia should demonstrate how they are involving employers, for example, in providing actual or simulated work environments, and by consortia specifying the work experience they will offer in their applications to start providing Diplomas. They should assist small and medium-sized employers in managing the workload that results from providing work experience opportunities, for example, by providing help with the processes around health and safety.

16. The Department agrees that work experience is an essential part of the Diplomas, and employers are key partners in the design of Diplomas and in the delivery of 14-19 at a local level. The importance of developing the employability of young people is especially pertinent in the current economic climate. At the time when the Committee received evidence from the Department, employer engagement levels were unsatisfactory. Targeted support from the Department over the summer months has improved the situation so that every consortium delivering Diplomas from September 2008 has now engaged with employers to help deliver the qualification, including work experience.

17. A recent survey conducted by the Department showed that more than 1900 employers are involved in Diploma delivery already for 2008 starts, based upon returns from two-thirds of consortia (95 out of 144). The Gateway application process now features a greatly increased focus on consortia's ability to engage with employers from the start of their preparations.

18. The Department has contracted the National Education Business Partnership Network (NEPBN) to provide up to 390 days of consultancy support on employer engagement and work experience, to be used by consortia that need further help in this area. This is on top of two guidance publications released this summer by the Department: an Employer Engagement Handbook⁴ for consortia, which sets out how to plan and deliver effective employer engagement, and a Work-related Learning Guide⁵ which offers advice on work-related learning in a wider context, including on health and safety.

PAC Conclusion (5): Providing the teaching and facilities to support the broad curriculum is particularly difficult in rural areas with dispersed communities. All consortia covering rural communities should be required to demonstrate that young people in those communities are able to gain access to good teaching and facilities, and that every effort has been made to minimise practical problems such as long travel times.

19. The Department recognises that rural areas face particular challenges when delivering the 14-19 Reforms. On 30 June 2008, the Department published *Delivering 14-19 Reforms in Rural Areas*, a report which considered these challenges – dispersed populations and settlements, less well-developed transport infrastructures, and more micro and small businesses – and explored a range of solutions already being taken forward to meet these challenges. Through this report, the Department made £23

⁴ DCSF, *Employer Engagement: A Guide for Diploma Consortia*, DCSF (2008)

⁵ DCSF, *Work-related Learning Guide*, DCSF (2008)

million available over the next two years to the 40 most rural areas in the country to drive local solutions and innovation and to ensure that choice is a reality for all young people. Specifically, the Department is providing:

- £75,000 to each of the 40 most rural areas to fund the post of Transport and Access Coordinator for 18 months;
- £1 million of capital to the 20 most rural areas to help them develop innovative solutions;
- funding to support a rural pairing scheme to help the 40 most rural areas share practice and explore solutions together.

20. As a result of the Department's funding, many local authorities have now appointed Transport and Access Coordinators, with early evidence from leading areas such as Cumbria showing marked improvements in the accessibility of provision and the journeys that young people are making, as well as efficiency savings due to improved coordination. The 20 most rural local authorities, together with their 14-19 Partnerships and Consortia, have commenced the planning stage of their Department-funded capital projects. This capital investment will enable the development and realisation of solutions such as e-learning, skills centres, satellite campuses and mobile teaching provision, solutions already in evidence in some rural areas across the country. The Department is working with these areas as they develop their projects and will share good practice across the country as these projects begin to deliver results.

21. The Department is aware that local areas need support to plan for delivery of the 2013 Diploma entitlement. Independent research the Department commissioned into 14-19 transport found that in the short to medium term transport was not seen as a significant issue for local areas. However, there was more concern about the longer term. The Department is therefore working with local authorities to develop tools to support them in planning for the longer term, and intends to publish the results of this work in summer 2009.

PAC Conclusion (6): Diplomas have yet to be widely accepted as credible qualifications. Understanding and acceptance of Diplomas by employers and higher education is essential to their success and appeal to young people and their families. But full acceptance is some way off. All consortia need to have in place strategies for engaging with employers and local higher education institutions and securing their support. As Diplomas are introduced, communications by the Department and consortia should clearly identify student experiences and the benefits achieved. Communications from consortia and the Department with employers should be timely and focus on what employers need to know.

22. The Department acknowledges the importance of employers and higher education bodies accepting and understanding the Diploma qualifications. The Diploma has now been welcomed by the Russell and 1994 groups of universities as well as Oxford and Cambridge, and has strong support and understanding from industry bodies like Rolls Royce, Toyota, Land Rover, RWE Npower, BT, Microsoft Ltd, as well as from some smaller and medium sized companies. There are over 80 Diploma Employer Champions actively working with other partners to spread the word about the Diploma to companies and organisations across the country.

23. The Department is working with the major employer associations including the Confederation of British Industry, Institute of Directors, British Chambers of Commerce and Business in the Community to secure public endorsement for the Diploma, and to use communication channels owned by these associations to spread awareness and encourage employers to participate in both development and delivery of Diplomas. Officials are also working with a small number of individual employers to secure public statements of support for the Diploma and to facilitate engagement with local delivery partnerships and consortia.

24. The Department has also provided specific support to consortia to assist them in engaging with local employers through its contract with NEBPN, and will continue to offer support on employer engagement at local level as these reforms are rolled out. This is being backed up by a national advertising campaign aimed at employers.

25. The Department is expanding its communications work from an initial focus on those areas delivering Diplomas this year, to become a full national campaign which will increase awareness of the reforms amongst key audiences. This will set out the broader context of the reform programme and will include a wide range of case studies featuring students, teachers and employers, illustrating the benefits and challenges of doing a Diploma.

PAC Conclusion (7): The Department does not know the full cost of implementing the 14-19 reforms. The Department should develop cost templates together with indicative costs to enable consortia to draw up their own robust budgets. As more reliable cost information becomes available, networks should be established to help consortia benchmark their costs and tackle underperformance.

26. The Department has cost estimates based on previous reforms. Now that Diploma delivery is underway, the Department is working with the consortia to analyse the actual costs involved in delivering the reforms. As the diploma model has more elements in it than previous reforms, this actual cost information will inform the Department's resource allocation in the future.

27. The Department has commissioned research into the funding of Diplomas at Key Stage 4 (KS4), which will examine costs, sources of funding, and the potential for efficiency savings to reduce costs. The evidence from this research will inform funding from the Department to local authorities to support delivery of Diplomas in future years.

28. The research will also identify examples of best practice in costing Diplomas and the management and distribution of Diploma funds within partnerships and consortia, which will be widely disseminated. This will include examination of financial plans and unit costs, the extent to which the budgets of consortium members have been pooled to benefit from economies of scale, and differences in financial planning and budgeting between large multi-Diploma consortia and smaller consortia. The final report from the research is due for publication at the end of January 2009.

PAC Conclusion (8): The existence of two major capital funding programmes creates a risk that a mismatch in timing could result in capital projects not supporting the 14-19 reforms, or lead to unnecessary expenditure. Local plans for capital expenditure from the two major programmes, Building Schools for the Future, and the Further Education capital programme, need to be aligned with the 14-19 reforms. This should include work to align the capital strategies of different institutions within consortia to avoid unnecessary duplication and wasteful use of resources.

29. The Department agrees that capital funding must be aligned and that effective use of capital resources is key to ensuring that Diplomas, as with all other qualifications, can be taught in world-class facilities. Diplomas, as well as the wider 14-19 reform programme, are integral to Building Schools for the Future – with all local authorities involved in the current waves of the programme having to demonstrate specifically how they will use investment to meet 14-19 participation and attainment needs – and Further Education capital investment, as well as to other devolved capital funding.

30. Effective local planning is important to ensure that capital resources are used to best effect. The Machinery of Government changes will further strengthen the ability of local authorities to align capital strategies and make strategic decisions about the implementation of the reforms within their area.

PAC Conclusion (9): Sufficient good-quality teaching staff are needed to deliver Diplomas, but 45 per cent of consortia had yet to carry out a skills audit. Many teachers and lecturers will require training to acquire new skills to teach the Diplomas. The Department and local authorities should quantify skills gaps and review whether each consortium has, or is developing, sufficient numbers of appropriately skilled teachers and lecturers to deliver the full range of Diplomas by 2013.

31. The Department is clear that the quality of teaching is key to the success of this reform programme. The reforms will require teaching practitioners to develop their skills, particularly in applied learning styles and sector knowledge, so the Department has invested over £80 million in workforce support to date.

32. The Department has also introduced a process to help consortia develop their workforce plans and ensure that they get the support that they need. This process involves each consortium having a dedicated Professional Development Conversation with a Consortium Leadership Consultant, at which they review the skills of their current workforce and plan the support needed to deliver Diplomas and functional skills in future years. These plans are kept under review by consortia and their support partners to ensure that consortia are able to access sufficient support to give their workforce the skills they need to teach these new qualifications effectively.

33. In addition, the Department has been working closely with a wide range of partner organizations to ensure that the training on offer is genuinely tailored to meet the identified needs of consortia. The resulting package includes core elements covering functional skills, the structure of the Diploma, collaborative delivery, experience of a sector-relevant working environment, assessment, and diploma administration. The rest of the offer is completely flexible and locally customised to respond to different levels of skills, knowledge and understanding. It is a comprehensive offer available to every member of every consortium delivering in 2009.

Forty First Report

Department of Health

NHS Pay Modernisation: New contracts for General Practice services in England

1. The Department of Health (the Department) welcomes this report by the Public Accounts Committee in which it examined the historical cost and the benefits to patients of the new GP contractual arrangements, which were introduced on 1 April 2004. The Department is pleased that the Committee has recognised the vital contribution the new contract has made to increasing GP numbers, to improving GPs' pay and working conditions and in improving the range and quality of services delivered to patients, closer to their homes.
2. The Department accepts the Committee's recommendations that changes should continue to be made to the contract to secure further improvements to patient services, focusing on meeting local needs, incentivising improving health outcomes, and bringing about fairer distribution of funding for GP services, particularly to areas of greatest need.

PAC Conclusion (1): Incomplete data on the cost of services provided by GPs led the Department to underestimate expenditure in the first three years of the contract. Where practicable, major changes should be piloted before they are implemented so that costs can be determined with greater accuracy.

3. The Department acknowledges that in the first three years of the new contract, cumulative expenditure on primary medical care was almost £1.8 billion more than originally projected. However in 2003, from information supplied by PCTs, the Department identified that these original projections had underestimated existing NHS expenditure on primary medical care services prior to the introduction of the new contract. The Department adjusted allocations to PCTs for 2004-05 onwards in recognition of this. Against these revised allocations there was a cumulative over spend of £406 million in the period 2004-05 to 2005-06. In subsequent years, 2006-07 and 2007-08, PCTs under spent by £373 million, almost balancing out the earlier overspend.
4. The Department has already introduced more robust systems for costing and evaluating proposals for contract changes. These comprise internal scrutiny and review by the Department's Revenue Investment Branch on all planned investments with costs over £40 million per annum. In addition, as part of our proposals for introducing an independent process for reviewing Quality and Outcomes Framework (QOF) indicators led by NICE, the Department is proposing that new QOF indicators should be piloted. This is one of the proposals made in a consultation document on the new process published on 30 October 2008.

PAC Conclusion (2): The Office of National Statistics' method for estimating productivity in primary care was not accepted by the Department as sufficiently robust. An agreed method for measuring productivity in primary care should be developed, which has the support of the NHS, the Department, the Treasury and the Office of National Statistics. More specifically, the Department needs to set a clear strategy and timetable for Primary Care Trusts to report to Strategic Health Authorities on how their GP practices have improved productivity.

5. The Department remains committed to improving the work already done in measuring productivity in primary and secondary care. The Department has commissioned a three-year research project from the Centre for Health Economics (CHE) to take forward work on measuring NHS productivity. As part of this work CHE has just published a report on NHS output growth, which presents, separately, outputs in primary medical care. By February 2009 there should be a similar report on inputs and from these two reports it should be possible to produce much better estimates of GP productivity. In addition, the Department continues to work closely with the Office for National Statistics to improve its measures of output and productivity. This has included a joint meeting with the NHS Institute for Innovation and Improvement and the National Audit Office. The Department also works with HM Treasury and other Departments through the Departmental Output and Productivity Advisory Group (DOPAG).

PAC Conclusion (3): Many Primary Care Trusts have failed to negotiate with their GPs for the provision of enhanced services to meet specific local needs and have not spent to the minimum level set by the Department for enhanced services. Primary Care Trusts should use the standards developed as part of the Department's World Class Commissioning programme to benchmark their commissioning performance and identify priority areas requiring improvement.

6. The world class commissioning assurance system was launched on 4 June 2008. It is a national system to hold commissioners to account, reward performance and ensure that health outcomes are improving.

7. Commissioning assurance includes an assessment of performance against three domains – health outcomes, competencies and governance. In addition, because the assurance system has a strong focus on improvement, PCTs will also receive a commentary on the organisation's 'Potential for improvement', which will review the PCT's status and current direction of travel and its development needs, focusing on organisational health issues. The system will provide a common basis for agreeing development by PCTs as they move towards world-class performance.

PAC Conclusion (4): The Minimum Practice Income Guarantee (MPIG) has stood in the way of the needs-based funding formula reducing historic inequality of service provision. The Department should consider replacing MPIG with a redesigned global sum allocation in order to move more money into areas of greatest need.

8. The Department agrees that MPIG, which was introduced as part of the new contract to protect GP practices' historic income for essential core services, has outlived its purpose and should be phased out. Through NHS Employers, the Department has been discussing this with the BMA and on 14 October 2008 announced changes to the contract for 2009-10, which will, depending on the Doctors' and Dentists' Pay Review Body recommendation for GPs for 2009-10 and the Government's response, take the first step towards abolishing MPIG.

9. Under a formula agreed with the BMA any pay increase recommended by the Doctors' and Dentists' Pay Review Body for GPs for 2009-10 will be applied differentially so that Global Sum payments for essential services will increase by a greater amount than Correction Factor payments, reducing practices' reliance on MPIG. NHS Employers and the BMA have agreed the principle that there should be a comparable process in future years to continue the phasing out of MPIG.

10. The formula approach (or a comparable process) is likely (subject to the annual recommendations of the DDRB) to make significant progress in phasing out MPIG over a period of 3-5 years, but will leave some residual expenditure on MPIG that will need to be tackled in other ways. To this end, NHS Employers and the BMA have agreed to work jointly in examining other ways to resolve the issue of those practices who remain heavily reliant on correction factor payments.

11. The contract changes agreed for 2009-10 also include moving towards a full prevalence adjustment for QOF payments by April 2010. This means that by April 2010 practices will receive the same weighting per patient with a relevant disease no matter what their practice list size. At the moment the prevalence weighting is damped down by the QOF payment formula to protect practices with low prevalence such as University practices. This will be a major step forward in ensuring that QOF payments are fairly related to the relative prevalence of long-term conditions within a practice population. This will see more money going to deprived areas and create better incentives for identifying patients with conditions that need treatment.

12. More immediately, the Department has already initiated a programme of investment and procurement to deliver 112 new GP practices in the areas that need them most. This will begin to deliver new additional services and capacity to patients in the 50 most poorly served (in primary care) PCTs in the country during 2009-10, with additional investment increasing to £120 million by 2010-11.

PAC Conclusion (5): Access to general practice services has not improved significantly since the new contract was introduced, although the Department is taking action to address this. Primary Care Trusts need to commission services that are more clearly linked to local needs, underpinned by a performance management framework that enables them to monitor how well GP practices meet this and other requirements. They must also tackle poor performance as necessary.

13. The organisational competencies for world class commissioning set out the knowledge, skills, behaviours and characteristics that underpin effective commissioning. They set out how world-class commissioners will be fully engaged with local people and communities, aware of their needs and addressing them in the most effective ways. The Department is also developing a range of practical support to help PCTs manage contracts with GP practices and tackle poor performance, drawing on examples of good practice in PCTs. Earlier this year the Department also

consulted on proposals to bring all GP services within the scope of the new Care Quality Commission to assure standards of safety and quality.

14. Since April of this year, there have been significant improvements in access to GP services, with 59 per cent of GP practices now offering extended opening hours to their patients (as of October 2008). The 2008 GP patient survey (carried out in January to March 2008) showed that 87 per cent of patients are able to get GP appointments within 48 hours when they want to, up from 86 per cent the previous year, and that 87 per cent of patients are satisfied with telephone access and 88 per cent with the ability to see the GP of their choice.

15. There was relatively lower performance on advance booking, with 77 per cent of patients reporting that they were able to book appointments more than two days in advance when they wanted to. This is an area where a number of PCTs need to work with GP practices to secure further improvements.

PAC Conclusion (6): The Quality and Outcomes Framework (QOF) links GPs' pay to the quality of patient care they deliver but requires further enhancement, with less emphasis on indicators that are easy to measure and more on improvements in population health. The Department should:

- (i) develop QOF so that it is better aligned to national health priorities;**
- (ii) give more weight to achieving health outcomes, rather than clinical practices which are easy to measure; and**
- (iii) allow Primary Care Trusts some discretion to agree the content of the Framework to reflect local priorities.**

16. The contract changes agreed for 2009-10 include the reallocation of 72 QOF points, worth around £80 million, to reward GP practices for delivering a range of new interventions for their patients across seven clinical areas – cardiovascular disease, contraception, depression, chronic kidney disease, diabetes, chronic lung disease and heart failure.

17. The final report of Lord Darzi's NHS Next Stage Review acknowledged that the number of organisational or process indicators in the QOF should be reduced and resources focussed instead on new or enhanced indicators to promote health and greater clinical quality. The report also gave a commitment to introduce a new, independent process to provide advice on QOF indicators.

18. The Department published a consultation document on 30 October on how the new independent process led by NICE should work and will consult widely with patient and professional groups and other stakeholders. The proposed aims of the new process are:

- all stakeholders will have a clear opportunity, through a process of suggesting topics for consideration and through consultation, to contribute to the development of QOF indicators;
- QOF indicators will address topics of importance to patients, professionals and the health of the public and will help professionals address inequalities in health and make the best use of NHS resources;

- all indicators proposed for inclusion in QOF will be based on evidence of clinical and cost effectiveness;
- there will be an objective and transparent system for setting the value of a QOF indicator;
- existing indicators will be reviewed regularly to identify those that can be improved or replaced;
- potential new indicators will be tested through piloting and considered in terms of whether they are workable;
- all processes and methods will be inclusive, open, transparent and consistently applied; and
- there will be appropriate governance structures and clear working arrangements with all relevant parties.

19. The consultation document also seeks views on the proposal to allow more flexibility to PCTs to allow them to determine local indicators based on local health needs. Any decision to reserve a proportion of a nationally agreed investment in QOF for locally selected indicators would be a matter for future consultation with the GPC. PCTs would be free to invest their own additional resources into local voluntary incentive schemes based on indicators chosen from a NICE approved menu.

PAC Conclusion (7): While GP partners' pay has increased by an average of 58per cent since March 2003, practice staff have tended to get just inflation pay rises and some practice nurses do not even have appropriate contracts of employment. Primary Care Trusts need to require practices, as part of their GMS contracts, to have appropriate contracts of employment in place for all staff and advise practices on appropriate pay rates. Primary Care Trusts should also, as part of the contract, require GP partners to provide annual feedback on how they have used NHS funding to improve practice productivity.

20. The contractual and statutory requirements that GMS practices need to observe are summarised in annex B of the contract document. This specifies, amongst other things, that each practice complies with current legislation on employment rights and discrimination, and that all staff have written terms and conditions of employment conforming to or exceeding the statutory minimum.

21. Guidance – *Delivering Investment in General Practice, Implementing the new GMS Contract* – issued in December 2003 stated that salaried staff should be supported through the introduction of Agenda for Change principles in general practice. The guidance made clear that while Agenda for Change was not mandatory GMS contractors were expected to implement its principles and to work with their PCTs on this.

22. While practices may approach their PCT for advice on appropriate rates of pay for practice staff, it is ultimately a matter for each practice, as independent employers, to determine themselves.

23. PCTs have a range of potential options where a contractual term is breached. In serious cases such as a breach that puts the safety of patients at serious risk the contract can be terminated immediately. For less serious breaches there is a

mechanism for issuing breach and remedial notices; multiple minor breaches under these procedures can also lead to termination on notice. There are also alternatives to termination such as financial penalties where termination is disproportionate to the contractor's failures.

24. The GMS and PMS contracts provide that each contractor shall submit an annual return to their PCT. The content of the annual report is not centrally directed but each PCT must require the same categories of information from each of its contractors. Consequently, PCTs can already seek information about practice productivity from each of their contractors.

25. On productivity improvements, the Committee has already noted that there is no agreed robust methodology for measuring productivity. As mentioned above, the Department will work with others to agree such a methodology. Until that work is concluded, the Department will keep the final part of this recommendation under review.

Forty Fifth Report

Home Office

Reducing the risk of violent crime

1. Violent crime has fallen in recent years in line with crime generally, but more serious violent offences, such as homicide and wounding, have not fallen as swiftly. It is these crimes that cause the most harm to individuals and communities. On the basis of a Report by the Comptroller and Auditor General, the Committee examined the Home Office on how effectively it was tackling violent crime through distributing funding to Crime and Disorder Reduction Partnerships (CDRPs), how well it had spread good practice, and how it was working with other national Government Departments.

PAC Conclusion (1): Although the Home Office has been increasingly concerned about the use of weapons, only since 2007 has it been mandatory for the police to record the presence of a knife at the scene of a crime. In partnership with police forces and Partnerships, the Home Office should use the information it can now gather about knife crime, together with other research, in order to tackle more effectively the root causes of why people carry knives.

2. The Home Office accepts the conclusion. The reasons why people (and particularly young people) carry knives are many. Academic studies and surveys (such as the Fear and Fashion Report by Lemos and Crane, which was commissioned by the Bridge House Trust) suggest that young people carry knives because they are fearful, sometimes as a result of having themselves been a victim of a violent offence, or of bullying. Other underlying reasons include associations with others who may carry knives and the need to conform in that respect, membership of a street gang where knives are used to intimidate and threaten others, or simply in an attempt to gain “respect”. The data released in July 2008 on serious offences involving knives helps target resources where they are likely to be most effective.

3. These issues are being tackled through education and prevention work. The Home Office is working with the police, with Department for Children, Schools and Families (DCSF) and with organisations such as Be Safe, to provide educational sessions on the consequences of carrying a knife. DCSF, through the Youth Crime Action Plan and through the Tackling Knives Action Programme (TKAP), are extending the provision of Safer Schools Partnerships and after-schools patrols to help ensure that young people feel safe in their daily lives.

4. The Government is using a range of marketing tools under the “It Doesn’t Have to Happen” campaign banner, to demonstrate that the majority of people do not carry knives. It is using social networking websites, viral videos, radio and billboard advertising to spread this message. The Home Office has also commissioned a PR company to engage with stakeholders at local level to support the work they are doing on spreading the anti-knife message.

5. The Home Office is very keen to stress the importance of educating young people on the risks of carrying knives. These are not defensive weapons and the danger is that a knife will be turned on anyone who carries one. In 2008-09 the Home Office is investing £2 million in the ten TKAP areas. One of the key strands of

work is education. Forces have committed to delivering educational workshops and awareness sessions on the dangers of knife carrying.

6. The Department is supporting a new £3 million three-year campaign, created by young people for young people, to challenge the 'glamour', fear and peer pressure that can drive youngsters to knife crime, and is working with 'Be Safe' to provide over 1 million young people access to workshops on the dangers of weapons. The campaign includes a *Bebo* webpage giving information and providing a forum for discussion, as well as running radio and billboard advertisements, viral videos and competitions.

7. The Home Office also published the Youth Crime Action Plan (YCAP) in July 2008 along with DCSF and the Ministry of Justice. YCAP will deliver an extensive and comprehensive package of measures for children, young people and families to tackle youth crime. It will be backed by £100 million of extra funding which will deliver immediate action in the short-term (such as increased after school police patrols and street-based teams of youth workers) and longer-term preventative measures to tackle the root causes of crime (such as an expansion in all areas of England of Family Intervention Projects to support families facing the greatest challenges).

8. DCSF is also encouraging local authorities to have more high-quality provision at times when there are higher rates of anti-social behaviour and youth crime, particularly on Friday and Saturday nights. DCSF are making a substantial investment in the provision of youth facilities through its ten-year youth strategy, *Aiming High*. This includes £223 million for Youth Opportunity Fund (YOF) and Youth Capital Fund (YCF) for all local authorities, with young people involved in the decisions on funding allocations to ensure that they best meet their needs. It also is providing £221 million for Positive Activities for Young People, plus £25,000 for all Local Authorities within the TKAP and YCAP areas, to expand provision of services at peak hours, for example: on a Friday and Saturday night.

9. With this funding, the TKAP local authorities will be targeting the activities in areas of highest crime and anti-social behaviour based on local police and youth services intelligence. In addition to extra provision, the funding will give a much better picture of what is being provided, and will allow the Department to promote good practice and challenge areas where progress is insufficient.

10. In the medium-term, DCSF is conducting a more detailed baseline audit of positive activities on the ground, complete with opening times, in all TKAP and YCAP areas. This will enable local authorities to plan provision more effectively to fit any gaps, and to provide better information to young people about the activities available.

PAC Conclusion (2): Between 2002-03 and 2006-07 all crime, as recorded in the British Crime Survey, fell by 8.5 per cent and violent crime fell by 9 per cent. Incidents of the most serious violence against the person recorded by the police fell by 5.9 per cent in this period, and the Home Office admitted to being worried by trends both in the use of weapons and also in the age of offenders. Despite the welcome decline in recorded violent crime overall, there is growing public concern about weapons use and more serious violence. The Department should now seek the same level of improvement in rates of serious violence that has occurred in crime generally, by implementing the recommendations in this Report.

11. The Home Office accepts the conclusion and this is something it is now focusing on. The overarching aim is to protect the public from serious harm caused by dangerous people. Much has been achieved with respect to violent crime over the past ten years, but there is still much more to do, particularly in relation to more serious violence. That is why the Department introduced the new Public Service Agreement in October 2007 to focus on serious violence, particularly homicide and serious wounding (PSA 23 Priority action one).

12. In February 2008 the Home Office published "*Saving lives. Reducing harm. Protecting the public. An Action Plan for Tackling Violence 2008-11*". This sets out how it will deliver the PSA target. In order to be effective in tackling violence, the Government and its partner agencies must target interventions at every stage of the lifecycle of offending: from work with parents and young children to prevent violent behaviour from developing in the first place; to prevention work; to ensuring that the law is properly enforced; to bringing offences to justice and securing convictions; to managing offenders to reduce re-offending.

13. The quarterly statistical bulletin published in October 2008 shows that overall crime is down by six per cent and violence against the person is down by seven per cent.

PAC Conclusion (3): The majority of victims of violent crime treated in Accident and Emergency units did not report their injuries to the police, but without knowing the full picture of violence in their areas, Partnerships cannot implement effective measures to counter the violence. The Home Office and Department of Health should jointly establish a national system for the automatic sharing of de-personalised violent crime data between hospitals, police, and Partnerships. They should also publicise successful approaches such as training hospital receptionists to record violent crime data for sharing with the police, and establishing what steps they need to take to encourage health agencies to participate willingly in crime reduction groups.

14. The Home Office accepts the conclusion that we need to ensure that information in relation to violent crime is shared more effectively between hospitals, police and Partnerships. One of the key deliverables of the TKAP is to improve data exchange between hospitals and crime reduction agencies. The Home Office is therefore working closely with the Department of Health to ensure that regular and consistent data sharing on knife injuries between local partnerships and key hospitals in each of the nine TKAP areas in England takes place by the end of the Programme in March 2009.

15. On a National Level, the Department of Health (DH) intends to revise the Operating Framework for the National Health Service to require PCT's to prioritise crime reduction. In the medium to longer term, DH also intend to make changes to the data fields in the NHS data system (Connecting for Health (CfH)) to support data collection on violent injuries. DH has also been working with the Information Centre for Health and Social Care to provide more timely data on "assaults by a sharp object". This data is helpful for establishing overall trends but is not sufficiently specific to inform the work of local partnerships in tackling knife crime. It has been agreed that monthly data reporting will commence by December 2008.

16. On the 12 August 2008 the General Medical Council also issued interim guidance expanding guidance on information sharing in relation to knife wounds highlighting the appropriate circumstances for sharing information with police in relation to people who present at A&E Departments with knife wounds. TKAP has plans in place to produce a toolkit of protocols and guidance that local implementers would require to start up anonymous data sharing and to provide other support mechanisms to aid effective data sharing.

17. The Department is working with partnerships to improve local partnership working through the introduction of statutory national standards and related guidance which is included in *Delivering Safer Communities: A Guide to effective partnership working*. New regulations (the Crime and Disorder (Prescribed Information) Regulations 2007) came into force in October 2007 which made sharing of certain data sets mandatory. The benefits in terms of both community safety and public health are becoming more and more apparent. The College of Emergency Medicine, the UK professional home of A&E doctors, has now decided to support the collection and sharing with CDRPs of anonymised information about precise location, weapons and time/date of violence.

18. Research is also being carried out by the Home Office Regional Research and Analysis Programme to examine data sharing processes within Emergency Departments in hospitals in the South East. This follows a Government Office for the South East-funded initiative to improve data sharing across the region. The study is seeking to capture information on the range of data collection methods used, the nature of data sharing approaches between hospitals and partnerships, and the use to which the data are put. It is hoped that the findings will provide some indication of the conditions, which facilitate the effective delivery of data sharing schemes.

19. The Tackling Violence Action Plan (TVAP) (published in February 2008) is cross-governmental in scope and contains a commitment to ensure that local agencies work together, including a particular focus on information sharing between health services and the police. The TVAP goes beyond the recommendation in this report, which is referring to de-personalised information sharing. It contains a commitment to produce guidance (by the end of 2008), which will support partnerships in development of mechanisms to share data on individuals who are involved, or at risk of involvement in violence.

PAC Conclusion (4): The Department has made little progress since 2005 in managing to distribute funding for tackling violent crime to Partnerships on a timely or sustainable basis. The majority of Home Office funding for tackling violent crime is distributed through the grants it makes to police forces for all their activities. In addition to this, the Home Office also provides smaller amounts of additional funding directly to Partnerships specifically allocated to tackling violent crime. In order that this latter funding can be used effectively in tackling violence and its underlying causes, the Home Office should end one-off funding streams or grants, and make the notification and distribution of funding early enough (at least before the start of each financial year) to allow for proper strategic planning. The Home Office should also provide Partnerships with guidance on the most cost-effective way to spend money locally to tackle violent crime. This should be delivered by Government Offices for the Regions so that it is suitably tailored to local requirements.

20. The Home Office accepts the conclusion. Tackling violent crime is, and should be, core business for the police and other delivery partners. The Government has developed new Public Service Agreement targets to ensure that this is the case and has published the Tackling Violence Action Plan to assist local practitioners in developing their local strategies to help deliver these. The majority of funding for violent crime is delivered via the police grant (£9.2 billion in 2008-09) and core partnership funding (£61 million in 2008-09) for mainstream operations and not as part of smaller funding levels targeted at specific projects.

21. With respect to mainstream funding on violence, multi-year settlements for the police were introduced for the 2006-07 settlement when funding for 2007-08 was also announced. This was to allow police authorities to plan much better, and multi-year settlements have been welcomed by the police. On 6 December 2007, the Home Secretary announced the provisional police funding settlement for the CSR years (2008-09 to 2010-11). The majority of partnership funding is now from April 2008 contained in the Area-based Grant which funds Local Area Agreements (LAAs) for three years – this means that it is not hypothecated for specific purposes, but provided to meet LAA priorities.

22. The Home Office works with local areas through its governance structures to develop and agree local delivery plans. The local delivery plans are tailored to the needs of the specific area and are structured so as to ensure that investment in target actions will derive the most effective outcomes.

23. The Home Office provides relatively small amounts of additional funding for local areas to do additional work to meet new priorities or to help them adopt particular elements of good practice. (In 2007-08, in addition to Police Grants and our contribution to Local Area Agreement grants, the Home Office made available around £24 million to local partnerships in England and Wales to tackle crime and anti-social behaviour in England and Wales.) The vast majority of this is start up funding for initial capacity building and is only ever intended to be short-term, i.e. one year only.

24. For example, the Home Office has made a commitment to help local areas to implement many of the actions contained in the TVAP, (up to £60 million for violent crime) and has planned its budget to allow for this over the next three years, with a programme of funding which provides groups of areas with one-year funding so that all are covered during the spending review period. It is taking steps to notify future year allocations before the start of the financial year. For example, it has already invited bids for start up funding for Sexual Assault Referral Centres in 2009-10, and is planning to take a similar approach with other grant streams.

25. Separately, a Good Practice Guide pulling together effective local action to reduce knife crime will also be published at the end of the TKAP in March 2009. This is intended to aid Partnerships as well as forces on effective strategies around tackling knife crime.

PAC Conclusion (5): Voluntary sector organisations play an important part in tackling violent crime (especially more sensitive crimes such as domestic violence) but are especially vulnerable to the late funding. To improve the timely distribution of violent crime funding, the Home Office should give priority to early notification of resources for activities most likely to require input from the voluntary sector.

26. The Home Office accepts the conclusion. The Department has a real appreciation of the practical contribution to crime reduction made by the voluntary and community sector, and understands that unpredictable funding can significantly affect their work. The Department will be revising some funding arrangements to ensure it supports the third sector in the most effective ways.

27. In the new context of increased local responsibility for funding, the third sector now has an important opportunity to forge closer working relationships with Local Strategic Partnerships and CDRPs who can commission and fund their work. The Home Office envisages the third sector will play a key role at the commissioning table, using their skills and expertise to provide local solutions to the issues really affecting communities. These more direct relationships with the police, local authorities and other partners should enable more responsive local funding, and the Department will be looking for examples of commissioning best practice among Partnerships.

28. The Home Office recognises some national programmes will need continued central support – such as the Drug Interventions Programme, domestic violence helplines and the Positive Futures work with Young People. Periodically, there will also be demands to boost work on issues of particular concern, such as intensive projects to prevent gang or knife crime in the worst affected areas. The Department takes seriously its responsibility to be clear about exactly what support is available and for how long – to allow the voluntary sector to focus its efforts on successful delivery.

PAC Conclusion (6): Gang activity and gang violence is a factor in violent crime but the Home Office has a limited understanding of the nature of gang membership and activity, and how such activity has changed over time. The Home Office should conduct further research into the reasons why youths join gangs and use this understanding to provide guidance to local communities in their efforts to develop targeted diversions away from gang membership.

29. The Home Office accepts the conclusion. During the Tackling Gangs Action Programme (TGAP), which ran to March 2008, the Home Office commissioned a monitoring report to examine the scale and nature of gang problems, understand more about gang members and their behaviour, and look at the impact of the programme. That report was published online on 22 May 2008 and the Home Office draws on that to inform policies and programmes.

30. Sharing good practice was a core part of the TGAP. The Department has provided guidance for local partnerships following the TGAP, launched by the Home Secretary on 22 May. Tackling Gangs: A Practical Guide has been positively reviewed by the Local Government Information Unit, which described it as a very useful document and states that the Home Office has ‘quickly produced an in-depth compilation of resources, references, ideas and learning from around the country’.

31. In addition to this, the Home Secretary hosted a national conference for police, Crime and Disorder Reduction Partnerships (CDRPs) and local authorities on 22 May, which highlighted good practice from the four TGAP cities (Birmingham, Liverpool, London and Manchester). Since then, the Home Office has provided support to a number of local areas using two local gangs experts on secondment to the Home Office from Manchester and Birmingham City Council’s gangs teams. The gangs experts are currently trialling a gangs assessment tool which aims to help local

partnerships to profile their gang problem and devise appropriate locally tailored solutions. The Home Office continues to work with and support communities as part of the current TKAP.

PAC Conclusion (7): The Department has not engaged as well as it could have done with other national partners. Working with others is vital to the Home Office's ability to tackle serious violence effectively. The Home Office and the Department for Children, Schools and Families should work together to promote good practice in Safer School Partnerships by identifying the number and type of Partnerships and their potential impact upon local crime trends. In collaboration with the Department for Culture, Media and Sport, the Home Office should publicise examples of where the 2003 Licensing Act has been used effectively. Its communications should highlight factors for success, such as a strong working relationship between licensing authorities and the licensed trade.

32. The Home Office accepts the conclusion. It is working closely with other Government Departments and other partner agencies to tackle serious violent crime. The TVAP and Youth Crime Action Plan (YCAP) are both cross-government plans, and, for example, the Home Office is working closely with the Association of Chief Police Officers (ACPO) on the implementation of TVAP. There is a Ministerial Action Group, which brings together all the main departments to drive forward the programme, and a similar group at official level, the National Violence Task Force.

33. Both the Tackling Gangs Action Programme and the Tackling Knives Action Programme have brought together officials from a range of Government Departments, police and local authorities in a single team based in the Home Office to ensure that we create joined-up responses to these complex problems. The Home Office also hosts a weekly cross-governmental group, chaired by the Minister of State for Policing, Crime and Security (Vernon Coaker MP) to accelerate national delivery on the Tackling Knives Action Programme and identify emerging issues that require swift action.

34. The Government strongly encourages the foundation of more Safer Schools Partnerships (SSPs) so that more young people can benefit. Expanding Safer Schools Partnerships (SSPs) will help improve relationships between young people and the police, promoting school safety and reducing risks of crime and antisocial behaviour. In addition, every school will have a named police contact. Demonstrating this support, the Home Office recently announced an extra £3m funding for police forces in the TKAP areas to expand their Safer School Partnerships in addition to, or alongside, increased after-school patrols and Operation Staysafe.

35. The Government believes that SSPs should be the norm rather than the exception and that every school that wants one should be able to be part of an SSP, subject to local resources. A letter was sent on 25 September 2008 to CDRP chairs, Directors of Children's Services and Chief Constables in England, setting out the Government's expectation in the YCAP that SSPs should be the norm rather than the exception and encouraging them to work together to develop the scheme in their areas. The Association of Chief Police Officers (ACPO) has sent a questionnaire to all forces on behalf of the Home Office, Department for Children, Schools and Families and the Youth Justice Board to gain a greater understanding of the national picture on SSPs, their use and examples of good practice. The responses will then inform the strategy for moving forward.

36. There is evidence from schools that SSPs have a positive effect. One school said that 79 per cent of young people felt safer with an SSP officer on site, and in another area police reported a 29 per cent reduction in youth street crime near SSP schools, and a 20 per cent reduction in exclusions. In February 2006, the University of York compared truancy rates and academic achievement between one thousand non-SSP schools and three hundred SSP schools across the country. The rise in both attainment and attendance was found to be greater within the SSP schools. Improved pupil behaviour and safer school environments for young people and teaching staff have been achieved in a majority of Safer Schools. The communities beyond the school gates also reported witnessing falling levels of youth related anti-social behaviour and petty crime.

37. A series of conferences throughout England is planned for November 2008 and January 2009. The purpose of these conferences is to enthuse practitioners with the benefits of SSPs, share good practice and provide them with support going forward. During this process the Government will be reviewing and refreshing the guidance on SSPs to ensure it is user friendly, with a view to publishing up to date guidance in the near future.

38. The Home Office is working closely with Department for Culture, Media and Sport (DCMS). Home Office and DCMS Ministers held a summit in June this year to agree a way forward following the review of the Licensing Act 2003. As a result the Home Office is holding a series of 10 regional seminars to train around 1,000 practitioners in the effective enforcement of alcohol related tools and powers. The seminars started in October 2008 and will run through to March 2009. Delivery of the training seminars will be accompanied by the development of a comprehensive digital resources pack comprising up to date guidance, reference materials and videoed training modules. The resource pack will in due course be made available on the internet.

39. Recently published licensing statistics show that local authorities and police are using their powers under the Act to greater effect. Nevertheless, the Government believes that enforcement action is not consistent in all areas and DCMS and the Home Office will work with Local Authorities and other enforcement agencies to adopt a "yellow card/red card" scheme for licence premises. This will encourage enforcement authorities to act more quickly to impose tougher conditions on recognised 'problem premises'.

40. The Government believes that a safe and thriving night time economy which appeals to all sections of the community relies on effective partnership between licensing authorities, enforcement agencies and local businesses. DCMS is the lead Department for the current Beacon Council theme *After Dark: Managing the night-time economy*. This aims to identify excellence in establishing effective local partnerships to use a range of powers) and interventions (including licensing) as part of a strategic approach to the night-time economy. The successful Beacon Councils will be announced in March and embark on a programme of disseminating best practice.

41. The Home Office is also working closely with the Youth Justice Board and the Ministry of Justice to tackle youth knife crime. Most recently, it has given £350,000 to support the delivery of a specific educational intervention for first time knife possession offenders called the Knife Possession Prevention Programme, a pilot of which is currently rolling out in all ten TKAP force areas, to be expanded nationwide in 2009.

PAC Conclusion (8): As of summer 2007, fewer than one third of Partnerships had a written strategy, and fewer than half had a specific violent crime group to tackle violent crime. The Home Office should promote good practice in violent crime groups and strategies by establishing the different types and quality of those already in existence in different areas, and publicising what works well.

42. The Home Office accepts the conclusion. The Tackling Violence Action Plan contains a commitment to support partnerships to implement action plans at local level, which will build on existing problem profiles and strategic assessment and help to structure responses to violence. Implementation guidance is due to be issued by the end of 2008. The guidance is being drawn up to act as a reference and source of best practice for local areas to draw on as appropriate to their area. It has developed sections on areas of complexity, such as information sharing between partner agencies, and the Home Office will continue to provide support and assistance in those areas.

43. 49 local areas have opted to include serious violence as one of the 35 National Indicators in their Local Area Agreement and others have violence as a priority in local plans. The delivery plans were agreed at the beginning of 2008-09 as part of a three-year planning cycle. They are currently in a review phase, and will be refreshed as appropriate for 2009-10.

PAC Conclusion (9): Partnerships still lack the analytical capacity needed to assess the data they collect on violent crime in their locality, despite the recommendation made by our predecessors in their report in 2005. In recognition of the fact that many Partnerships do not have the resources to increase their analytical capacities, the Home Office should use its teams in the Government Offices for the Regions to provide analytical support at a regional level.

44. The Home Office accepts the conclusion. Part of the remit of the Home Office Regional Research and Analysis Programme (RRAP) is to help build analytical capacity in partnerships. Although the Programme is not large enough to provide direct analytical resource to partnerships on a routine basis (there are seventeen researchers covering the whole of England and Wales), the RRAP aims to support partnership analysts, providing a link with the Home Office and acting as a conduit for pan-regional assistance. In many regions support for analysts is facilitated through setting up and maintaining regional analyst 'networks'. The networks provide forums where expertise and learning can be shared between analysts and any central guidance can be communicated (e.g. over strategic assessments).

45. RRAP is soon to embark on a programme of workshops with partnership analysts to help improve the way in which analysis is undertaken. RRAP has also helped to support the development of partnership strategic assessments. In some regions, RRAP teams reviewed some or all of the partnership strategic assessments and the findings of these exercises fed back to partnerships.

46. As part of the CDRP Reform Implementation Strategy, the Home Office has funded training for analysts at the Jill Dando Institute (around 30 so far, as nominated by the Government Offices). The Government Offices have also implemented a programme of lending their analysts to local areas for priority pieces of work. *Delivering*

Safer Communities: A Guide to effective partnership working contains guidance on assessing information from all organisations within the Partnership to inform local strategy and operations. The Home Office has for two years financially supported an on-line and telephone analytical support service for partnership analysts delivered by the Jill Dando Institute.

47. The Tackling Violent Crime Programme (TVCP) has been working with practitioners in high-priority local areas since 2004 – as part of the programme, field-workers are available to help local areas enhance their capability. Additionally, through the TVCP, the Home Office has been encouraging problem profiling and data analysis on violent crime in high priority areas. It has worked with the Jill Dando Institute to produce guidance on problem profiling (published September 2007).

Forty Sixth Report

Highways Agency

The Procurement of the National Roads Telecommunications Services

1. The Highways Agency and Department for Transport welcomes this report by the Public Accounts Committee in which it examined the Procurement of the National Roads Telecommunications Service (NRTS). The Agency accepts the Committee's conclusions, and was particularly pleased to note that the Committee recognised the thorough approach which was adopted in the production of bid documents, which subsequently strengthened the procurement, particularly during the preferred bidder stage where the bid price fell by £2 million.

2. The Highways Agency has already addressed many of the conclusions identified by the Committee and these are being adopted in the procurement of other PFIs. It is hoped that PFI procurements across wider government can also benefit from the good practices adopted on NRTS as well as the lessons learnt.

PAC Conclusion (1): After widening the scope of the NRTS project and finding that the telecommunications industry had little interest in commercially exploiting the NRTS systems, the Agency changed the rationale for a PPP. Some projects do change in scope during their developmental stages and this change can affect the choice of procurement route. When this happens, the procuring authority should conduct a full review into the value for money of its options.

3. The Highways Agency accepts this recommendation. The scope of the NRTS project was increased to take a more strategic approach to the provision of telecommunications services and in particular to take account of the emerging needs of the traffic officer service as the Agency transformed itself from a maintainer of roads to a roads operator. The Agency continued to check that the adopted approach provided good value for money through the development stages of the project. Additionally the project team were required to justify the PFI approach at various milestones leading up to the award of the contract.

PAC Conclusion (2): The Agency invited expressions of interest from potential bidders too early. During the 17-month short-listing period, two well qualified potential bidders dropped out and the Agency reissued its invitation to re-stimulate the market. For market stimulation to work well, an authority needs to know what it requires and what it can afford, so that the procurement process can go forward effectively. The time between advertising a project and short-listing bidders should be no more than a few months.

4. The Agency accepts that in future it must ensure that contract documents are well developed before seeking expressions of interest. Had the Agency known, prior to the issue of its first OJEU notice that it was going to take a further twelve months to complete tender preparation it would not have issued the notice. However, since circumstances changed following the issue of the first notice we believe it was correct

to issue a second OJEU notice, this not only ensured that those who had originally applied were still keen to tender but also allowed others, whose circumstances might have changed, to make their interest known. This did not put the tender list in a worse position but in the same position as if we had just advertised the second time.

PAC Conclusion (3): This Committee has expressed concerns in the past about the spurious precision of some Public Sector Comparators but, in this case, the Public Sector Comparator cost was a single figure estimate, rather than a range, which is not good practice. The public sector comparator included a point estimate of £85 million for risk, equivalent to 26 per cent of the non-risk adjusted price. In calculating this risk adjustment, the Agency did not include any explicit allowance for events turning out better than expected. Procuring authorities should always estimate ranges, not single figures, for comparators.

5. The Agency notes and accepts the PAC recommendation to ensure that future Public Sector Comparators should be based on a range of figures rather than a single figure. The Agency considered many variations of the PSC and a range of estimates could have been produced. However, to demonstrate that the PPP was no more expensive than the PSC, the Agency thought it would be more appropriate to have a single point estimate, based on the Agency's best estimate. The Agency acknowledges that the risk ranges could have been better expressed, but believes the results would have been the same.

PAC Conclusion (4): The procurement took five years to complete, rather than the original estimate of 21 months, and the procurement process cost five times the original budget. The Agency never had a clear idea about the time and cost needed to complete the procurement. In every updated forecast, the Agency's revised budget and timetable were optimistic, often by considerable margins. Senior Responsible Officers (SRO) need to be wary when their project teams repeatedly report small increases in the budget and slippages in the timetable. SROs need sufficient evidence to judge whether costs and timetables are under control and they need to exercise their authority to review the project's progress if these delivery risks look significant.

6. The NRTS tendering phase took over two years longer than originally planned due to a number of external changes (for example the creation of a traffic officer service) and due to the Agency's requirements to produce high quality tender documents. The Highways Agency accepts that the changing position resulted in the original cost and time estimates not being met but this did not mean the costs were not controlled, or that the consultants did not provide good value for money. Expenditure on the NRTS procurement was controlled through annual and overall project budgets with all deviations from the approved budget being subject to scrutiny and re-approval by the Highways Agency's Senior Management.

PAC Conclusion (5): The Agency did not deploy effective controls over the work of its advisers. The Agency had two staff overseeing a monthly average of £250,000 of expenditure on advisers. These individuals had insufficient time available to implement effective controls to ensure that advisers conducted their work efficiently. In future, the Agency should provide enough staff to ensure that its management controls function as intended.

7. The Highways Agency agrees that it is important to provide sufficient staff to ensure advisors are managed effectively and that in this case there was a small client team. The two members of staff overseeing the project on a day-to-day basis were however very experienced project managers and considered capable of managing the project effectively. Had this not been the case, additional HA resource would have been added to the team. Furthermore, senior Management was involved, throughout, on all key decisions.

PAC Conclusion (6): The procurement was marked by careful and thorough production of the bid documents and the draft contract. The Agency decided that, if it were to produce a contract that clearly established and set out the obligations of the parties, each provision had to be considered in detail. This thoroughness, together with access to bidders' pricing models, strengthened the Agency's bargaining position during the preferred bidder stage and contributed to a £2 million fall in GeneSYS's bid price, without substantial changes to the allocation of risks.

8. The Agency agrees with the PAC's statement and is pleased that the PAC recognised that its thorough approach strengthened its bargaining position and ultimately led to a £2 million fall in the bid price.

PAC Conclusion (7): There were no incentives included in the advisers' contracts that expressly encouraged them to work efficiently. Authorities should incorporate incentives into contracts with advisers that encourage performance, while preserving the importance of the relationship that exists between client and adviser.

9. The Agency is currently preparing a replacement contract for its NRTS advisors, the new contract will impose tighter governance processes to control changes in the scope of tasks and will use KPIs to monitor expenditure and performance with options to assign work to other firms of advisors if KPIs are not achieved.

PAC Conclusion (8): NRTS provides new opportunities for the Agency to give road users more detailed and helpful information than has been possible in the past, but also the potential for giving confusing messages. The Agency should consult with road users, their representative bodies and other stakeholders to ascertain whether the NRTS-based information that it provides best meets the needs of road users.

10. The Agency agrees with this recommendation. The Agency constantly strives to improve the information it gives to its customers and already consults with them on a regular basis through the National Road Users' Committee and National Road

Users' Satisfaction Survey, which is a representative survey of the people who use our network. The Agency also undertakes site-specific customer surveys to better understand the information requirements of customers before and during journeys. Virtually all of the on road information provided to road users relies upon NRTS. Furthermore, information about the state of traffic is channelled back to its control centres via CCTV and NRTS, which enables the Agency to quickly inform road users of incidents and deploy traffic officers to clear incidents or emergency services as appropriate.

PAC Conclusion (9): The ultimate test of the value for money of NRTS will be the benefits that it delivers via linked Highways Agency projects to manage the strategic road network. The Agency values these benefits at £2,800 million, but this is dependent on the programme of associated projects proceeding in full and being delivered on time and to cost. The Agency should conduct a review of the cost and benefits of the NRTS and associated projects half way through the 101/2-year life of the NRTS contract.

11. The NRTS project has been subjected to external OGC gateway reviews and the HA will invite OGC to repeat the Gateway 5 Review half way through the life of the contract – this review includes identifying the benefits realised by the project.

Forty Seventh Report

Department for Innovation, Universities and Skills

Meeting needs? The Offenders' Learning and Skills Service

1. Giving offenders opportunities to improve their basic and vocational skills can enhance their prospects of getting a job and is a major part of the Government's policy for reducing re-offending. Many offenders have severe learning needs: half of those in custody have no qualifications and almost 40 per cent have a reading age beneath that expected of a competent 11 year old.

2. In 2003, Ministers decided that the Learning and Skills Council (the LSC) should take over responsibility for a new Offender Learning and Skills Service (OLASS), which, after piloting, the LSC rolled out across England in July 2006. The intention was that the LSC, with its experience in commissioning mainstream further education, would raise the quality of provision. The new service was also expected to provide a single, integrated service for offenders in custody and the community irrespective of the organisational boundaries between the prison and probation service.

3. On the basis of a Report by the Comptroller and Auditor General⁶, the Committee took evidence from the LSC, the National Offender Management Service (NOMS) and the Department for Innovation, Universities and Skills on building a learning and skills service that will help increase employability and reduce re-offending.

PAC Conclusion (1): Tensions between the objectives of meeting the learning and skills needs of offenders and occupying prisoners in purposeful activity have prevented resources being reallocated so that they better meet needs. All of the delivery partners-the Department for Innovation, Universities and Skills, Learning and Skills Council, and National Offender Management Service-should sign up to agreed funding priorities and work towards redistributing provision so that it better matches current needs. HM Prison Service should identify now where there may be a need for investment in classroom space or prison work areas, to allow for a managed redistribution of resources without disrupting prison regimes. The delivery partners should commit to joint performance targets so that decisions made at the frontline are consistent with the agreed priorities.

4. The Department for Innovation, Universities and Skills (DIUS) and the Ministry of Justice (MoJ) accept the recommendations within this conclusion. *Developing the Offenders' Learning and Skills Service: The Prospectus*⁷, published in September 2007 by the LSC but agreed across the partnership, set out clear funding priorities alongside the intention to analyse the current distribution of provision and to redistribute resources as necessary. The LSC's tender documents for successor contracts from August 2009, signed off across the delivery partners, reiterate those funding priorities and make clear that redistribution of learning provision will take place, albeit in a controlled way so as not to destabilise prison regimes.

⁶ C&AG's Report, *Meeting needs? The Offenders' Learning and Skills Service*, HC 310 (2007-08)

⁷ <http://olass.lsc.gov.uk/prospectus/>

5. The current prison capacity programme aims to ensure that there are sufficient training and employment places within new prisons or where significant expansion within existing prisons takes place. Established prisons have dedicated education departments and embedded key skills and aspects of specialist vocational skills qualifications are delivered in small classroom ‘pods’ in a number of prison industry workshops and other prisoner employment areas such as kitchens and land based activities. But many prisons do not have the physical space in which to build either new classrooms or workshops.

6. The strategy is therefore to maximise the use of existing resources by, for example, monitoring classroom attendance by prisoners and by the use of part-time education, which means more prisoners can access learning and skills. Some prisons also have rooms on residential wings for induction and other activities, which are used by education providers to increase prisoners’ access to learning.

7. Jointly commissioned work is underway to explore the viability of setting joined up performance targets. The intention is for a system based on shared performance targets and a performance management regime that supports those shared, outcome-focused targets.

PAC Conclusion (2): The Learning and Skills Council and HM Prison Service disagree over what can be delivered to those on short sentences and what priority this group should be given. The delivery partners should develop evidence-based, intensive programmes, aimed at getting offenders serving sentences under 12 months into local employment on release or signposting them towards further training in the community.

8. DIUS accepts the recommendation around development of evidence-based programmes. There is clear consensus between the LSC and NOMS that flexible, modular interventions appear to be the appropriate approach for those on short sentences. In a wider piece of work and through the Costing, Specification and Benchmarking programme, NOMS will clearly define an appropriate regime for under 12 month offenders. This will be discussed and planned with partners including the LSC and DIUS.

9. A shortly to be published thematic survey by the Office for Standards in Education, Children’s Services and Skills (Ofsted) entitled *An evaluation of the learning and skills provision for offenders serving short custodial sentences* which sampled 20 local prisons with a high percentage of offenders serving less than 12 months found that “Prison management and learning and skills providers have responded well in developing strategies for short, relevant and appropriate programmes that allow offenders to participate in learning and skills during their short stay in prison.”

10. *Developing the Offenders’ Learning and Skills Service: The Prospectus* describes a ‘skills for employment’ offer for short term sentenced prisoners: a short intensive programme including functional skills (literacy, numeracy and information technology) followed up by signposting to provision upon release. Prospective OLASS providers are required to ensure the learning offer for those serving short-term sentences is flexible and dependent upon both learner need and sentence length, and focused on employment and employability beyond custody. Providers will be expected to have active links with employers and also provide signposting to further learning and training opportunities. The employability component within the OLASS core

curriculum recognises the importance of personal and social skills which employers rate highly in employees.

PAC Conclusion (3): A quarter of prisoners have no screening or assessment for learning and skills needs, despite this being a requirement of OLASS. It may not be possible for assessments to be carried out in all cases, for instance, where offenders have very short sentences. However, if assessments are not carried out, it will be difficult to identify which offenders are most in need of the Service. The OLASS partners should either carry out an assessment or document the reasons why an assessment could not be carried out. The National Offender Management Service should instruct the Probation Service to meet the existing requirement to screen all offenders serving community sentences. Following screening, the Probation Service should make referrals to providers where the results of screening indicate a need, and training is likely to increase an individual's employment prospects.

11. DIUS and MoJ accept this conclusion. The Probation Service should screen all offenders under their supervision for basic learning and skills at the court report stage. In the community, the Offender Manager (or the Offender Manager's team) will prioritise the referrals to learning and skills providers on the basis of an offender's level of learning and skills need, motivation and chance of gaining employment.

12. NOMS is working towards developing a risk and needs screening tool to be applied to all offenders, and will jointly develop the skills assessment screen with DIUS and the LSC and then test and roll-out within resource constraints. Where the offender progresses to undertaking education, the LSC already requires the result of the follow-up assessment by the learning provider to be recorded. In the near future, that will be on the LSC's electronic system now being trialled, with full roll-out planned for the first half of 2009. The LSC will require its providers to document why an assessment was not carried out on learners.

PAC Conclusion (4): The quality of learning plans is poor and, without improvement, OLASS cannot hope to support offenders effectively. The LSC should give clear guidance to all OLASS providers about their requirement to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. The LSC must enforce existing contractual requirements for providers to maintain comprehensive and accurate records of learners' participation and progress.

13. DIUS accepts this conclusion. The LSC's current procurement process reiterates the requirement for OLASS providers to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. These contractual requirements will be enforced.

PAC Conclusion (5): The lack of a core curriculum means offenders' learning is unnecessarily disrupted when they are transferred between prisons. The LSC should start consultations now with providers and other OLASS partners, and use the next contracting round to put in place a core curriculum of courses delivered throughout the prison estate and accessible in FE colleges to offenders in the community.

14. DIUS accepts this conclusion. The LSC's current procurement process puts in place a core curriculum of courses delivered throughout the prison estate and accessible through publicly funded mainstream further education providers to offenders in the community as proposed in the *Developing the Offenders' Learning and Skills Service: The Prospectus*.

PAC Conclusion (6): Learning providers are paid regardless of attendance or course completion rates. There is a risk that courses will be filled by offenders who are already well qualified but who may be easy to teach. When contracts are renegotiated in 2009, the LSC should make payments to providers conditional, in part, on increasing attendance on courses by those offenders who need them, and on the progress that those individuals make. Contracts must specify minimum acceptable standards for offender engagement and course completion. Consultation on these issues should begin now.

15. DIUS accepts this conclusion. The LSC's current procurement process has taken into account the recommendations from the Comptroller and Auditor General's report, putting in place financial penalties for not achieving the performance indicators set by the LSC and for not meeting their contractual obligations. The obligations in the contracts to take effect from August 2009 will also include the requirement for providers to meet (within regime constraints) minimum acceptable standards for retention in learning and on the progress those individuals make.

16. In particular, where providers fail to meet their obligations in respect of devising learning plans and recording the progress of offender learners, they will be subject to financial penalties.

PAC Conclusion (7): Offenders' learning records are frequently not transferred when offenders are moved, making it harder for them to carry on courses, and difficult for the LSC and providers to measure the impact of interventions. The LSC is trialling a new data system in two pilot areas in September 2008. So that offender managers can understand what progress offenders have made, the LSC must make data available accessible to all OLASS partners, in a format that meets their needs. The requirement for providers to transfer information about learners' progress when they move between prisons and into the community should be a condition built into the 2009 contracting round with OLASS providers.

17. DIUS accepts this conclusion. Data from the new system will be available to all OLASS partners. The new system does not transfer data: rather, it holds data in a central store so that learning providers, successor learning providers and other OLASS partners can access it from wherever the offender is. Thus, the requirement

built into the 2009 contracting round with OLASS providers will be for them to keep information about learners' progress up to date, meaning that the latest information will always be available to the successor provider when offenders move between prisons and into the community.

PAC Conclusion (8): The LSC does not collect information to show whether or not offenders gain employment following completion of their sentence. The probation service attempts to measure whether offenders secure employment. To show the extent to which interventions including learning and skills had helped offenders to get a job, the partners should share information about those offenders supervised by the probation service, including those supervised on release from custody. For those offenders who are not supervised by the probation service, the delivery partners should carry out research, on a sample basis, to measure the effectiveness of different interventions in helping offenders get a stable job.

18. DIUS and MoJ accept the recommendation and are examining ways to measure the effectiveness of work aimed at helping offenders gain employment.

19. Earlier in 2008, the LSC, in consultation with partners, commissioned KPMG to analyse quantitative data in order to improve the alignment between the supply of learning and skills opportunities for offenders in particular settings with that of individual and employer needs, prioritised in accordance with the wider aims of the offenders skills and employment agenda. The results provide the basis for better-informed, needs-based and planned learning and skills provision for offenders in custody and in the community, and have already informed the specification for the current LSC procurement process. They will help too to underpin the final contract negotiations with the successor OLASS contractors in spring 2009.

20. Research is also being commissioned jointly by the OLASS partners to examine the mechanisms for data sharing between the partners. It is intended to explore how data on criminal records and other personal sensitive information are shared, including the extent to which information is disclosed, the processes used, and the barriers to information sharing. NOMS will build upon longitudinal research within the MoJ to track the progression of a large cohort of newly sentenced prisoners from reception into custody through to a year post release. The *Surveying Prisoner Crime Reduction (SPCR)*⁸ study includes those sentenced to less than 12 months as a discrete group within the research. A key aim is to identify the effect of any support or interventions on offending and other outcomes (which includes employment and training) during the year after release.

8 <http://www.justice.gov.uk/publications/problems-needs-prisoners.htm>

PAC Conclusion (9): Offenders are more likely to gain a job when they are released if they are equipped with skills relevant to local employers. Some prison governors are working with local employers to focus learning and skills provision and prison work on preparing offenders for realistic employment opportunities. Regional Learning and Skills Councils must work with providers to obtain feedback from local employers about the courses currently on offer, and make changes where necessary to ensure that the courses available meet employers' requirements. The LSC and the National Offender Management Service should promote local best practice and engage major employers nationally in order to tackle resistance to employing ex-offenders, and target learning and skills provision on employers' practical requirements.

21. DIUS and MoJ accept this conclusion, and in particular agree the contention that offenders are more likely to gain a job when they are released if they are equipped with skills relevant to local employers. NOMS and the LSC, working in partnership with Jobcentre Plus, are engaged with employers nationally, regionally, and locally to offer training and employment to offenders that meet employers' needs. Many employers are willing to work with offenders, subject to their being motivated to work and having the right skills. The new OLASS specification recognises that employers value soft skills such as timekeeping, team working, and customer service and these soft skills have been included as part of the core curriculum, alongside core vocational and foundation skills requirements.

22. Regional LSCs are routinely in discussion with mainstream providers to ensure that their offer is consistent with labour market requirements in their areas. Moving forward, the LSC will ensure that Probation Service and other partners and stakeholders working with offenders on release and into the community link with mainstream providers to deliver the skills most in demand by employers.



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