



Treasury Minutes on the Twenty-third, Twenty-fourth, Twenty-sixth, Twenty-eighth and Thirty-first Reports from the Committee of Public Accounts 2003-04

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TREASURY MINUTES DATED 8 SEPTEMBER 2004 ON
THE TWENTY-THIRD, TWENTY-FOURTH, TWENTY-
SIXTH, TWENTY-EIGHTH AND THIRTY-FIRST REPORTS
FROM THE COMMITTEE OF PUBLIC ACCOUNTS,
SESSION 2003-2004

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Twenty-third Report

Government Communications Headquarters (GCHQ)

New Accommodation Programme

PAC conclusion (i): It is unwise to enter negotiations with a preferred bidder when key requirements have not been settled and priced. In this case there was a 21 month period of exclusive negotiations before the contract was signed in June 2000 during which the price increased by 21 per cent, not wholly in a competitive environment.

1. The Committee's general conclusion is entirely consistent with the guidance given to departments on managing competitions. There will, however, always be a tension between the ideal and the practical management of the circumstances of a particular competition. GCHQ continues to believe that the course it adopted was the best in the circumstances. It introduced an additional two bidder stage in the bidding process in order to prolong competitive tension, and this resolved many outstanding issues. However, by September 1998 GCHQ concluded that it could no longer properly run with two bidders. Both bidders were running up large costs, which GCHQ had no means of refunding within contemporary Government policy, and without such a refund there was a substantial risk that one or both bidders would withdraw. GCHQ was under an obligation from the Bates Report¹ to minimise bid costs. In addition, IAS's bid was so much better that there was no realistic prospect of the other bidder catching up.

2. GCHQ however took action to assure value for money given that there was no longer competitive pressure:

- GCHQ ensured that many of the non-compliant areas were addressed by IAS as options while there was still a competitive situation
- GCHQ benchmarked IAS's proposals wherever practicable
- GCHQ asked Capita to reconcile price changes – they concluded that the overall changes were acceptable.

3. Price changes agreed in a non-competitive environment accounted for only 9 per cent of the price, less than half of the total 21 per cent increase. The reasons for these non-competitive price changes were

- An increase in the numbers of GCHQ staff
- The consequent increases in service to the bigger building
- Inflation
- An increase in finance costs.

4. The Government is committed to ensuring that bid costs for both public and private sectors are kept as low as possible. High costs in the PFI bidding process, if unchecked, may reduce competition for PFI projects, and may influence the returns sought by the private sector. The Government currently does reimburse bid costs in certain very limited circumstances, where it is deemed that the increased competitive tension provides value for money.

PAC conclusion (ii): Major change programmes need to be managed as such from the outset. In this case, ... it was nearly three years after a PFI solution for its accommodation was first explored that GCHQ recognised the move as a major programme and designated it as such.

¹ Bates was invited by the Government in 1997 to suggest improvements to the delivery of PFI projects – among other things he recommended a methodology that balanced the need for competition with avoiding excessive costs for bidders, which would inhibit competition for future deals.

5. GCHQ accepts the Committee's conclusion that the provision of its new accommodation would have been better managed as a major programme from the start. The Office of Government Commerce's Managing Successful Programmes (MSP) now provides a suitable methodology, but this was not available when the New Accommodation Project started in 1997. In any case GCHQ would not have been able to address the full implications of technical transition much before mid-1999, because the relevant experts were unavoidably committed to protecting vital operations from the risk of disruption over the Y2K period.

6. Once GCHQ moved to a Programme in January 1999, it adopted best practice. GCHQ was an early pioneer of MSP-99, and indeed helped to develop it, and subsequently MSP-03, to manage better the delivery of benefits.

PAC conclusion (iii): GCHQ experts failed to spot that development of IT networking during the 1990s would hugely complicate technical transition which effectively evolved into a major systems upgrade.

7. GCHQ accepts the Committee's conclusion that it failed fully to appreciate the implications of networking. GCHQ has put in place the following arrangements to ensure that a similar problem does not arise in future:

- It has adopted, and continues to maintain, a Blueprint which sets out its vision for the future
- It has overhauled its planning process, which now looks up to ten years ahead
- It has adopted MSP as standard for all its change programmes, not just the New Accommodation Programme.

8. The development of networking was gradual. In about 1990, GCHQ's IT consisted essentially of a number of independent systems. Each handled data of a particular type from a specific source; there was little need to interconnect, and indeed there was not the technology to do so. During the early 1990s this started to change. GCHQ's systems had to become increasingly complex and connected, in order to keep pace with the evolution of global communications.

9. So by 1996 GCHQ already had IT systems that were far more interconnected than anything in its history, though it did not recognise the implications of that at the time. Because GCHQ was not taking a programmatic approach, and had set technical transition outside the scope of the New Accommodation Project (NAP), it allowed the NAP planning to proceed with its own narrow focus, so for a critical period there was nobody looking both at NAP and at wider IT management who could spot the growing discrepancy. By the time GCHQ started technical transition in 2000 it had a network that was one of the most complex in the world; so the extra cost was very severe.

PAC conclusion (iv): A further consequence of GCHQ's failure to see the programme as a whole is the staging of the technical transition for budgetary reasons. GCHQ will be keeping one of its existing sites open for seven years longer than planned and incurring extra costs of £43 million.

10. GCHQ believes that the staging of the transition is a consequence of the nature of the move, rather than a consequence of its earlier failure to focus on the transition. GCHQ however accepts that its failure to see the programme as a whole certainly meant that it realised the need to stage the transition far too late. But it is very likely that the eventual solution would have been the same.

11. GCHQ established that staging the transition was the best value for money option, keeping the overall cost of transition as low as possible. The approach also provided a substantial reduction of the risk to the continuity of GCHQ's business, and has given extra flexibility to accommodate staff increases not planned when the PFI contract was signed. Its full investigation of technical transition in 1999-2000 showed that the cost could be reduced from an estimated £450 million to £351

million (the latter figure including the £43 million mentioned above) by keeping part of one of its existing sites (Oakley Plot 2 – OP2) until 2012. The risk to the continuity of GCHQ’s business was also substantially reduced. There was therefore a clear value-for-money advantage in retaining OP2. The main technical transition project is now close to completion, to time and within its budget of £308 million. There has been no loss of business continuity.

PAC conclusion (v): GCHQ made a highly uncertain assumption that a conventionally procured building would have over-run its budget by 24 per cent.

....

12. The Government is committed to securing the most cost-effective infrastructure to deliver public service improvements over the long term. To achieve this, it seeks to use the most appropriate procurement option, with no inherent bias between options.

13. Since the events covered in the Committee’s report, HM Treasury has introduced a new three stage value for money appraisal that

- Takes explicit account, at the point when investment decisions are made, of the wider benefits of PFI in delivering some forms of capital investment programme to time and to budget.
- Ensures that the Green Book² changes such as **Optimism Bias, Tax and The valuation of non-market benefits** are given their full weight in the appraisal.

14. These proposals incorporate reform of the existing Public Sector Comparator, and are designed to move the assessment away from a single point pass-fail process. They are designed to introduce flexibility into the process at all stages, as well as provide rigorous economic analysis from the investment decision stage onwards. The process continues to assess the presumed benefits against the emerging facts throughout the procurement, to ensure that PFI only proceeds where there are demonstrable, deliverable benefits.

15. Before this new process was available, GCHQ adopted the risk factor of 24 per cent for cost overruns on the basis of guidance derived from a study of large public sector projects. Not to have recognised the tendency for the cost of such projects to escalate would have been highly irresponsible.

PAC conclusion (vi): Departments should not uncritically accept that PFI is the only way to improve on past construction performance.

16. PFI is a small part of the Government’s strategy for improving public services and should only be used where it represents the best possible procurement route for the programme concerned, based on a thorough assessment of value for money.

17. The Chief Secretary to the Treasury announced in 2000 that government departments should use procurement routes for their construction programmes that facilitate the effective integration of the programme team and lead to improved whole-life performance. These preferred procurement routes are PFI, Prime-type Contracting and Design & Build. The Achieving Excellence in Construction initiative and its supporting best practice guidance sets out these routes and describes the processes that departments should follow in order to develop an integrated team solution.

18. In GCHQ’s case, it did not adopt a PFI approach uncritically, or because it believed it was the only way to improve on past construction performance. The decision to award the PFI contract was based on careful consideration of the options, using the best guidance available at the time.

² The Green Book: Appraisal and Evaluation in Central Government – HM Treasury www.hm-treasury.gov.uk/economic_data_and_tools/greenbook

Twenty-fourth Report

HM Customs and Excise

Transforming the performance of HM Customs and Excise through electronic service delivery

PAC conclusion (i): Customs' e-programme, although at an early stage, is an innovative step forward in using new technology to deliver better quality public services, streamline current processes, and achieve savings. Taxpayers should be able to deal as efficiently as possible with Customs in a way which integrates with their business systems.

1. The Department welcomes and endorses the Committee's comments. The e-business strategy is designed to fully exploit new technology, providing customers with efficient, integrated systems, which will radically transform the way they interact with us. We will ensure that this customer focus continues through to meet the needs of our wider customer base by re-evaluating, and revising as appropriate, all elements of our e-Programme during the transition to the new HM Revenue and Customs Department.

2. The development of comprehensive online services is integral to our aim to deliver a customer focused Department which will improve efficiency and allow better targeting of tax compliance and anti smuggling activities. This will be achieved through the implementation of a major e-Programme to modernise our technical infrastructure making it easier for our customers to deal with us electronically. The first phase of this programme has been successfully delivered with the introduction of a new e-VAT return service for businesses, together with a new departmental website. These services offer cost-effective, reliable, user friendly and secure access to online systems.

3. The Department will continue to exploit the opportunities provided by technology to reduce compliance costs and to improve services for businesses. The next major milestone for the e-Programme will be the delivery of further enhancements to our e-VAT service later this year. We will use the lessons learnt and the customer feedback from our e-VAT releases to develop our plans for delivering improved Excise and International Trade customer services in the following couple of years.

PAC conclusion (ii): It is unsatisfactory that Customs has so far spent over £100 million on its e-programme without a rigorous business case and that Customs is still not confident that its business case reflects the likely benefit to cost ratio for the programme. Customs original estimate in October 2002 of the financial benefits of £4 billion was not rigorous and they reduced it to £1.2 billion in November 2003, cutting the expected benefit to cost ratio for the programme from 12:1 to around 4:1. This could fall further once the detailed analysis of financial benefits and costs is completed. Customs should now complete a full business case, including all the e-programme costs and supported by sensitivity analyses of benefits and cost. It should specify the benefits, and formulate plans including dates for realising them.

4. The Department accepts the need to base investment decisions on reliable cost and benefit information. The Department is committed to producing business cases in line with wider Government good practice. Our preliminary business case, produced in October 2002, reflected a strategic outline for investment as prescribed in Office of Government Commerce (OGC) guidance. It contained a number of aspirational benefits, which reflected the very early stage of the strategy. As the e-Programme has been refined, we have now produced a detailed business case that quantifies the anticipated range of benefits against the expected whole life costs of the programme. This shows a rate of return of 7:1. Further work will be completed this year to provide a more detailed sensitivity analysis.

5. In line with National Audit Office (NAO) and OGC good practice, the Department has introduced a Benefits Realisation Framework for the e-Programme to identify and track benefits from project outset through to the “go live” phase and beyond. We will continue to refine and monitor this information to ensure our e-programme delivers maximum benefits for both our customers and the Department.

PAC conclusion (iii): Customs needs to manage the risks that the costs of the programme will be higher than expected, that take-up of e-services will be low and the benefits from the programme will be delayed. To provide early warning on these risks, Customs should track actual results against forward projections of the costs and the savings expected from improved compliance and efficiencies. These projections should distinguish between compliance improvements expected from the e-programme and those from the VAT strategy.

6. The Department welcomes the Committee’s comments. We have already improved the management of risk, cost, and benefits within our e-Programme through a range of measures including re-using common components where appropriate; due diligence exercises to drive down costs; and regular monthly reports on expenditure. We will continue to refine the risk process with tight controls at Project, Programme and Departmental level. Clear accountability and regular reporting to the appropriate governance authority ensures that timely decisions are made against a range of factors, including affordability and take-up of e-services.

7. As part of the Department’s Benefits Realisation Framework, a new team has been created to ensure good practice is employed in Benefits Management across the e-Programme. The unit will provide guidance and tools to assist project managers and also monitor, track and report on systems to ensure clear visibility for delivering agreed benefits. Projected e-Programme benefits are already clearly distinguished from those attributable to the VAT Compliance Strategy.

PAC conclusion (iv): In implementing the initial stages of the e-programme Customs has not followed good practice in managing aspects of the programme, for example by:

- **poor control over the commissioning and management of consultancy contracts;**
- **not using sensitivity analysis in evaluating the business case; and**
- **not appointing early enough a senior responsible owner for the overall e-programme.**

Customs has tightened controls over the management of consultants and is applying the Office of Government Commerce gateway review process to all new IT projects to ensure compliance with recommended practice. It intends to implement new electronic services only if the project has successfully passed through the gateway process.

8. The Department welcomes the Committee’s acknowledgement of the measures we have taken to improve our programme management. These measures were first implemented in May 2003 following an internal Departmental review, and include tighter controls around the employment and management of consultancy staff.

9. Under the revised procedures all consultants’ contracts include regular performance assessments, and skills transfer is explicit within their terms of reference. This ensures maximum value for money from consultants and by building up the skills and experience of our own staff we will, over time, reduce reliance on external resources.

10. The Department acknowledges that, initially, Senior Responsible Owners were only appointed to each of the sub programmes. As part of our improved procedures, a single Senior Responsible Owner for the e-programme was appointed in May 2003.

11. The Department is fully committed to adopting OGC procedures and will not implement new electronic services unless the project has successfully passed through the Gateway process. Regular OGC Gateway Reviews and internal audits have encouraged the adoption of good practice at project and programme level across the department. This includes conducting further work to provide a more detailed sensitivity analysis of the costs and benefits of the e-programme.

PAC conclusion (v): Customs does not have a comprehensive contingency plan to address the risk of IT system failure and its impact on service availability and on the take-up of e-services. It is developing recovery plans for each service under the PFI contract with Fujitsu, which should be brought together into a contingency plan to provide continuity of service in the event of IT system failure. The plan should set out the responsibilities of the Department and the contractor and the events that would trigger their implementation.

12. The Department accepts the Committee's concerns. Like them we take risk management very seriously and do not underestimate the impact that systems failure can have on our ability to encourage customers to use our services. As a result, a great deal of work has been undertaken over the last year to establish the relative priorities of all of the Department's business processes and the IT services that support them. Using the results of this analysis we have put in place disaster recovery and business continuity plans for business critical services, and we continue to refine this process.

13. As the e-Programme develops and new services come on line they are being assessed and added to the existing plans to ensure comprehensive coverage.

PAC conclusion (vi): Customs has made slow progress in providing an e-VAT service. It introduced an electronic VAT return in March 2000 but with little success. After a series of delays it planned a new pilot e-VAT service from January 2004 with a full service in July 2004, although work had yet to be completed on incentives to promote take-up. Before rolling out a full service to its customers, Customs should construct a proper pilot to test the new e-VAT service and evaluate the results using appropriate evaluative methodologies to test that the service functions as intended and it can cope with the potential demand.

14. The Department acknowledges that the early iteration of e-VAT, launched in March 2000 was not wholly successful. It has however, provided useful lessons, which have been applied in the development of the new e-VAT service.

15. A controlled release of the new e-VAT service went live in March 2004. It allows specific groups of businesses to submit VAT returns and make changes to their VAT Registration details via a new website with content to support these new online transactions. Marketing was kept deliberately low key, as the primary objective of the controlled release was to ensure the system provided a sufficiently robust platform for the services offered prior to launching this new e-VAT service to all traders.

16. On the 7 June wider public access to the services was made available through the current website and the new service was given its full public launch on 25 June. This was followed by the release of the new and more interactive website on the 1 July. Throughout, we have supported each stage of the launch with a targeted publicity campaign including direct marketing through use of flyers and advertising in the trade press.

17. Following a period of parallel running for the old and new websites to allow businesses to get used to the new site without losing their links and bookmarks to the old, the old site has been switched off and businesses' links and bookmarks transferred to the new site. Further enhancements to the e-VAT service are planned for the remainder of 2004-05, including VAT Registration and access for intermediaries.

18. Major transformational projects such as the e-programme always harbour risks, but from the outset the Department has sought to mitigate these by taking an incremental approach to delivery of new services. With the e-VAT programme, ongoing evaluation at each stage of delivery, including feedback from business, is helping to inform the future activity and development of the services we offer. This, together with rigorous testing procedures, has sometimes meant delaying delivery of the next phase of the programme. While sometimes frustrating, it also ensures that we can deliver a robust, user-friendly product to which meets customer needs and improves service delivery.

PAC conclusion (vii): There was very low take up of the first electronic VAT return service because it did not offer businesses any tangible benefits. Instead they found the paper-based system easier to use. Customs should research the market to establish the likely demand for new services from different customer groups and address business concerns about security, accessibility and usability. It might for example examine with large VAT traders the benefits of using the new service, say how to make an electronic VAT return in its guidance to new and small businesses; and encourage software manufacturers to include the e-VAT return in future releases of their accounting software, so businesses could integrate the service into their business systems.

19. The Department accepts the Committee's conclusion in relation to the first e-VAT service. It is already building on the lessons learned from that experience to ensure e-services both meet customer needs and provide efficient delivery for Customs. The new e-VAT service has been designed with input from business groups to provide real benefits to businesses in terms of ease and speed of making VAT Returns and other VAT services. Initial feedback on the new e-VAT service has been very positive. We are implementing a controlled marketing campaign, targeting VAT traders on a rolling basis. For example, we will be including flyers about the new e-VAT service in VAT returns, and adverts have also been placed in some trade press publications

20. Additionally, the Department is in detailed discussion with accounting software suppliers to integrate the new system into accounting packages, which will further encourage business to use our e-services. We intend to trial the system for bulk submission of VAT returns later in this year.

PAC conclusion (viii): Customs is only now considering a strategy to achieve the 50 per cent level of take-up (some 700,000 businesses) needed in the new e-VAT service to make it viable. Customs is also considering whether to compel certain sizes of business to submit VAT returns electronically. Before launching a full service Customs needs a firm assessment of the benefits that can be achieved for the Department and for businesses from the e-VAT service, and assurance that the required levels of take-up can be achieved. Before resorting to compulsion, Customs should be offering a good quality service which a high proportion of businesses are willing to use. Compulsion should not be used to impose an inferior service.

21. The Department does not accept the conclusion that it is only now considering a take-up strategy. Our take-up strategy has evolved as our e-Programme has developed from planning to delivery stages. We now have detailed plans around four key principles; Product Design; Benefits to Business; Marketing and Publicity. It also draws on the suggestions made by Professor Helen Margetts in her report *The incentivisation of e-government*.³ We continue to evolve our take-up strategy to meet each delivery element of the e-programme, including e-VAT, as well as other external developments. For example, we are re-evaluating all elements of our e-Programme for transition to the new HM Revenue and Customs Department to ensure we meet the needs of our wider customer base.

³ Professor Helen Margetts; University College, London. The report, conducted on behalf of the National Audit Office in 2003, examines incentives to encourage take-up of on line services. A full copy of the report is available on the National Audit Office website (www.nao.gov.uk)

22. The Department accepts that, the higher the level of take-up, the more benefits, particularly efficiency benefits, will accrue. We have set a challenging target of achieving 80 per cent take-up of all our available e-services by 2010. Take-up of the National Co-ordination Unit and New Export System has exceeded expectation and demonstrates that, with the right product, we can achieve this.

23. The Department aims to delivery a high quality, robust service. Only when this has been achieved will Customs consider making its use mandatory. The Department also recognises that e-VAT must offer tangible benefits if it is to prove attractive to businesses and this has been a core consideration throughout the development of the service.

24. As a result we are delivering a service that offers ease and speed of registering, ease of submitting the VAT Return with enhanced error checking, the ability to make changes to trader details on-line and an easier way of involving intermediaries to help them complete their returns. This is closely linked with improvements in accessing information and advice on the new web site such as an enhanced search facility and e-mail alerts.

25. In addition, the Department is working closely with intermediaries such as accounting software developers, banking service providers and accountants to integrated e-VAT packages which will make it even easier for business customers, or their intermediaries, to use the new system.

PAC conclusion (ix): The cost of the PFI contract has increased from £500 million to £929 million due partly to a rise in the volume of Customs' work since the contract was signed in 1999 and partly to new requirements brought about by the e-programme. Re-tendering the contract would have given better assurance on the value for money of the revised contract, but would also have put at risk existing revenue and the expected benefits of the e-programme which Customs estimated to be nearly £1 billion. Whether Customs struck the right balance in making this judgement is hard to determine while many of the expected benefits remain to be demonstrated

26. The Department accepts the Committee's comments on the risks to existing revenue and future benefits that might have arisen from re tendering. The Department firmly believes that the increase in cost of the PFI contract provides the improved facilities essential to support the e-programme including additional servers to support development, testing and delivery of the new services, improved network capacity and resilience, greater reliability and improved access to the Department's web services, and improved service management tools and processes. These are now being used to support the delivery of the first implementations under the e-programme, which would not have been possible without the increased investment.

27. The costs of the services being provided under the PFI contract are being subject to an external benchmarking review. The review will establish a financial benchmark for the Department's outsourced infrastructure services. The benchmark will provide sufficient information on costs to allow comparison with those of other comparable organisations. The PFI contract has provision for charges to be reduced if the comparison shows that the charges are not competitive. The review will start shortly and complete within 3 months.

Twenty-sixth Report

Department for Work and Pensions

Difficult forms: how government departments interact with citizens

PAC conclusion (i): Departments should minimise the burden, which their forms impose on citizens. When designing forms departments should test the requirement for each piece of information and be able to justify why it is needed. Citizens should not normally have to supply information about themselves to a department that they have previously supplied. Modern IT systems, the provision of forms online and risk-based methods of administration should make this easier to achieve including, wherever possible, the pre-population of documents.

1. Departments acknowledge that they should minimise the burden which forms impose on citizens.
2. The primary function for forms produced by the Department for Work and Pensions (DWP) is to ensure all the necessary information is gathered to determine the customer's correct entitlement to benefit. Care is taken in the design of all DWP forms to assist and support the customer by considering, 'good usability', for example, legible typeface and the most appropriate size for response boxes.
3. Within DWP The Customer Management System (CMS) is being rolled out, this system records customer information electronically, and as it develops there will be fewer requirements for paper-based forms. Further work is underway to allow combined claims to Jobseeker's Allowance/Income Support/Incapacity Benefit with Housing and Council Tax Benefits. The information gathered will be shared with Local Authorities reducing the burden of form filling on the customer. This procedure is due to be fully rolled out nationally by 2006.
4. The introduction of the HCTB1 claim form in April 2003 replaced the need for two separate claim forms for Housing Benefit and Council Tax Benefit with one combined claim form, reducing the burden of form filling on customers.
5. Within the Inland Revenue (IR), information requirements are rigorously examined to ensure that forms are in accordance with governing law. All form changes are subject to a formal quality development process, with dual sign-off, by the business (form) owner and the forms' quality manager, to ensure that forms meet business need and to check the propriety of form content. Wherever possible, IR introduce on-form prompts, for example the Short Tax Return and Tax Credit Claim forms. For those completing IR forms online, the online service technology offers 'context sensitive help'. For example in the Self Assessment service, specific help is given at the individual question level. Steps are also taken where possible to ease the information requirement through IT opportunities: for example, this year with pre-population of some of the Tax Credit Renewal form.
6. As part of their paper application form, the UK Passport Service (UKPS) asks for only the necessary information required to establish both identity and nationality. For renewal applications, UKPS use the full details submitted with the first application to reduce the burden of duplication at renewal. In addition, the revised passport application form, available from August 2004, will clearly signpost the relevant sections required for completion, so further reducing the amount of information needed from the customer. The information currently held by UKPS cannot be used to pre-populate application forms, however, as indicated in its 2004-2009 corporate plan, there are plans to store data on a person-to-person basis, which would offer the potential in future for a much simplified application process involving the pre-population of forms.

7. The Department for Education and Skills (DfES) has introduced this year a new IT system for the assessment of student finance applications in local education authorities which includes an online application service for students which will be live later this year. The Department, with its delivery partner the Student Loans Company, is exploring the advantages that the new system will bring including the pre-population of forms. It may be possible that some continuing students will be offered a shorter, simpler application route for the 2005-06 academic year.

PAC conclusion (ii): Departments should seek to improve electronic communication between themselves so that information submitted to one organisation can, wherever appropriate, be shared with others. As well as offering benefits to the citizen, such collaboration provides the scope for improved efficiency and reduced back office functions.

8. Departments recognise that there is merit in sharing information between organisations, as long as this is consistent with data protection requirements and appropriate legal gateways.

9. Within DWP the Customer Information System Project will deliver, over a number of releases from March 2005 to March 2007, a database of key citizen information to be shared across DWP. The database will complement information currently available in the Department's key customer information systems, and will afford the customer a more efficient, streamlined, accessible service. The Pension Service already share information with local authorities, so that details about income given as part of a pension credit claim can be used to assess entitlement to housing and council tax benefits.

10. IR has a strict duty of customer confidentiality that is enshrined in legislation. Therefore the exchanges between the IR and other Government departments take place via legislative gateways. For example there is an interface between DWP and IR for the purposes of administering National Insurance Contributions.

11. DfES accepts that electronic data sharing would help reduce the burden on students to supply evidence in support of applications. Work is underway to assess the feasibility of sharing data across Government and with the Universities and Colleges Admissions Service. DfES is discussing options at present with a view to possible data sharing trials taking place during the 2005-06 student finance application cycle.

12. UKPS have a database of all passport records. UKPS are developing electronic communication links and seek to share this with other Government departments. The DVLA, FCO and UKIS are already using this database to confirm an applicant's identity and therefore reduce the burden of proof when they apply/re-apply for replacement documents. Additionally as part of the modernisation of the Civil Registration Service in England and Wales, the UKPS is seeking to establish an electronic link to the register of births, marriages and deaths, which would remove the need for passport applicants to submit paper birth/marriage certificates.

PAC conclusion (iii): Departments should keep forms as short as possible, in terms of both the numbers of questions asked and the number of pages. The successful introduction of the shortened Attendance Allowance form shows that simpler forms can be introduced without unduly risking public money or jeopardising the security of systems.

13. Departments accept that improvements in this area are required, but in doing so, departments have to strike the right balance between giving people enough information to complete the form effectively, first time; using good navigational and content devices to make the form as easy as possible to complete; and employing enough space to enter data on it.

14. DWP welcome the Committee's recognition that the shortened Attendance Allowance (AA) form is simpler without risking Government spending. Within DWP revised application forms which are substantially shorter than previous versions have been introduced over the last 2 years, for example the rapid reclaim initiative form JSA4 (RR) has been reduced in size by over 60 per cent, and work is currently on going to reduce the number of pages the customer is expected to complete when claiming Disability Living Allowance (DLA) by more than 50 per cent.

15. IR review all major public forms annually, looking for any potential reduction in the filing requirement (while maintaining maximum ease of use). IR's new Short Tax Return is four pages long (compared to the previous return which was on average 12/16 pages long). Work has just begun on a review of the Main Tax Return with the prime aims of making it simpler for the customer to complete and more efficient for the Department to handle. IR aims to have a redesigned Main Tax Return in place for April 2008.

16. UKPS have a four-sided paper application form that asks for the minimum information required to establish both identity and nationality, and is also clearly sign-posted so that only the relevant sections of the form are completed. In addition the UKPS current and proposed electronic passport application guides the applicant through the form and only requests completion of the sections of the form relevant to their particular circumstances.

17. DFES is committed to keeping its student finance application forms as short as they can be. It is, however, necessary to collect information in order to achieve the Government's aim of targeting financial support at those applicants who need it most. Some changes were made to the 2004-05 forms to reduce their size when compared with the 2003-04 versions.

PAC conclusion (iv): Departments should instigate regular reviews of forms and re-design them quickly where problems become evident. For example, the Department for Work and Pensions had known about difficulties with the Attendance Allowance form since the mid 1990s. Use of a range of social research methods such as focus groups and usability testing can reduce the time needed and costs in making major improvements to forms. Monitoring of error rates can indicate whether customers are having particular difficulties.

18. Departments agree with the need to keep forms under review, and that there are lessons to be learned from the length of time taken to change the AA claim form.

19. DWP and IR already have a process of review for their public forms. This is undertaken at least biennially in conjunction with representative bodies, taking into account policy and legislative changes and any problems identified by staff or feedback from customers about user experience. In IR, for example, 'Review' involves considering whether the form can be abolished or simplified, as well as updated for accuracy and to take on lessons (best practice, customer feedback, branding) learned in developing other forms. This is governed by a Quality Assessment method with multiple sign-offs to ensure that the form is reviewed effectively.

20. Change, for complex benefits such as AA may require more detailed consideration to ensure changes are purposeful and effective. For example, consideration with disability and older peoples groups such as, the Modern Services Working Group (an external group which represents customers with physical, mental and sensory impairments) as well as meetings with welfare advisors. Consultation with customers is a key part of designing a DWP form.

21. The UKPS review the passport application pack on a regular and ongoing basis and this is updated on a three-monthly basis. The revised passport application, introduced in August 2004, has been produced using the recommendations of the

National Audit Office (NAO) 'difficult forms' report, the NAO good practice guidance; consultation with the Plain English Campaign; external customer focus group feedback and consideration of error rates.

22. The DfES student finance application forms are reviewed each year to take account of changes in policy. They are also reviewed in the light of comments received by the Department's student helpline where students and parents highlight areas of the forms that cause problems. The comments made on the forms in the annual national customer satisfaction survey into the administration of student finance are also considered. The review of the application forms for the 2005-06 academic year is already underway and should be completed by December.

PAC conclusion (v): Guidance notes should be designed to help people complete forms quickly and with minimum effort. Text should be kept to a minimum, and visual aids used to demonstrate by example what is wanted. Citizens want to start immediately on filling in a form and will look up guidance notes only if necessary. Yet forms often route people to lengthy and complex guidance notes.

23. Departments agree that guidance notes should be designed to help people complete forms quickly and with minimum effort. Lessons can be drawn from the sharing of good practice of other departments such as sign-posting the relevant sections for completion, the use of "quick start" introductions and guidance to support form completion.

24. The revised guidance in the passport application pack represents the completion of a major change in the design and layout, and includes a quick start introduction which sign posts customers to the relevant sections and uses tables to summarise more complex requirements. In addition UKPS have taken the guidance on passport photographs out of the main text and produced a dedicated pictorial leaflet to clearly demonstrate the requirements of customers.

25. DWP recognise that there is a legal responsibility to provide information to the customer on the impact that their claim may have on all the benefits they claim from the Department or pass ported entitlement to other benefits. In recognition of this, the Pension Credit application pack has two separate note booklets. The first one is specifically designed to advise customers on how to complete the form and the second to provide important information on Pension Credit, which provides information of other ways to apply and details of other benefits.

26. IR tailors material appropriate to a citizen's known circumstances where it can. For example the new PAYE notice of coding, currently being piloted reduces a separate general guidance booklet of 20 plus pages to, on average, a page or two of targeted notes within the body of the coding notice. The existing self-assessment Tax Return is targeted to an individual's personal circumstances, as is the guidance sent with the return. However, where one set of guidance notes is necessary, the IR aims to offer support by providing clear signposts between the form and guidance.

27. The DfES supports this conclusion. DfES made changes for the 2004-05 student application forms to reduce the amount of text provided in additional notes and provide more information in the form itself to assist completion. In addition, the sections of the forms and notes were colour coded to make cross referencing between them easier.

PAC conclusion (vi): Rather than relying on guidance notes alone, departments should consider other means to help citizens complete forms. The introduction of telephone assistance for pensioners when claiming Pension Credit shows how completion can be made easier for the citizen and can also result in cost savings for departments through reduced numbers of errors and appeals.

28. DWP are pleased that the Committee have acknowledged the work done on Pension Credit. Assistance is already given with applications for DLA & AA via

their dedicated Help line and the Department also has a Benefit Enquiry Line for all customers.

29. IR agrees with the Committee's recommendation. It does not rely on guidance notes alone, but has Helplines, Enquiry Centres and online support (and service) alternatives, which can all help with technical questions and the mechanics of form filling. Increasingly, IR is doing business by telephone, in place of forms or written correspondence and is piloting a Tax Return telefiling system.

30. UKPS accepts the recommendation and they also have a 'Passport Adviceline' whereby applications can be completed over the phone. Passport applications can also be made via its electronic passport application route; or by using the Check & Send service available at Post Office branches or Worldchoice travel agents.

31. Students completing the DfES student finance application forms can receive telephone assistance from two sources. For basic queries about their application, students are directed to call the Customer Support Office provided by the Student Loans Company, which has extended hours of opening. For more detailed queries students can phone the Student Finance Direct section within their Local Education Authority.

PAC conclusion (vii): When designing forms, departments should meet the needs of customers with specific needs. Many users of forms have difficulties, for example, in terms of basic literacy and numeracy, language barriers or other practical problems or incapacities. Departments need to consult these customers directly on the design of forms.

32. Departments recognise that many users of forms have difficulties, for example, in terms of basic literacy and numeracy, language barriers, incapacities or other practical problems.

33. DWP and IR address elements regarding customer specific needs through consultation with external bodies that specifically represent disadvantaged people. This consultation also aims to minimise the use of jargon and improve guidance wherever possible. DWP telephone staff identify cases where people might be having particular difficulties and try to point them to other sources of help such as the voluntary sector and local authorities. DWP and IR forms are available in English and Welsh. Customers without English as a first language receive assistance relating to their individual needs, this includes offering a translation service.

34. UKPS used detailed input from the Plain English Campaign in producing the revised application pack available from August 2004 and this should help to ensure that it is as clear as possible for those applicants who may have basic literacy or numeracy problems. UKPS provide application packs in Welsh and customer support is available via their website, the 'Passport Adviceline' and the Newport passport office.

35. UKPS, IR and DWP all offer options for particular groups with specific needs; for example, large print application packs, guidance notes in Braille, developed in consultation with RNIB and audio tape or loop systems to assist customers with hearing difficulties.

36. DfES provides some information for parents of students in different languages on obtaining student finance. The main student finance application forms are available in English and a bilingual version is made available for Welsh speakers which meets the requirement of the Welsh Language Act. DfES also has arrangements in place to ensure that all their forms are easy to use and meet the requirements of the Disability Discrimination Act 1995. A review with students and their parents is currently ongoing to seek improvements to the student finance application forms for the 2005-06 academic year. The review is planned to be

completed by December 2004 to allow printing and distribution of the forms to Local Education Authorities in time for the application cycle.

PAC conclusion (viii): Departments should demonstrate greater commitment to meeting the Government's 2005 deadline for the online provision of all forms, by setting out clear strategies, with milestones and targets, to make sure they achieve this. Not all the case study departments were confident of meeting the Government-wide target for all their forms to be available online by the end of 2005, or the related aim to achieve, for key services, high levels of electronic use by the same date.

37. Departments agree with this recommendation and are working towards the e-enablement target, and seeking new ways of communicating with customers.

38. DWP has recently updated its Information Systems and Information Technology Strategy, drawing on experience across Government and the private sector to ensure the best possible approach to IT modernisation is adopted. A project has been initiated to make key services available on-line by 2005. DWP is developing a channels strategy to ensure a clear focus on getting high levels of use of online services. The Channels strategy will target specific groups of customers to use preferred channels. It is planned to introduce an online Citizens channel in 2005, whereby Jobseekers can interact directly with Employers who are already able to advertise their job vacancies directly online. Additionally a State Pension Forecasting system will be available online from October 2004.

39. Carers Allowance (CA) can already be claimed over the Internet. Since the implementation of the CA e-service on 1 December 2003, the actual intake of e-claims has exceeded the forecast 2 per cent. Work is ongoing within the CA Unit to develop a marketing strategy to ensure that levels forecast for 2005/06 of 8 per cent are met, thereby maximising the efficiencies derived from the service by increasing the levels of take-up.

40. IR continues to develop online services. Those for Tax Credits, Child benefit, and Stamp Duty Land Tax were made available online in August 2002, October 2002 and December 2003, respectively. Where possible, steps are being taken through IT opportunities to ease the information requirement for customers, for example, some of the Tax Credit Renewal form is pre-populated. Online service technology goes a step further than the navigation IR uses on paper. It enables IR to give 'context sensitive help'. In the Self Assessment service, for example, this means that specific help is given at the individual question level – customers get the help they need, when they need it.

41. IR places a strong emphasis on the design of its online services, so that they are customer friendly and easy to use. For example, the online Self Assessment form is designed in collaboration with its customers. The result of this is that use of the Self Assessment online service has grown dramatically since its introduction. In the year to 5 April 2004, more than 700,000 tax returns were submitted over the Internet, and for this year, from 6 April to 13th August 2004, more than 246,000 returns were received – an increase of 121.7 per cent on the number received during the same period last year.

42. IR has an online services strategy and supporting delivery plan. IR is on track to meet the Government targets for the availability of key online services and associated levels of take up.

43. The number of passport application forms completed online and returned as signed applications to the UKPS averages 1.82 per cent of total demand over the last 12 months. When the revised electronic passport application service is piloted in spring 2005 demand is expected to rise and the business case assumption of 11 per cent by 2006/07 is considered prudent.

44. DfES is committed to meeting the Government's target for the provision of online forms, and intended to launch an online application service in April 2004. However, due to the introduction of a new national IT system for the assessment of student finance applications in local education authorities, this has not been possible. However, online applications will be available for students making support applications later in the cycle for the 2004-05 academic year, which will provide a good test of the system in readiness for full introduction of the online system in 2005.

PAC conclusion (ix): While recognising that not all citizens can or want to access services electronically, departments should introduce strategies to promote the benefits of online forms to their customers. Many of the problems with existing forms and guidance can be overcome through the online provision of forms. For example, citizens can be positively routed through questions, making it easier for them to complete forms correctly.

45. Departments recognise that many problems with existing forms and guidance could be overcome through the provision of more flexible on-line services, and seek to promote the benefits of such services.

46. DWP's aim is to ensure that customers receive a high quality service through the most suitable channel but recognises that for many customers, personal assistance through telephone based claiming will continue to be very important.

47. The IR has a distinct marketing plan to promote online services. The 'online' marketing activity began three years ago (letters to taxpayers, etc) and has already proven its success in educating taxpayers about the online services. Research results are positive and show that 99 per cent of taxpayers are aware that electronic forms and services are available to them via the internet. Recent evaluation of those who complete Self Assessment on-line, show that over 85 per cent were highly satisfied and 97 per cent intend to complete online again next year. The expansion of services into areas such as the ability for a taxpayer to update their own data is proving extremely successful, with 30 per cent updating or correcting their data whilst filing their Self Assessment tax return online.

48. DfES is currently developing a strategy to promote the benefits of online forms with its delivery partner, the Student Loans Company. The intention is to gather feedback from a trial of the online student application being run later this year. Consideration will then be given to the best way of promoting the service for next year, making the best use of links with the Universities and Colleges Admissions Service, which already receives an appreciable number of online applications from those entering higher education for the first time.

49. An improved electronic passport application route, being developed by UKPS, will route and guide customers through the form, only requiring them to complete the sections relevant to their particular circumstances for introduction in Spring 2005. A communications plan will be put in place to encourage completion using this route once the pilot has been successfully completed. UKPS will however take care not to stimulate demand that it does not have the capacity to fulfill and, for this reason, marketing the service to applicants will be done in a measured way.

PAC conclusion (x): Departments should determine the administrative costs of processing forms. For example, the Inland Revenue's introduction of the short tax return to three customer segments offers considerable benefits in reducing citizens' compliance costs and improving administrative efficiency. Yet at present the Inland Revenue does not know the relative costs of processing the short form as against the standard one.

50. Departments agree that the administrative costs of processing claim forms should be determined.

51. The IR's short Self Assessment Tax Return has only just entered the first full year of operation using the automated data capture system, which is designed to reduce processing times significantly. IR has yet to evaluate fully and refine the process. Evaluation of the system cannot be completed before the pilot ends in February 2005. It is therefore too early to give meaningful estimates of the expected resource savings from the new product.

52. Within DWP, the Resource Management Project has a requirement to develop a unit cost system and the proposed solution, from Oracle, is activity-based management (ABM). This solution is still under development and the level of detail still has to be determined, but it will be for business units to determine the level of activities to be costed and the work outputs to be covered, taking into consideration this particular recommendation.

53. On the basis of their current contractual arrangements with Siemens Business Services (SBS) UKPS estimate that the administrative costs are equivalent to £4.60 per passport. The UKPS expect these costs to fall relative to demand in 2004/5 as the impact of the new application pack introduced in August 2004 takes effect and error rates fall below the current rate of 12.5 per cent.

54. DfES supports this conclusion and considers that an effective way of reducing compliance costs for students is through the provision of an intuitive online application form which only requires applicants to provide the information necessary. DfES is working to introducing such a system for some continuing students for the 2005-06 academic year.

PAC conclusion (xi): Provision of a premium service should not become a substitute for improving basic forms and processes. For example, the difference in error rates between people paying £5 for the Post Office to check their passport application form against those submitted directly by customers (1 per cent and 15 per cent respectively) show that people do have difficulties with this form. The Passport Service should devise ways of improving its form and businesses processes to reduce this differential.

55. UKPS accept that the provision of a premium service should not become a substitute for improving basic forms and over the past five years UKPS have made significant improvements to the application form and notes for guidance. This has seen the error rate for postal applications fall from an average of over 20 per cent in 1998 to an average of 12.5 per cent in 2004.

56. In addition, according to market research undertaken on behalf of the UKPS, around 90 per cent of applicants find the passport application form very easy or fairly easy to complete. In the first six months of 2004 over 50 per cent of applications have been received via the Check & Send arrangements and complaints have accounted for approximately 0.001 per cent of demand. The UKPS have received no specific customer complaints in relation to payment of the handling charge levied by Post Office Ltd and Worldchoice Limited.

57. DWP, DfES, and IR do not offer or plan to introduce fee paying premium services.

PAC conclusion (xii): Departments should assess their forms against the practical guide produced jointly by the National Audit Office and the London School of Economics: 'Reviewing and Improving Government Forms'. This comprehensive checklist, which draws upon a wide-ranging review of existing forms, should enable designers to avoid many of the errors of the past.

58. Departments accept that the recommendations of the NAO practical guide should underpin how they review established practices and look for further improvements.

59. DWP forms are designed using good design principles (for example, legible typeface, line length of text, larger response boxes and effective use of space) and will use the recommendations of the NAO practical guide to build on established practices and look for further improvements.

60. UKPS have taken account of the recommendations of both the NAO 'difficult forms' report and the advice in the practical guide produced by the NAO when developing the revised application pack available from August 2004. Examples of where the NAO report and guidance have impacted on UKPS thinking have included the revision of section four in the application form, (which is relevant to both anyone born outside the UK and all those born after 31 December 1982 and had previously been criticised by customers as difficult to understand) and the addition of the quick start and checklist sections in the notes for guidance.

61. IR forms design process incorporates most of the appropriate items in the checklist already. IR is reviewing the checklist against procedures, and will take account of any improvements noted as it formulates the way forward for HM Revenue and Customs over the coming months.

62. DfES supports this conclusion. The practical guide was used by DfES in its draft form when it was revising the 2004-05 application forms as the draft guide emerged at the same time as these forms were being prepared. The Department is committed to using this guide as an assessment tool for future student finance forms.

Twenty-eighth Report

Driver and Vehicle Licensing Agency (DVLA): Trust Statement Report 2002-03

PAC conclusion (i): Despite increasing its enforcement efforts the Agency has not been able to reduce vehicle excise duty evasion. It has research in hand to help it identify the causes of evasion and recently launched a new 'continuous registration' initiative to help validate its vehicle database records. The Agency's target to reduce the evasion rate to 2.5 per cent by 2007 needs to be pursued vigorously as do its efforts to improve the accuracy of its database. In particular, the Agency should use the data provided by the roadside use of Automatic Number Plate Reading (ANPR) equipment to develop frequent statistical updates on the level of VED evasion, in order to inform optimum deployment of its portfolio of anti-evasion activities.

1. The Agency accepts the conclusion of the Committee. The continuous registration initiative, launched on 1 January 2004, encourages motorists to notify the Agency when they dispose of vehicles and to relicence on time, thus improving the accuracy of DVLA's records. The Agency is now able to identify the keepers of unlicensed vehicles direct from its records and issue penalty letters to them.

2. Although the continuous registration scheme will not be fully operational until October, the preliminary results are very positive. By March, the number of people evading for a period of up to three months had reduced by nearly one million. Between January and June of this year there has been over two million more licensing transactions compared with the same period last year. Furthermore, disposal notifications received at the Agency have increased by 25 per cent since continuous registration went live. These figures indicate that the Agency is making progress towards improving the accuracy of its records and achieving its target of reducing the level of Vehicle Excise Duty (VED) evasion from 4.5 per cent to 2.5 per cent by December 2007.

3. As part of the Agency's drive to improve the accuracy of the database it initiated a programme of work in November 2001 that identified four key areas for improvement. These are: data capture processes, ongoing maintenance, integrity and compliance. Work is being taken forward in all four areas.

4. A nation wide campaign to encourage motorists to update their driving licence and vehicle registration certificate details, when their personal details change, started in March 2003. The campaign also used data from the December 2000 baseline accuracy survey to target specific regional areas where the problems were seen to be greatest.

5. The Agency is developing data matching software which will benefit, not only the accuracy of the driver and vehicle databases, but has the potential for data matching with other Driver & Vehicle Operator (DVO) Group agencies as well as other organisations such as the UK Passport Service.

6. A full data cleansing exercise of the Agency's driver and vehicle databases, using the Royal Mail postcode address file for comparison purposes, began in September 2003. The driver's exercise has been completed and the vehicle's exercise is on target for completion by the end of October 2004. Early indications are that the accuracy of address information might improve to 98 per cent from the December 2000 baseline figures of 68.5 per cent for the driver's record and 73 per cent for the vehicles record. Systems to validate addresses entered into the Agency's Automated First Registration and Licensing System, prior to the point of registration, are at an early stage of development.

7. Work has started on enforcing the offence of failing to notify change of details through the introduction of an Out of Court Settlement penalty/prosecution through

magistrates' courts, and introducing address validation at point of registration, through Automated First Registration and Licensing dealers.

8. The use of ANPR equipment to provide frequent statistical updates on the level of VED evasion has been delayed whilst the Agency works with the Home Office on obtaining the appropriate type approval. ANPR had been type approved by the Home Office for a specific use, and as such a new type approval is required from the Home Office for its proposed use in supporting the annual roadside survey on VED evasion. The Agency is hopeful of resolving the issues surrounding type approval early in 2005.

9. The Agency is now in the process of purchasing the additional equipment which will allow us to continue capturing unlicensed vehicles and at the same time record vehicles for the purpose of the annual roadside survey. From next year the Agency will be able to provide regular statistical information on the level of VED evasion and provide support for the annual roadside survey along with planned quarterly updates.

PAC conclusion (ii): The Agency should look to maximise the effectiveness of its portfolio of enforcement activities. The Agency plans to double wheel clamping activity – the least cost effective enforcement measure – in 2004-05 in preference to more cost effective approaches such as the use of ANPR equipment that has the additional benefit of being able to provide real-time data on the incidence of evasion.

10. The Agency broadly accepts the conclusion of the Committee but considers that wheel clamping plays an important role within the overall enforcement portfolio.

11. The Agency uses a range of measures to tackle VED evasion. The new car tax rules address the problem of short-term opportunistic evasion. However, this does not address those who habitually do not pay tax and who drive uninsured and unroadworthy vehicles. Records for these vehicles are often out of date making it impossible to trace them from the record to take enforcement action. The use of ANPR cameras is of little value in catching these vehicles as they either have false plates or out of date records. These offenders have no intention of entering into the licensing systems and the most effective way of catching them is by wheel clamping and removing their vehicles.

12. Wheel clamping also has a positive effect on road safety. Last year the Agency clamped 55,000 vehicles because they were untaxed. Most of these were potentially unroadworthy vehicles that were crushed. As wheel clamping is highly visible, it induces large numbers of evaders to relicense their vehicles voluntarily. In the last financial year, it is estimated that an additional £22.7 million in induced revenue was generated through wheel clamping VED campaigns. This revenue would otherwise have been lost. Encouraging relicensing in this way means compliance with MOT testing and insurance requirements since these documents must be produced at the time of relicensing. It also improves the accuracy of the Agency's records by encouraging previously unregistered vehicle keepers to relicense. The scheme is very popular with the police, local authorities and the public due to the perception of immediate justice being done. The police in particular are very supportive in that it allows them to take action against the criminal fraternity.

13. As part of a review of the UK vehicle licensing system carried out by the Jill Dando Institute of Crime Science in 2002, the Agency was asked to increase its wheel clamping activity significantly. This was to address concerns about rising numbers of abandoned vehicles and, in particular, the effect that the introduction of the EU End-of-Life Vehicle Directive may have on the numbers of cars being abandoned. Subject to discussion with Department for Transport (DfT) we expect to be able to introduce the extra clamping in 2005/06.

14. In addition, wheel clamping was recognised in the Government's Nuisance Vehicle Strategy, as a valuable tool contributing to the target of halving the number of hardened evaders by the end of 2007.

15. Wheel clamping is therefore an important weapon – but only one – within the enforcement strategy. The Agency will keep its role under review.

PAC conclusion (iii): There is considerable scope for the Agency to expand its partnership working, particularly with local authorities and the police, to combat VED evasion. Less than 2 per cent of local authorities across Great Britain are using 'devolved' Agency powers to tackle evaders. Yet those that have done so have found it both quicker and cheaper than using their own statutory powers in respect of abandoned untaxed vehicles.

16. The Agency accepts the conclusion of the Committee. The Agency has taken steps to improve partnership working with the police and local authorities to tackle the problem of untaxed and abandoned vehicles. To complement the Agency's wheel clamping scheme, 28 local authorities and the West Midlands Police have taken on devolved powers to clamp and impound unlicensed vehicles as DVLA's partners. Ten of these have acquired the powers since April 2004.

17. In addition, 12 of the 33 London boroughs have taken on the Agency's powers to clamp and impound unlicensed vehicles. The remaining boroughs are expected to take on the powers by October 2004. The Agency is also in discussion with a further 53 councils and North Wales, Staffordshire and West Yorkshire police forces.

18. It is expected that in 2004/05, there will be around 60 local authorities, all London boroughs and at least four police forces using these powers. This represents a three-fold increase over the first two years since the powers were devolved.

19. The Agency works closely with other enforcement agencies to promote Operation Cubit. This is a crosscutting partnership between the Agency, local authorities, the police and the fire service. It tackles the problem of untaxed and abandoned vehicles, by immediately removing the offending vehicle from the road. The scheme is very popular with members of the public. Each vehicle is dealt with by the appropriate legislation for its condition. There is now a full-time Cubit scheme operating throughout Kent. To date over 16,000 unlicensed vehicles have been dealt with. Ten Cubit operations have been held so far in 2004/05 and many further operations planned.

20. To allow local authority officers to make immediate decisions over the status of apparently abandoned vehicles in their area, the Agency provides free online access to its vehicle keeper database via a dial up network, enabling quick and efficient action to be taken against those who dump vehicles illegally.

21. All 500 local authorities in England, Scotland and Wales have been invited to join the scheme and so far 218 authorities are connected with another 33 in process.

22. With effect from 9 August, the scheme has been expanded to allow local authorities to deal with the wider category of nuisance vehicles such as those being used for fly tipping or that are causing an obstruction.

23. The Agency, with the Police, organises roadchecks, which provide vital opportunities to obtain named VED offence reports and are a key part of the enforcement effort. They are popular with both the public, who like to see positive action being taken, and the police for whom it provides opportunities to detect other criminal activity. Police information indicates that VED evaders are frequently involved in criminal activity.

24. Local authority car park attendants provide information on unlicensed vehicles to the relevant DVLA local office for action. To date 226 local authorities are participating in the scheme together with a small number of private sector organisations such as housing authorities, car parking companies and out of town

retail sites. Over 80,000 reports have been received since the scheme started and it is estimated that 16 per cent of those keepers have been induced to relicense their vehicles.

PAC conclusion (iv): The Agency needs to be resourced adequately to support any future expansion of local congestion charging schemes. Although in the case of the Central London Congestion Charge, Transport for London met half the capital cost and all of the ongoing running costs, the Agency is statutorily obliged to supply information to local authorities free of charge. This is unsustainable unless the Agency is able to recoup its costs from the local authorities operating congestion charging schemes.

25. The Agency accepts the conclusion of the Committee. As the Committee recognised, the Transport Act 2000 does not allow the Agency to charge a unit cost for data supplied to support local authority local congestion charging schemes. In the main, such data is used to identify those who evade paying the charge.

26. In the case of Transport for London (TfL), the Agency obtained a voluntary agreement that TfL would reimburse DVLA for the additional running costs that were incurred in the electronic provision of data. This agreement is embedded in a formal Memorandum of Understanding (MOU) with TfL. The Agency is currently re-negotiating this MOU to reflect the increase in running costs since the original agreement was reached.

27. Transport Initiatives Edinburgh (TIE), has been created by Edinburgh Council to develop a congestion charging scheme for the city. To date, the Agency's involvement has been to discuss with TIE how the testing of such a system could be supported. TIE has been put on notice that the Agency expects to be reimbursed for any additional costs incurred in the provision of testing facilities. Furthermore TIE has been advised that if the scheme goes ahead, the Agency expects to agree a MOU providing for the reimbursement in full of the additional running costs incurred in providing data from its records.

28. The Agency is working with DfT and HM Treasury to explore how best such schemes should be funded.

PAC conclusion (v): There is considerable scope for the Agency to enhance the range of VED payment channels for motorists and for accelerating the plans to introduce electronic methods of payment. The Agency needs to set itself more challenging targets for the rollout of electronic VED relicensing facilities and their take-up by the public, whether at Post Offices or elsewhere. Electronic licensing was introduced for Fleet Operators in 1994; whereas the general motoring public are only just now being offered a similar service by the Agency for vehicles less than three years' old.

29. The Agency accepts the Committee's conclusion. In February 2004, the Agency introduced the pilot of its Electronic Vehicle Licensing (EVL) Service, providing alternative payment channels to those available at post offices or DVLA local offices. Customers are offered the choice of purchasing their tax disc or making a Statutory Off Road Notification (SORN) over the internet or by telephone.

30. The pilot phase ended in August this year with around 26,000 customers (with vehicles under 3 years of age and within eligible tax classes) randomly being invited to use the system. The results of the pilot were encouraging with around 25 per cent of those customers invited choosing to use the new service. The Agency expected around 10 per cent take-up given that this is a new service and has not been publicised to date. High customer satisfaction was recorded with around 92 per cent of customers stating they are likely to use the service again.

31. A phased roll out of the service is planned to be completed by mid 2006, when all customers will have the choice to obtain their tax discs electronically. The Road Traffic Act 1988 requires that any person applying for a vehicle licence must

produce a valid certificate of insurance and evidence of an effective vehicle test certificate. A link to the Motor Insurance Database to validate insurance is in place and, by end 2004, early 2005, the Agency will be able to validate vehicle test certificates by linking to the computerised MOT database, currently being developed by the Vehicle & Operator Services Agency (VOSA).

32. EVL enables payments by debit card to be accepted, and the Agency is endeavouring to introduce additional electronic methods of payment in the future. The 2004 Finance Bill provided the necessary powers to introduce a convenience charge for customers who wish to pay VED by credit card. It is estimated that credit cards could be available as a payment option in December 2004.

33. The Agency is also examining the implications of offering direct debit as a payment method for VED.

34. The Barcoding All Relicensing Transaction (BART) project introduced electronic system developments at post offices where tax discs are now scanned and the licence serial number captured from the barcode. This allows a quicker update of the Agency's records and removes some of the paper documentation from the face to face relicensing process. Debit card payments have been accepted at post offices since May 2003.

PAC conclusion (vi): When re-tendering its IT/IS contract in 2002–03, the Agency took the opportunity to redefine the nature of its relationship with its IT/IS service supplier to provide a more flexible partnership approach. Although the cost of switching supplier was higher than anticipated, the Agency's management of the process offers lessons for others. Its insistence on transparency in the new contract arrangements, extending to the supplier's dealings with third party sub-contractors, will help identify the potential 'switching costs' when this new contract expires. The Agency also conducted a detailed evaluation of the skills and knowledge that had to be transferred to the new supplier from its predecessor in order to achieve a smooth transition.

35. The Agency accepts the conclusion of the Committee. We believe the comments reflect the good outcome achieved. The new contract, entitled PACT (Partners Achieving Change Together), provides business transformation and programme management services, in addition to the IT/IS services that were delivered under the previous contract with EDS. This wider scope enables not merely the provision of the core systems themselves, but also a joint specification and process design to facilitate the significant change programme in which the Agency is engaged.

36. The switch from EDS to IBM/Fujitsu was the first transition of a major outsourcing contract. The cost of switching supplier exceeded the original estimate, primarily due to unforeseen circumstances relating to the outgoing supplier's software licensing arrangements with third parties, and the investment in skills and knowledge transfer to the new supplier on a range of projects in train at the time of transition. The Agency also increased the planning and transition resources allocated in order to minimise what were seen as major risks in migration. This preparation paid off with a cutover that was totally transparent to the 4,600 external organisations connected to Agency systems and was achieved three months ahead of schedule.

37. The provisions of the new contract and certain direct software licensing arrangements entered into by the Agency will prevent the recurrence of many of the problems encountered when the new contract expires.

38. Senior Agency managers involved in the transition have met already with a number of Departments to share lessons learnt and discussions have also taken place recently with the National Audit Office, who are keen to transfer the knowledge and experienced gained to benefit other government organisations.

Thirty-first Report

Department of Trade and Industry

HM Treasury

Cambridge – MIT Institute

This Report relates to the Department of Trade and Industry and the Treasury. The need for people working in the public sector to build entrepreneurial skills and manage innovation extends well beyond these two departments, and the following recommendations are relevant to all departments across government.

PAC conclusion (i): In developing innovative initiatives, departments should capitalise on each other's expertise and liaise to ensure good project and risk management. The public sector needs to embrace innovation and entrepreneurship, while managing the risks effectively. Departments should identify gaps in their expertise and seek help from experienced colleagues in other departments. The Treasury should have informed the Department of Trade and Industry (the lead department for knowledge transfer and exploitation of research) of its proposals for CMI at an earlier stage, enabling the Department to prepare for its later involvement and offer assistance on the early negotiations.

1. We agree that encouraging innovation is important, with the support of good risk management. The Government's two-year programme to improve risk handling, and other initiatives such as the Office of Government Commerce (OGC) Gateway™ review process and Programme and Project Delivery Centres of Excellence, are leading to more systematic management of risks involved in innovative projects. Through the Embedding Centres Of Excellence Programme, for example, OGC supports departments in monitoring, scrutinising and challenging programmes and projects within their respective departmental portfolios. This also includes disseminating best practice in programme and project management and facilitating viable cross-departmental networking.

2. The Risk Programme has encouraged departments to learn from others' experiences and share expertise, for instance by the creation of a network and forum for interdepartmental sharing of good practice in risk management.

3. In the case of Cambridge-MIT Institute (CMI), timing and sensitivities around securing the project imposed limits on when other departments could be involved. Department of Trade and Industry (DTI) expertise was brought in by HM Treasury at the point when it could add most value – in negotiating the detail of the agreement.

PAC conclusion (ii): Standard appraisal processes should be followed or departures from them justified and recorded. The Treasury expects departments to follow standard project appraisal guidance, but undertook no formal appraisal of CMI. Following all the standard guidance would not have been practical, but the Treasury should have formally considered whether elements could be used without creating undue bureaucracy and with a view to starting to build a business plan and to set realistic expectations for the progress of the initiative.

4. *The Green Book: Appraisal and Evaluation in Central Government* is a Treasury publication offering guidance to public sector bodies on how projects should be appraised and how these activities should then be evaluated. In addition, we now have the OGC Gateway™ process for high risk, high value initiatives, which was not in existence at the time of this project's inception. Concurrently, departmental Centres of Excellence play a key role in ensuring the consistent

application of best practice in project appraisal, whilst acting as a focal point for driving improvements in departmental capability and capacity in programme and project delivery.

5. As the NAO and PAC reports have acknowledged, following the usual arrangements for setting up initiatives would not have worked with CMI, as the innovative nature of the project made it difficult to apply standard appraisal procedure. Government decided upon a two-stage appraisal and monitoring process for this project, with HMT carrying out initial scoping work, including consideration of a range of options for the funding and scope of CMI, and then DTI dealing with the detailed negotiations over project and funding details.

PAC conclusion (iii): Departments should always set objectives — and for experimental projects these should be genuinely indicative, and subject to review and appropriate amendment. The Treasury and the Department of Trade and Industry accepted the universities’ view that specific objectives would have constrained CMI’s freedom to experiment and generate new ideas. There was a concern that any objectives would have been immovable once set, rather than tools to help guide and track the initiative, which could be reviewed and amended. For innovative projects, departments should build trust with partners so that indicative objectives can be set as early as possible, and then altered as necessary to keep in step with developments.

6. We share the Committee’s view that project objectives should always be clearly stated. Where it is not possible to set detailed objectives at the outset for innovative projects, we agree that departments and project leaders should agree, at the outset, a clear timetable within which objectives are to be developed and reviewed as recommended in the self-assessment questionnaire produced in the National Audit Office(NAO)⁴ report.

7. Furthermore, full cognisance is taken of the NAO/OGC agreed list of Common Causes of Project Failure most recently updated in March 2004.

8. As CMI has evolved, there has been a year on year progressive refinement of its objectives. In particular, the mid-term review provided the opportunity for CMI to consult extensively with its stakeholders to further clarify its goals and strategic plans for the future.

PAC conclusion (iv): Initiatives that are experimental and have uncertain outcomes require close management and monitoring until their direction and results become clearer. The Department of Trade and Industry was right to take a ‘hands on’ approach in its early relationship with CMI, given the absence of clear objectives and measures. However, such an approach needs to give way as soon as practicable to less detailed monitoring based on reporting against agreed objectives and plans.

9. Both Departments agree: the implementation of projects must be considered as part of the appraisal process, and experimental and innovative projects may well require more risk management and monitoring as they are implemented.

10. DTI welcomes the committee’s endorsement of its ‘hands-on’ approach to CMI monitoring in the early stages. Whilst the need for careful monitoring of experimental projects in the initial phases has been demonstrated by the CMI project, departments will need to be aware of the resource implications of adopting a “hands on” approach.

PAC conclusion (v): Funding profiles and activity plans should reflect realistic spending and delivery expectations. Many of CMI’s early problems stemmed from overoptimistic expectations about the time the initiative would take to set up and start operating. Setting up such initiatives needs to be properly planned,

⁴ Cambridge – MIT Institute HC 362. 2003-2004

taking account of experience with similar initiatives, and time should be set aside for establishing appropriate governance arrangements and infrastructure.

11. Both Departments agree: prudent and realistic funding profiles should be considered when developing projects. In addition, contingency arrangements should be developed to ensure there is sufficient financial cover for risks and uncertainties. The NAO Self-assessment questionnaire will provide a useful best practice tool.

12. As CMI's financial and management information systems have matured, the quality of forecasts and funding profiles provided for the department have improved significantly. By adopting a cautious approach to disbursing funds whilst systems were still under development, CMI has ensured that adequate funds were still available to support key objectives as the programme progressed.

PAC conclusion (vi): A mid-term review can be valuable where an initiative has long-term and uncertain outcomes. On taking up post in January 2003, the current CMI Executive Directors decided to undertake a thorough review of CMI, which led to a detailed new strategy and objectives, and work to ensure that its projects fitted well with the objectives. Departments should consider planning periodic in-depth reviews of initiatives that are not easy to monitor on a routine basis.

13. We agree that such reviews could be a useful part of project plans as suggested in the NAO questionnaire. CMI's mid-term review and subsequent revision of strategy and objectives was equally beneficial for the organisation and for DTI, the sponsoring department.

PAC conclusion (vii): CMI has important lessons for appraising, monitoring and evaluating innovative or experimental initiatives. Departments should draw on best practice to help develop innovation and entrepreneurship projects, including, where applicable, the Office of Government Commerce's Gateway™ Review and the self-assessment questionnaire in the NAO's Report. The Department of Trade and Industry may, in future, also develop further guidance, based on the CMI experience.

14. Both Departments agree: The Green Book and OGC guidance provide valuable sources of advice, and departments may also find it useful to use the self-assessment questionnaire the NAO produced as part of its report on CMI. Given the experimental nature of the CMI project, DTI will consider what further best practice guidance can be made available as the project progresses.

The following recommendations relate specifically to CMI and the Department of Trade and Industry (the Department).

PAC conclusion (viii): The Department should plan for long-term monitoring and evaluation of CMI's outcomes, including an assessment of the benefits to the UK, and to UK taxpayers. Some of CMI's very long-term outcomes could yield especially large benefits, and it is important to start planning how they will be assessed. The Department should assign responsibility for monitoring CMI's intellectual property outputs, and promoting their exploitation to maximise the benefits for the UK and for UK taxpayers

15. DTI welcomes the Committee's recognition of CMI's potential benefits and is aware of the importance of learning all the lessons from the CMI experiment and will ensure that ongoing assessment and evaluation of CMI is carried out.

16. The Science and innovation investment framework for 2004-2014 published in July 2004 [page 77, para 5.30]⁵ commits the Government to work with Regional Development Agencies and other strategic network partners in UK to assess and

⁵ ISBN: 1-84532-031-X

codify successes and fully disseminate the models of Knowledge Exchange developed by CMI

17. Also, CMI with the help and support of the Department has established a Programme Review Committee (PRC), based on visiting committee models in US universities. This will provide the Department with an innovative model for ongoing assessment and evaluation of experimental initiatives. The PRC is independent of CMI, Cambridge University, MIT and the Department. Its membership spans the important stakeholder groups of CMI including government, industry, Research Councils and universities, with representatives from both within and outside of UK. Its remit is to deliver to DTI, and the Government more generally, an independent report on the success of CMI as assessed against objectives and performance measures, and to provide to CMI itself constructive feedback to better enable it to carry on the execution of its mission. It will form a view of individual projects, but more especially the whole portfolio.

18. Meeting in Autumn 2004, the PRC will produce a preliminary assessment; in 2005 it will undertake an interim assessment of the CMI programme as a whole; and in 2006, it will produce a formal over-arching assessment of the 2000-2006 phase of CMI operations. The terms of reference allow for the committee to continue beyond 2006 when grant funding ceases, and to consider arrangements for future monitoring and evaluation of CMI. The Department hopes and believes that the value of this work will persist well beyond 2006, and will provide insights which can be deployed in other areas of knowledge transfer work.

19. DTI will ensure that the work of the PRC is co-ordinated with the ongoing comprehensive evaluation of all knowledge transfer programmes funded by Office of Science and Technology, including CMI, which is due to be completed by November 2004.

20. CMI has a contractual responsibility to monitor its intellectual property outputs and provide the department with reports thereon. The department will consider those reports alongside the outputs from the PRC and the evaluation programme, to ensure that contractual obligations are fully met

PAC conclusion (ix): Much of the value of CMI may depend on its key activities being sustained for some time beyond the six-year funding period. There is currently no guarantee of public funding for CMI after 2006, and the Department and CMI have started to work on the sustainability of specific activities. This work needs to be accorded a high priority to give sufficient time for all available options to be creatively explored and developed.

21. DTI shares the Committee's view that, where appropriate, key activities should be sustained to ensure full value.

22. DTI is working with CMI and other Government departments to identify opportunities for public and private sector funding to further develop the activities and models developed during Phase 1. There are for example, established government funding channels, run through competition, through which CMI can bid for resources.



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