



Treasury Minutes on the Twenty-ninth and Thirtieth Reports from the Committee of Public Accounts 2003-2004

29th Report: Improving public services for older people

30th Report: Out of sight – not out of mind: Ofwat and the
public sewer network in England and Wales

**Presented to Parliament by the Financial Secretary
to the Treasury by Command of Her Majesty
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TREASURY MINUTES DATED 8 SEPTEMBER 2004 ON
THE TWENTY-NINTH AND THIRTIETH REPORTS FROM
THE COMMITTEE OF PUBLIC ACCOUNTS, SESSION
2003-2004

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Twenty-ninth Report

Department for Work and Pensions

Improving public services for older people

PAC conclusion (i): The Government has launched various initiatives for older people, but stronger co-ordination of the efforts of numerous public bodies is needed to avoid duplication and ensure progress towards better services continues. The Government has recognised the importance of the ageing of the population and there has been progress, for example, the establishment of The Pension Service, and development of the National Service Framework to improve health services for older people. But other parts of government pay less attention to older people. The Cabinet Committee for older people – supported by the Department for Work and Pensions – draws together all parts of government but its work is not publicised. Joint working is needed to prevent unnecessary duplication between organisations, for example, in requiring people to provide similar information more than once or having to deal with a range of separate organisations. Overall performance across government in improving services for older people should be better assessed and reported.

1. We welcome the findings of the Committee that the Government has made progress in co-ordinating services for older people. We acknowledge that traditionally Departments have not joined up as well as they could have done. This is improving, as the Committee has identified, through the introduction of The Pension Service and the National Service Framework, but we are aware that there is more to do.

2. As the Committee has acknowledged the Cabinet Committee for older people (DA(OP)) plays a significant role in co-ordinating action for older people across government departments. The Committee has commented that more needs to be done to publicise their work. While the proceedings of DA(OP), like those of other Cabinet Committees, are exempt from disclosure under the Code of Practice on Access to Government Information,¹ the Government agrees that it needs to ensure that proposals and actions arising from the Committee's work are given appropriate publicity.

3. However, there is also an Older People's Strategy Development Group which consists of senior officials drawn from government departments and local authority representative groups, and representatives of the voluntary sector, such as Age Concern. The Strategy Development Group exists to provide advice to DA(OP) on strategy and policies for older people and to monitor progress. Records of this Group's meetings are circulated amongst member organisations including external partners.

4. The Partnerships Against Poverty (PaP) Group, led by DWP, also plays an important role in co-ordinating services and developing cross-departmental strategies for older people. This group comprises The Pension Service, local authorities, voluntary organisations and bodies representing ethnic minorities. It meets on a regular basis to assess new initiatives and develop a co-ordinated approach to combat poverty and tackle social exclusion amongst pensioners.

5. We believe that this strategic work is now having a positive impact on the way services are delivered to older people. At a local level, for instance, Joint Teams combining Pension Service and local authority staff and other partners provide an integrated approach to financial assessment and benefits, including Fairer Charging, Supporting People, Pension Credit, Housing Benefit and Council Tax Benefit.

¹ Exemption 2 of Part II of the Code of Practice on Access to Government Information.

Dealings with customers are undertaken by one individual, through one appointment to reduce duplication and respond to the wishes of older people themselves. The service provides the option of meetings in locations convenient for older people, including their home. Currently eighteen Teams have been set up across the country with the aim to have national coverage by April 2006.

6. In addition, Local Area Agreements will be piloted in nine local authorities in England from April 2005. These are intended to improve the relationship between central and local government by providing a framework for a sustained and improved dialogue between central and local government, and their major delivery partners. Local Area Agreements will build on, and enhance, existing rationalisation of area-based funding-streams and generate greater efficiencies for both central and local government. Local Area Agreements will be based on the principles of the shared priorities agreed by central and local government through the Central Local Partnership, and also on the broadly similar five key themes of neighbourhood renewal, which apply both to local authorities and other delivery partners. They will deliver national outcomes in a way that reflects the local priorities identified in Community Strategies and will be agreed through negotiation with the Government Office regional relationship team. This will give local authorities and their partners, through Local Strategic Partnerships and other such partnerships, the freedom and flexibility to find local solutions to local problems, and to prioritise spending to achieve the identified outcomes. One of the three blocks of funding and outcomes in the pilot Local Area Agreements will cover Healthier Communities and Older People.

7. In health and social care, the implementation of the Single Assessment Process ensured that core information on individuals, as well as specific detail on their wider health and social care needs, is shared with appropriate organisations and professionals. One element of this is, of course, to eliminate instances where people are not asked for the same information at each point of contact with health and social services. Also it aims to ensure that older people have access to the appropriate care and treatment at the right time. This approach means that older people's needs are now addressed in the round – including financial concerns, access to local facilities and services, and care of the home.

8. The Committee has commented that there is an outstanding need to provide an overall framework for work across Government affecting older people. DWP are developing an overall strategy on older people which will be published later in the year. This will present an analysis of the demographic shift we can expect over the next few decades, and the challenges this brings to policy makers and service deliverers. In advance, and to pave the way for that document, a document entitled '*Link-Age: Developing networks of services for older people*' was published on 26th August 2004 by DWP in collaboration with other government departments and the Local Government Association. The document looks at how a modern public service should be responsive to the needs and aspirations of individual older people; how we can build on current successes to move increasingly to a 'whole system' approach. It is aimed at the general reader, but particularly elected members in local authorities with an interest in older people's issues, service managers and older people themselves.

PAC conclusion (ii): The way services for older people are delivered can be confusing and may lead to social exclusion unless based on a clear understanding of the needs of older people. Complex arrangements and poorly explained rules discourage people from using services or claiming their entitlements. Some people also have problems physically accessing services because of their disabilities or are put off by the way services are marketed. The needs of older people should be researched and taken into account in developing services. There is already much research into the implications of ageing and what works for different groups of older people, but it could be better shared across government, and between government and academia and

the voluntary sector. Public bodies could make more use of existing means for gathering the views of older people, such as through arrangements established by Age Concern.

9. Departments agree with the Committee's conclusion that a clear understanding of the needs of older people is critical in developing services for older people. We are pleased that the Committee has acknowledged that the Department has made strides in the way it consults with older people through initiatives such as the Better Government for Older People programme, the Listening to Older People events run by the Inter-Ministerial Group for Older People and the online consultation initiative "Senior speak".

10. The needs of DWP customers were at the forefront of its plans when designing the shape of The Pension Service. As a starting point the Department developed a customer strategy to 2006 based on its knowledge of customer needs, using available research, through consultation with other Departments, with customers themselves and groups representing them, including the Partnership Against Poverty Group. As the Committee has acknowledged this has resulted in an improved, customer focused service for its users.

11. The Department for Transport (DfT) has also developed services with a focus on customer needs, in particular those of the elderly. DfT carried out a comprehensive study into the transport needs of older people and the results of this research have been widely disseminated to local authorities and transport providers to help them plan and deliver services more effectively. One important innovation is the introduction of accessibility planning in the next round of local authorities' Local Transport Plans. This will see local authorities and other local delivery agents working to systematically identify and tackle the barriers that people, particularly those from disadvantaged groups and areas, face in accessing key services. Engaging directly with older people will be an important part of this process.

12. We also agree with the Committee's recommendation that proper research is vital in developing services for older people. Over the last few years several robust and large scale pieces of research have been commissioned by DWP from independent experts to help feed into the design and delivery of services to older people, both within The Pension Service and more widely to inform thinking across Government services. All of the following reports have been published and are available on the DWP website.

- *Delivering Benefits and Services for Black and Minority Ethnic Older People*: in-depth research, commissioned in collaboration with the Partnerships Against Poverty sub-group on ethnic minorities, to explore the barriers to take-up and service delivery needs of seven different ethnic minority groups. The findings were shared with other Government Departments at the draft and final report stage. A central feature of the design was interviews with key local non-statutory and local government staff who were then sent copies of a summary of the findings (DWP Research Report 201)
- *Independent Living in Later Life*: large scale and possibly the most robust research to date examining how service delivery can facilitate independence (Better Government for Older People (BGOP) and Audit Commission colleagues sat on the steering group). The findings were shared with other Government Departments at the draft and final report stages. In the areas studied, a wide range of local non-statutory bodies were interviewed as part of the research and have been provided with a copy of the findings. This research obtained a rich and in depth understanding of what independence means to older people and how it can be promoted and enhanced via service accessing and provision. The findings have been integral to building an evidence base for the strategy outlined in the Link-Age document and in informing official's thinking about its development.

- *Entitled but not Claiming*: a survey of entitled non-recipients of Minimum Income Guarantee and a sample of older people who were likely to be eligible for Pension Credit. This examined barriers to take-up and fed directly into thinking behind the delivery of Pension Credit. The main Partnerships Against Poverty group was kept informed of the findings at key stages. We are considering how we can best use this and other data that we have to ensure we can identify and target people with entitlement who are not claiming.

13. Other research currently underway is investigating the service delivery needs of vulnerable older people. A large-scale qualitative research project '*Representing Pensioners*', commissioned by DWP, is exploring views and experiences of those who act as representatives for pensioners in their dealings with The Pension Service and other services for older people. A project entitled '*Understanding the service delivery needs of vulnerable older people*' also qualitatively explores the impact of disability upon pensioners' service needs and service delivery requirements

14. Published reports are sent to leading academics involved in the ageing and older people agenda. DWP also contacts these researchers to see if they wish to be kept up to date with our projects and whether they want to be on our distribution list. In addition we have put in place a research intelligence function where updates are exchanged bi-monthly with researchers at Age Concern England about the status of projects.

15. DWP has also recently secured funding for the Centre for Policy On Ageing, giving us access to its unique collection of research on older people and ageing which we use to inform service delivery and design.

PAC conclusion (iii): To draw services to the attention of the hard to reach, government should make greater use of existing contacts older people have with a range of trusted authorities. Research has repeatedly shown that older people find out more about government services by word of mouth than through official channels. For example, older people routinely have contact with GPs' surgeries, district nurses and shops, and these contacts could be used more routinely as the basis for providing other information or drawing attention to relevant developments in services. Thus, for example, a review of eligibility for benefits could routinely be linked to the over-75 health check organised through GP practices, as already occurs in some parts of the country. More generally, the consolidation of services, through moves towards 'onestop' shops, are of considerable value to older people.

16. We agree with the Committee's conclusion that in order to draw services to the attention of pensioners, particularly the harder to reach, Government should make greater use of existing contacts older people have with representative groups and trusted authorities. This is an area we are seeking to address. At present The Pension Service works with a range of partners used to dealing with older people. This includes leading organisations such as Age Concern and Help the Aged as well as those representing minorities such as the Chinese Elders Support Association, BBC Asian Network, Polio Fellowship and the Parkinson's Disease Society. This assists the Service in identifying its customers, including those who may be harder to reach, helping them access the services and benefits to which they are entitled.

17. An initiative the DWP is currently exploring is the use of 'Alternative Offices'. This will allow organisations representing the elderly to take benefit claims from customers and verify supporting evidence. We are currently piloting this concept in partnership with Age Concern. However, DWP is working with a range of partners who have committed, through the strategy outlined in the Link-Age document, to developing partnership services with us. Over the next two years, we shall be making opportunities available to selected partners with the necessary skills and knowledge to take part in this Alternative Office initiative across England, Scotland and Wales.

18. As the Committee has recognised, we are seeking to make use of venues that are regularly used by older people themselves as sites for delivering Government services. For example, Local Service staff hold many appointment surgeries and have numerous Information Points in GPs' surgeries and other community locations across UK. The Local Service also undertakes a great deal of work in hospitals in partnership with hospital social workers (for example the Frenchay Hospital in the South Gloucestershire region), and services are advertised on many hospital radio stations and in hospital magazines. Departments are looking at further options to broaden access to information including the involvement of Primary Care Trusts in partnership networks.

19. DfT now have a Community Liaison Manager who is making close links with Voluntary and Community organisations involved with accessible and socially inclusive transport. These include many organisations that support and meet older people's transport needs. These links with the voluntary sector are being used to form Stakeholder groups to gain feedback on Departmental policy.

20. We agree with the Committee's assessment that the consolidation of services through a 'one-stop' approach is of considerable value to older people. As noted at paragraph 5, at a local level The Pension Service Local Service works in Joint Teams which are integrated with Local Authority staff and in partnership with other organisations such as the Citizens Advice Bureau (CAB) and Age Concern to provide a joined-up, face-to-face service for older people at places convenient for them. This enables them not only to access each customer's entitlement in one go and encourage them to claim all the benefits and services available but also provides a pool of shared local knowledge that helps officials to identify and contact vulnerable and traditionally harder-to-reach customers.

PAC conclusion (iv): Communication with older people should be clearer and public bodies should test explanatory literature on older people. Although some improvements have been made – for example, to the length of certain application forms and through providing information about services in one leaflet such as *Pensioners' Guide* – older people still receive over-complex documents and bewildering letters. For example, the independent Social Security Advisory Committee remains concerned about the quality of literature from the Department for Work and Pensions.

21. Departments agree with the Committee's conclusion that communication with older people should be clear and that user testing is a vital part of ensuring customers are able to understand and use Government literature. DWP welcome the Committee's acknowledgement that improvements have recently been made to certain application forms and leaflets but acknowledge there is still more work to be done. We will continue to review the whole suite of information materials that we produce for older people to ensure that it meets their needs and will continue to work with the Social Security Advisory Committee and others to achieve this.

22. The DWP's current suite of benefit leaflets was developed after a lengthy process of thorough consultation and testing with customer groups, including older people themselves. All leaflets are checked for Plain English and are reviewed on a regular basis.

23. Where a new policy or initiative is to be introduced relevant external organisations such as Help the Aged, Age Concern and Citizens Advice are consulted. We have found that working with partner organisations in this way and obtaining their endorsement is a particularly effective way of ensuring that our products are suitable for our audience.

24. The Pension Service produce a number of leaflets for older people which are tested through a lengthy research process before development. We welcome the Committee's recognition that the *Pensioners' Guide* provides information about services in one leaflet. The latest edition (April 2004) includes a customer feedback

questionnaire and is also tested amongst customers via the call centre. Some Pension Service leaflets are also produced in ethnic minority languages, Braille, audio and large-print versions.

25. The Pension Credit application is a good example of the how the DWP develops new claim forms. The pack underwent a rigorous review and customer-testing process. This included two stages of external customer research, whereby successive versions of the form were tested by asking selected groups of older people to complete it. Their reaction and comments were taken into account during development. We also sought and took into account comments from the Partnership Against Poverty Group and Better Government for Older People. The pack has been generally well received and was approved with the Plain English Campaign Crystal Mark.

26. A survey on Pension Credit by Age Concern England published in June 2004 found that application process was easy for most (70 per cent) and simpler than for the Minimum Income Guarantee. Also 85 per cent of those taking part say that they would recommend applying to others.

PAC conclusion (v): Public bodies should follow the good practice highlighted in this report and elsewhere on how best to consult with older people in developing services. Consultation with older people has helped direct government strategy and priorities, for instance in the Better Government for Older People programme or the Cabinet Office review of economic activity amongst the over-50s. Although consultation is now more routine, participation in consultation exercises takes time and effort for older people. The goodwill and enthusiasm generated can be undermined by not explaining the reasons for subsequent decisions. Reporting back after consultation with older people and bodies representing them reduces the risk of disappointment.

27. Departments agree that feedback after consultation is useful in developing good working relationships with older people and bodies representing them.

28. Feedback after consultation has been an element in some of the DWPs most significant recent work. We ensured there was full feedback on the Pensions Green Paper "*Simplicity, Security and Choice*" consultation process. This involved around 30 consultation events in England, Scotland and Wales to invite comment and provide feedback from a full range of stakeholders from industry, consumer groups, employer and employee organisations and pensioner organisations. An account of responses to the Green Paper was published in June 2003.

29. The Link-Age document mentioned in paragraph 8 is also forms a basis for consultation with key external stakeholders and older people themselves. Over the autumn the Department will be running a series of regional consultation events across the country, where Departments will listen to and provide feedback on proposals put forward by those taking part. A summary of responses will be made publicly available at the end of this process.

30. The Partnerships Against Poverty (PaP) Group mentioned at paragraph 4 meets on a regular basis with the aim of reducing poverty and tackling social exclusion amongst older people. Consultation, feedback and follow-up discussion are fundamental to the relationship. One example of this was DWP's consultation with PaP on the Pension Credit literature. After consultation the Department provided detailed comprehensive feedback on their suggestions and the reason why we accepted or rejected their recommendations.

PAC conclusion (vi): Older people from ethnic minorities face additional barriers; service delivery should be tailored to meeting their needs. The proportion of older people amongst ethnic minorities is growing faster than the rest of the population, and the group are disproportionately represented, for example, amongst those on low incomes. Understanding the need to provide

services which meet linguistic, cultural and religious needs is in its infancy. Specific research and consultation will help develop services for different ethnic minorities.

31. Departments recognise the need fully to engage with older people from ethnic minorities and have taken a number of steps to improve the way services are delivered to them.

32. Identifying customers' needs, including those from an ethnic minority background, has been central to the development of The Pension Service. The Pension Service provides services which meet linguistic, cultural and religious needs and hold local surgeries in convenient locations such as local community centres or in places of religious worship. The Pension Service also offers extensive translation services, through the provision of the Language Line – a telephone interpreting service covering over 150 languages.

33. In addition, the Partnerships Against Poverty Group includes a sub-group called 'Partnerships Against Poverty: Ethnic Minority Elders' which specifically addresses the particular needs of black and ethnic minority groups. DWP published a report in December 2003 "*Delivering benefits and services for black and minority ethnic older people*", with the commitment and active support of this sub-group. It will be reviewing progress within The Pension Service in addressing the barriers to claiming benefits identified by the report at its next meeting in September 2004.

34. From 1999 to 2003, the Department of Health worked with over 25 local authorities with social services responsibilities on a phased project entitled "*Developing services for minority ethnic older people*". Eleven of these authorities, who were facing particular problems in improving the access and effectiveness of their services for minority ethnic older people, were given support from both independent consultants and the remaining councils to help them identify solutions. The results of this work have been tangible improvements for the participating councils as well as two reports for national use that have been placed on the Department of Health's website. The first report, "*From lip service to real service*", published in 2001, provides guidance and good practice examples on how the most common difficulties may be addressed. The second report is an Audit Tool, published in 2002, for councils and partner agencies so that they may take stock of their services for minority ethnic older people in their areas.

PAC conclusion (vii): Involving voluntary bodies in developing and delivering services is valuable but government should avoid overloading them. Activities like encouraging benefit take-up and organising care after hospital discharge may involve government and voluntary bodies working together. There are many examples of working between government and voluntary sector bodies such as in the area of the quality of older people's housing. However, some voluntary sector organisations do not think government is aware of the effort required and there are risks of overburdening them. Where government looks to voluntary bodies to play a role in providing services, it should identify the capacity required and foster its development.

35. Departments recognise the valuable role of voluntary and community organisations in assisting with the provision of services and advice on services to older people and agree with the Committee on the importance of measures to support them in this.

36. The 'Compact' document drawn-up between Government and the voluntary and community sector was published by the Home Office in 1998. It is a framework agreement to guide the relationship between Government and the voluntary sector, underpinned by five Codes of Good Practice, and is mirrored at a local level by Local Compacts. Ninety per cent of local authority areas are now covered by or working towards a Local Compact. The Compact represents the commitment of Government and the voluntary and community sector to work in partnership while

retaining the sector's independence. It encourages particular regard to be paid to the concept of strategic funding, which ensures that capacity in the sector exists and assists long term planning and stability within the sector.

37. DWP has established a Departmental Compact Working Group – with representatives from its main businesses – and a Compact Champion to ensure the principles of the Compact are adopted within the Department, and good practise is shared.

38. The Pension Service Partnership Fund was launched on 1st March 2004 and offers short-term funding in 2004/05 and 2005/06 to local and national organisations to undertake initiatives designed to improve benefit take-up and integrate joint working between partners. In addition, the Department for Environment, Food and Rural Affairs is transferring a total of £1.25 million into the fund for use on initiatives that are targeted at areas of rural deprivation in England.

39. DfT's Compact Steering Group which, together with the DfT voluntary sector Champion, works towards mainstreaming Compact principles. DfT have produced a strategy and action plan *'Working in Partnership with the Voluntary Sector'*. A community liaison manager has been appointed specifically to interact with community and voluntary bodies (including those providing services for older people) and co-ordinate implementation of the strategy and action plan. This should facilitate the feedback of information from the sector on the barriers they face, successes they have had, and report views on the transport agenda.

40. The Home Office has also taken steps to address capacity and funding for voluntary and community-based organisations. *Futurebuilders* is a new £125 million government investment fund backed by the Home Office and managed by the voluntary sector to improve public-service delivery through long-term investment in the voluntary and community sector. Launched in July 2004, it provides an opportunity to support the sector's role in public service delivery and ensure it is able to increase its capacity to deliver, by investing in a range of organisations that are adding real value to public service delivery across the country.

41. At a strategic level the Home Office has also produced the *ChangeUp* framework. It outlines key proposals for developing and investing in sustainable and effective voluntary and community sector infrastructure nationally, regionally and locally. *ChangeUp* aims to ensure that all voluntary and community based organisations can access high-quality support and advice on areas such as performance improvement, governance, and workforce development. It also seeks to build in consideration of capacity building needs at the planning stage of major policy initiatives and delivery programmes when strategically funding frontline organisations. It is supported by a £72 million investment in the two years to March 2006.

PAC conclusion (viii): New technology can improve the lives of older people but careful piloting is needed. Many government websites are not accessible to many older people, particularly those with disabilities, because of failure to apply widely recognised standards. In 2003 the National Audit Office reported that only a quarter of government websites met accessibility standards. Research and piloting of innovative approaches to service delivery should include testing with older people. More should be done to encourage take-up of technology, for example by UK online centres undertaking projects tailored to the need of older people, or their resources will fail to reach older people.

42. Departments agree with the Committee's recommendation that more work is needed to improve the accessibility of Government websites. However, there have been considerable improvements since 2003, when the National Audit Office reported that only a quarter of government websites met accessibility standards. A formal investigation undertaken by the Disability Rights Commission (*The Web: Access and Inclusion for Disabled People, April 2004*) recently found almost 50 per cent of Government sites achieved the basic level of accessibility.

43. The Cabinet Office has also taken steps to address problems such as accessibility by issuing extensive guidelines to public sector web managers in the form of *'The Guidelines for UK Government websites'* and the supporting document *'Quality Framework for UK government Website Design'*.

44. There have recently been some notable successes in development of Government websites, such as The Pension Service website, which was launched in May 2002. Its objective is to provide online pensions information and services for individuals as well as for employers, partners and financial advisors. In June 2003, it achieved full RNIB accreditation and in 2004 it won the Government Forum Award for Most Accessible Site. It currently has – depending on the marketing campaign being run – between 40,000 and 60,000 unique visitors a month.

45. The Department for Education and Skills (DfES) has done much to encourage the take-up of Information Technology by pensioners. Older people are able to access information and communications technologies (ICT) via UK online centres and Learndirect. There are now 6,000 UK online centres across England providing free or low-cost access to the internet and email. Many of these centres are located in places convenient to older people such as libraries and Age Concern offices. The centres are obliged to concentrate their efforts on encouraging participation by six target groups, one of which is the elderly. Evaluation evidence has demonstrated that the centres have been largely successful in meeting the ICT needs of learners from the target groups within areas of deprivation. Additional revenue and capital funding is being made available during 2004-05 and 2005-06. This will be targeted to support voluntary and community-based UK online centres with a proven record of being able to attract and engage adults from the six target groups.

46. UK online centres will be utilised to support and implement the *Cybrarian Project*, which aims to enable people who lack IT skills or confidence, or who have physical or cognitive disabilities, to use the internet. This will further strengthen the unique position of UK online centres in delivering learning and e-government services to hard to reach groups which will include the elderly. Successful user testing was carried out among the over 60s in the development phase in July and August 2003. The present target number of users is 100,000 by the end of 2006, the first year of operation of *Cybrarian*, 400,000 by 2007 and 600,000 by 2008.

47. Between January and June 2004 DfES led a series of pathfinder projects in UK online centres to enhance and improve e-government services. One of these was specifically targeted at older people and took place in 17 centres across England. This pathfinder focused on helping older people to access online advice and information on benefits, health and a number of related issues concerning the pre- and post retirement years. Attracting and helping older people to acquire the confidence and skills to get online was a key activity. Centres worked with a range of partners including DWP, NHS Direct and local authorities and based their support around the partners' websites. DfES is currently evaluating this pathfinder which it expects to complete in October 2004.

Thirtieth Report

Office of Water Services (Ofwat)

Out of sight – not out of mind: Ofwat and the public sewer network in England and Wales

Ofwat shares the Committee's concern that the public sewerage network provides an essential service which should operate and be maintained effectively. Since the Committee published its report Ofwat has published its draft determinations of future water and sewerage price limits for the period to 2009-10. These draft determinations would allow for companies to deal with around half the sewer flooding problems currently known to be caused by inadequate sewer capacity and most of those forecast to emerge in the next five years. Companies would also be able to reduce flooding caused by blockages and to reduce the impact of flooding where a permanent solution is not feasible. The draft determinations also assume that companies will spend £4 billion maintaining the public sewerage systems.

PAC conclusion (i): There is insufficient co-ordination between the bodies responsible for managing connections to the sewer network. Public sewers are owned by 10 water and sewerage companies, but local authorities, housing developers and property owners are responsible for ensuring that connections to sewers do not overload the existing system. At present, water companies are not required by statute to be consultees in the planning process by which new properties are connected to existing sewers.

1. Ofwat and Government accept that co-ordination can be improved. Government believes it is vital to take account of sewer capacity issues in decisions relating to development and planning.¹ Water and sewerage undertakers will be statutory consultees on local development documents under the new arrangements being introduced by the Town and Country Planning (Local Development) (England) Regulations 2004. These will come into force in September 2004 and will ensure that water and sewerage companies are aware of proposed development sites when plans for the authority's area are drawn up.

2. Sewerage and flooding are material considerations in whether or not to approve planning applications for new housing, and local planning authorities are advised to refuse permission where these cannot be satisfactorily resolved. Guidance on sewerage and flood control issues is given in Planning Policy Guidance Note 23: *Planning and Pollution Control* (1994), Planning Policy Guidance Note 3: *Housing* (2000), and Planning Policy Guidance Note (PPG) 25: *Development and Flood Risk* (2001). Local authorities are already advised to consult water and sewerage undertakers and we recommend that water and sewerage companies discuss with local planning authorities how these non-statutory consultation arrangements could be improved.

3. It is only where non statutory arrangements have been tried and proved not to work that the Government would consider introducing a new statutory requirement to consult on planning applications. When Ofwat consulted on this issue in 2002 companies had mixed views. Some thought statutory status would be helpful, others were concerned that reviewing all applications would risk diverting attention from the more significant proposed developments. The Government consultation "*Making space for water*" and the review of PPG 25 from July 2004 will provide an opportunity for sewerage companies and others to comment on the current arrangements. Office of the Deputy Prime Minister (ODPM) has specifically asked for stakeholders' views on the current operation of PPG 25 by the end of October 2004, to determine whether any clarification or change in policy is required. The

¹ Para 9.13 Making Space for Water, Developing a new Government strategy for flood and coastal erosion risk management in England Defra, HMT, ODPM, DfT July 2004.

consultation also addresses wider issues around how best to co-ordinate drainage management in urban areas.

PAC conclusion (ii): Water companies should educate consumers and businesses to help reduce sewer blockages. Nearly half of all sewer flooding incidents are caused by blocked sewers, often a result of households and businesses disposing of inappropriate items (for example, nappies or cooking fat) down their drains. Ofwat should work with water companies to investigate the costs and benefits of a national campaign of education, or a series of local campaigns run by each company.

4. Ofwat accepts the Committee's conclusion. It is important, as the Committee recommends, that customers are aware of the potential problems caused by inappropriate materials being put down drains. Companies do periodically have education campaigns to educate customers generally. They also work with restaurant owners and in problem locations to prevent fat being put down drains. Ofwat will work with the industry and with WaterVoice to review current practice, whether it should be changed or how it can be made most effective.

PAC conclusion (iii) Compensation arrangements are currently inadequate. All consumers pay for an effective sewer system through their water and sewerage bills. About 5,000-7,000 each year suffer from sewer flooding. At present, the victims are guaranteed only a refund of their sewerage charges for the year, and are left to bear the cost of cleaning, repair and redecoration themselves. Consumers can cover these costs under household insurance, but some have been unable to obtain insurance through poverty or because of repeated flooding.

PAC conclusion (iv): The Department for Environment, Food and Rural Affairs should extend statutory compensation arrangements. The Guaranteed Standards Scheme requires water companies to compensate customers for service failures by refunding part or all of the water bill. This is a reasonable basis for service failures like low water pressure, but it is inadequate for the cost and inconvenience of sewer flooding. The Scheme should be more flexible, on the principle that all consumers who benefit from effective drainage should, through their sewerage charges, contribute to the costs of those who endure sewer flooding.

PAC conclusion (v): In the meantime, Ofwat should encourage companies to increase voluntary compensation payments. Water companies can and do make voluntary compensation arrangements above the guaranteed minimum. The system is currently ad hoc. Ofwat should issue guidelines on when companies ought to pay compensation, and how it should be calculated.

5. Ofwat accepts that generally a customer should not be out of pocket as a result of a sewer flooding incident. Changes to the Guaranteed Standards Scheme can, under current legislation, only be made by the Secretary of State or National Assembly for Wales on Ofwat's recommendation. Ofwat will review the current arrangements for compensating those customers who are flooded from sewers. It also accepts that it is appropriate for customers generally to contribute through their bills to the costs of recompensing those who endure flooding from sewers where a cost-beneficial solution is not available.

6. In March Ofwat brought together the sewerage companies, the insurers, customer representatives and government departments to discuss how best to ensure those flooded are not left out of pocket. To inform the debate Ofwat subsequently commissioned a survey of customers flooded inside or outside their homes.² This showed that the experience of flooding was very upsetting but that the financial impact for many customers was limited. Sewerage companies provided help with

² Customer Research 2004: Survey of customers affected by sewer flooding – Research by Design Ltd. August 2004.

pumping, cleaning up and disinfecting properties for around half of those flooded in their homes. Customers generally commented positively on the help provided by the company. Although 90 per cent of those flooded had insurance cover three quarters of them did not make an insurance claim, generally saying it was because there was no real damage or because they did not think of it. Customers were able to obtain insurance but were likely to experience increased excess provisions or insurance premia following a claim. Although 35 per cent of customers felt they had been adequately compensated by their water companies, 54 per cent felt they had not been.

7. Ofwat will now review the current compensation policy and practice of the sewerage companies before meeting interested parties again in the Autumn to discuss what changes might be necessary. It will consider the appropriate balance to be struck between the statutory compensation scheme, other compensation payments by companies and the role of insurance.

8. Ofwat expects to consult on a possible way forward in the first half of 2005. Depending on the outcome of this consultation Ofwat will make proposals to the Secretary of State, the Welsh Assembly Government and the water and sewerage companies, which may include amendments to the Guaranteed Standards Scheme later in 2005.

PAC conclusion (vi): Ofwat should secure greater consistency in recording the number of properties at-risk of sewer flooding. Ofwat requires sewerage companies to record properties that are at-risk of future sewer flooding incidents. Companies adopt a range of approaches to identify these properties. This inconsistency means that Ofwat cannot compare the performance of companies in a meaningful way and homebuyers cannot be confident about the risks facing the property they wish to purchase.

9. Ofwat agrees that it is desirable that information about the number of properties at risk is comparable between companies. However it is also important to maintain trends of historic data so that individual companies' performance can be monitored over time and customers can be confident that the improvements they are paying for are being delivered. Ofwat regularly reviews its information requirements and commissions studies from independent engineering consultants, the reporters, where it has concerns about individual companies. The reporters also review companies' annual performance data and highlight where they have concerns about its compliance with our requirements.

10. This year companies have reported for the first time on external flooding and properties at risk of flooding between once in ten and once in twenty years. Ofwat will review with the industry the data quality and reporting issues that have emerged as these new requirements are implemented and other areas where consistency might be improved.

PAC conclusion (vii): Ofwat should require companies to include the same sewers in its regular five-year asset inventory assessments. At present, companies report on a sample basis. This approach means that it is rare for the same sewer to be surveyed from one five-year assessment to the next. Companies have therefore been unable to assess the deterioration of individual sewers over time. Five-yearly samples of the same sewers would provide a clearer understanding of the rate of deterioration.

11. Ofwat agrees with the Committee that repeat surveys of a specific sample of sewers can give a useful insight into the rate of deterioration and hence risk of failure. However it considers that this should be incorporated into an overall approach that will ensure the reliability of the results when extrapolated across the whole network.

12. There is a risk that over time any particular sample will become less representative of the sewer network. For example, the particular lengths of sewer initially selected may not continue to represent their cohort in the whole network because of changes in traffic loading, local rationalisation causing abandonment or, more obviously, essential repairs. The overall assessment of serviceability and asset condition needs to be based on properly representative samples which may need adjustment over time to ensure they remain representative.

PAC conclusion (viii): Ofwat should develop measures which provide an indication of the future condition and performance of sewer networks. Ofwat uses a series of indicators based on past performance. The indicators are inherently backward-looking, and may give neither sufficient warning of imminent problems nor an adequate guide to investment needs. Ofwat should supplement existing measures with new ones which assess the risk of asset failure.

13. Ofwat accepts the Committee's conclusion and is already working with the industry to achieve it. Measures which reflect the risk of future asset failure have an important role to play in informing judgements about investment needs. The common framework for capital maintenance planning, which has been developed with the industry over recent years, incorporates a forward look as well as examining historical trends. Ofwat is encouraging companies to improve their understanding of the assets they manage and to develop more forward looking risk-based measures. This is an implicit part of the common framework approach which companies are already applying.

14. Forward forecasting requires the development of understanding of the deterioration of assets, their failure modes and effects on service. This knowledge can then be used to identify suitable indicators for monitoring by Ofwat. Ofwat has encouraged sharing of information and companies are contributing to the preparation of a good practice manual to accompany the common framework document.

15. Company business plans submitted for the current review of price limits show that some companies are beginning to develop techniques for analysing the characteristics of sewerage assets, which are valuable in forecasting a general need but may be less helpful in identifying which length of sewer to rehabilitate and when. The challenge is to both develop these general models and to produce results that enable timely targeting of capital maintenance. Ofwat expects companies to be better placed to do this for the next review in 2009.

16. The new Ofwat measures suggested by the Committee can only follow the development of understanding by the industry. Ofwat is encouraging the development of better planning of capital maintenance investment through its approach to this periodic review.

PAC conclusion (ix) Ofwat should require water companies to prepare long-term sewerage resource plans. At present, Ofwat requires water companies to prepare water resource plans which consider the balance of supply and demand over a 25 year period. There is no parallel requirement for sewer systems. In view of the potential pressures on sewer systems arising from new housing developments in the South East, and climate change, Ofwat should require sewer resource plans.

17. Ofwat agrees with the Committee that companies need to plan sewerage requirements over the longer term. This is particularly important where significant new development is expected to place new demands on the system. However companies are only responsible for one aspect of drainage, the public sewer network. Ofwat will consider how companies should be required to develop plans relating to the sewers for which they are responsible. In their business plans for the current price review companies were asked to look at likely demands on the public sewerage system over the period to 2015.

18. It is possible for companies to make general company level forecasts of the need for additional water resources over a 25 year period and to identify the most economic approach to providing such resources in the right supply area. It is more difficult to translate such an approach into the sewerage service.

19. Water can be pumped in large quantities to strategic and tactical storage sites and fed into a distribution grid which can be grown incrementally with development over time. By contrast, the sewerage network is largely a series of unconnected gravity collection systems draining to treatment centres with very localised in-line storage. Pumping is, for the most part, very localised. So constraints in sewerage systems often derive from their local pinch points. Although regional and local development plans may give an indication of the likely volume of additional housing they will not always be precise about where such development will take place and what form it will take. This is critical information when deciding what work is needed on the public sewerage network as a result. There are therefore practical difficulties for companies in developing very long term plans.

20. Ofwat will continue to expect companies to plan effectively for future demands on the public sewer network and to work effectively with others who have responsibility for other aspects of drainage and flood management. It will consider the appropriate timescale for sewerage plans in developing its information requirements for the next price review in 2009. There are also long-term issues such as climate change which need to be considered and Ofwat expects the industry to continue to contribute to investigations and discussion about how such challenges are best reflected in planning for the water and sewerage systems. Ofwat will also work with the industry to contribute to the current government review of strategy for the management of flood risk and drainage.



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