



# **Treasury Minutes on the Fifth, Sixth and Ninth Reports from the Committee of Public Accounts 2002-2003**

5th Report: The 2001 Outbreak of Foot and Mouth Disease

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**Presented to Parliament by the Financial Secretary  
to the Treasury by Command of Her Majesty  
May 2003**

TREASURY MINUTE DATED 21 MAY 2003 ON  
THE FIFTH, SIXTH AND NINTH REPORTS FROM THE  
COMMITTEE OF PUBLIC ACCOUNTS, SESSION 2002–2003

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# Fifth Report

## Department for Environment, Food and Rural Affairs

### The 2001 Outbreak of Foot and Mouth Disease

*The Committee's main conclusions*

**... Future [contingency] plans should be based on an analysis of risks associated with foot and mouth disease and should incorporate a range of assumptions about the nature, size and spread of an outbreak, including a worst-case scenario.**

Following the 2001 outbreak, the Department developed a Foot and Mouth Disease (FMD) Contingency Plan building upon the previous plan and codifying experiences and lessons learned from the outbreak. It takes into account many of the recommendations made by the other official Inquiries and practices developed in other countries including USA and Australia.

The current Contingency Plan (version 3), which was laid before Parliament on 28 March 2003 and is available on the Defra website, includes a Veterinary Risk Assessment for Rights of Way Closure, a Decision Tree for Control Strategies and a Disease Control (Slaughter) Protocol. These are included in the plan in order to codify the key control decisions, including the consideration of risk and impact. Further work is underway to develop scenarios on which to assess capacity planning issues in the light of the latest draft of the EU FMD Directive which suggests a worst case scenario. This if adopted, will be addressed by future iterations of the Contingency Plan.

**... Contingency plans should not only address farming but also the difficulties likely to be experienced by other industries. Stakeholders in affected industries should be fully consulted about contingency plans; and should participate in the simulation exercises carried out to test them.**

The exceptional nature of the outbreak highlighted areas where the contingency plan then in existence could be expanded and bolstered. Consequently the Department is actively engaging with stakeholders both nationally and locally to improve emergency preparedness. This includes local authorities, police forces, executive agencies, representatives of the farming industry and other rural interest groups. Since March 2002, revisions of the Contingency Plan have been circulated to other government departments and key stakeholders for their comments as well as being available on the Defra website. Meetings are held to provide stakeholders with an opportunity to discuss their views on the Department's contingency plans. Significant changes to the plans are now required, by the Animal Health Act 2002, to undergo a formal consultation process. Further work is underway to identify

and engage with the wider rural stakeholder community to ensure that all relevant industries have had the opportunity to comment on our plans.

A programme of exercises, in local offices, at headquarters and at a national level, is being developed to test the contingency arrangements at all levels. Stakeholders and operational partners will be invited to participate in these exercises when appropriate.

**. . . . The Department's plans on vaccination should be clear and set out the circumstances and factors that would determine when vaccination would be adopted. The plans should be made known and explained to all relevant parties, including farmers, vets, and representatives of the food industry.**

The Department is committed to ensuring that the option of emergency vaccination is considered as part of the control strategy from the start of any outbreak of FMD, where measures additional to the culling of infected and suspected animals and dangerous contacts are needed. It is not possible to describe in advance which strategy will be used, as each disease outbreak is different and each has to be tackled at speed with — inevitably — imperfect information. Nonetheless, Defra has published a “decision tree” as part of the FMD Contingency Plan, which sets out the criteria by which choices would be made when deciding which strategy, including emergency vaccination, to adopt in order to control and eradicate disease in the future. The Contingency Plan also sets out the operational arrangements for emergency vaccination.

A number of issues need to be resolved to make emergency vaccination a fully viable option. Sir Brian Follett suggested this could take 18 months and Defra is working towards resolving these issues, hopefully by the end of this year. Stakeholders are being consulted to address the numerous issues that arise from an emergency vaccination programme. A series of meetings with stakeholders on the subject of emergency vaccination started in January 2003 and dialogue is continuing. These meetings have also informed discussions on a revised European Union Directive on foot and mouth disease, which would similarly put emergency vaccination in the front rank of FMD control options. Once the Directive is adopted — probably in June 2003 — and stakeholder discussions have been completed, the Government will make any necessary changes to the FMD Contingency Plan and put in place a communications strategy to ensure all interested parties have a clear understanding of what an emergency FMD vaccination campaign would mean for them.

**. . . . The Department . . . . should have imposed a national movement ban from the first day; it should have kept the countryside open and not allowed the blanket closure of footpaths for such a long time; it should have brought senior administrators in earlier to take charge of local disease control; and it should have not disposed of carcasses on mass funeral pyres . . . . These and other lessons need to be incorporated in the Department's plans and processes for any future outbreak of infectious animal disease . . . . Working closely with the Ministry of Defence, the Department should define the military's role and identify the tasks it would carry out in any future outbreak. There should be clear trigger points as to when military support is requested and brought into effect.**

Many of the lessons learnt from the 2001 outbreak have been incorporated into the latest version of the Department's Foot and Mouth Disease Contingency Plan which was laid before Parliament on 28 March 2003.

The Contingency Plan sets out that a GB wide national movement ban of susceptible species will be put in place immediately a case of foot and mouth disease is confirmed and that footpaths will only be closed on the Infected Premises and within the 3km Protection Zone.

The Department recognises that rapid provision of staff is the key element to the successful ramping-up of local and national structures. Members of the Senior Civil Service will be appointed for three years as contingency Regional Operations Directors (RODs) and will take up post on confirmation of an outbreak and lead the Local Disease Control Centres. Immediately notification of a suspected case is received RODs will be alerted and put on standby.

There are no plans to use mass funeral pyres for the disposal of carcasses in any future outbreak. They would be an option of very last resort.

The Department's Foot and Mouth Disease Contingency Plan establishes that the Military will be notified as soon as an outbreak is confirmed. Once informed of a confirmed case the Ministry of Defence (MOD) will offer advice about their possible engagement. Subject to other Armed Forces commitments, aid would be provided under the 'Military Aid to the Civil Authorities' (MACA) arrangements with clear aims and objectives agreed at the point of engagement to reflect the particular circumstances of the outbreak.

**. . . . Systems of compensation to farmers for slaughtered animals need to give firmer control over the amounts paid. The Department needs better benchmarks for determining the rates paid for animals when markets are suspended; and it should not allow potential recipients of compensation to select and appoint the valuers.**

The Department accepts that given the exceptional circumstances existing at the time, it was not possible to subject payments to rigorous financial scrutiny in every case.

Lessons have been learned however and we have revised our procedures as a result. The Department has established a new national list of livestock valuers from which the Department would appoint a valuer in a future outbreak. Each valuer on the list has been issued with detailed instructions on carrying out valuations.

The Department will be going out to consultation this Summer on a review of the compensation regime, including the possibility of standard rates, fixed in advance, for pre-determined categories of livestock species. Valuers would be required only for animals not falling into these categories.

The Department has also appointed a panel of four monitor valuers. It will be their role to review the instructions and guidance to valuers and agree

additional ones needed during an outbreak with the aim of ensuring consistency of valuations in the absence of markets.

The Department is also undertaking a study of the valuations awarded during the 2001 campaign, supported by statistical and economic analysis. The National Audit Office and the European Commission are both collaborating in the study. The Department will ensure that the results of the study are used to improve the valuation process in any future campaign.

**.... The Department should negotiate pre-arranged rates and fees for goods and services, which could be brought quickly into use in the event of a future outbreak. Claw-back arrangements should be in place to prevent firms making excessive profits at the Department's expense. A list of approved contractors should be drawn up, and kept up to date, and the capabilities of firms to carry out contracted tasks should be tested in simulation exercises.**

The Department has put new procedures in place to improve arrangements for the provision of goods and services.

To date, the Department has put in place over 150 contingency contracts with firms that are able to respond quickly and efficiently in the event of a future outbreak of animal disease. The contingency contracts include pre-negotiated rates, cover all regions in the United Kingdom and are available on the Department intranet. The contingency contracts will be reviewed on an annual basis to ensure the contracts reflect market rates and the contractor can still perform at the desired level.

There have been several exercises to test the reaction time and capabilities of the contractors that the Department have placed contingency contracts with. There will continue to be such exercises in the future.

The contracts include a termination clause, clawback arrangements (overpayments), and a procedure for resolution in the event of a contractual dispute.

**.... The Department should ensure that the [import] measures adopted in the United Kingdom are at least the equal of those elsewhere in the developed world, including Australia, New Zealand and the United States.**

The rules relating to border controls are governed by EU legislation. The United Kingdom, as a member of the European Union, can only impose border controls on meat products from outside the EU. The Government's aim is to continue to enhance the procedures that are in place to detect and prevent illegal imports and to ensure that they are evidence-based, and proportionate. The EU rules governing the importation of illegal products into the Community are fully implemented in the UK by comprehensive domestic legislation that provides for criminal penalties to be imposed on individuals found guilty of breaching the import rules.

Since the Foot and Mouth outbreak the Government has taken, and continues to take, steps to tackle illegal third country imports, including:

Legislation has been tightened — this includes more powers for enforcement officers, and — through lobbying the EU — tighter rules for personal imports were introduced on 1 January 2003;

Public awareness is being raised — through a variety of publicity measures (e.g. leaflets, posters, videos, radio/TV advertisement fillers, attendance at appropriate shows and events, advertisements in 2003-04 on seven million ticket wallets);

Enforcement structures are being improved — a review was undertaken in 2002 and from 11 April 2003 anti-smuggling controls for meat and animal products is now the responsibility of one agency — HM Customs and Excise (HMCE);

A disease risk assessment has been undertaken — to assess the probability of an outbreak of foot and mouth disease linked to illegal imports — this was published on 25 March 2003 as work in progress, this will provide an evidence base to help inform targeting of future enforcement activity;

New money has been made available — this has helped to fund an increased level of inspections during the latter part of the financial year. This has resulted in a significant increase in seizures, a further description of which will be available in the first annual report to Parliament due to be published later in May or early June.

Building on this work, the Government published its draft action plan for 2003-04 on 25 March. The final version of the Action Plan will be published in late May following discussions with stakeholders. A copy can be viewed on our website: [www.defra.gov.uk/animalh/illegal](http://www.defra.gov.uk/animalh/illegal). The Government is making £25 million available over the next three years, of which £6 million is for 2003-04 and of this £4 million is going to HMCE where the emphasis will be on inspections.

There is clearly much that the UK can learn from other parts of the developed world about preventing illegal meat imports. Our controls compare favourably with those in place elsewhere in the European Union. The Department has had valuable discussions with experts in Australia and New Zealand and has investigated deterrent measures employed elsewhere, and how successful they are. However, it must be recognised, when comparing controls that circumstances are very different in the UK to those in Australia, New Zealand and the United States. The volume of trade and passenger traffic is far greater in the UK. For example, Heathrow airport has annual passenger traffic of 64 million per annum (2001 figures, BAA) and more international passengers than any other airport in the world. JFK airport has, by comparison, annual traffic of 30 million — approximately half of which are international passengers; Auckland airport in New Zealand sees 8.8 million passengers a year and Sydney 24 million.

**. . . . if the Department commissions a report of vital importance affecting animal health they should implement its recommendations and not procrastinate . . . .**

For any future report, the Department will have an appropriate timescale for implementation of recommendations that are accepted.

**. . . . The . . . . focus on farming interests, important as these are, needs to be complemented by greater recognition of wider rural and national concerns. The Department also needs to build stronger and more confident partnerships with other relevant bodies in both the public and private sectors, so as to make better use of their expertise and resources. Longstanding attitudes are in need of reform, and the Department's new development programme for senior managers will need to be radical if the necessary change of outlook is to be achieved.**

The Department accepts this conclusion

The establishment of Defra helps ensure that policies for farming and food are developed in the context of the broader strategy for sustainable development, including environmental, land use and rural objectives. The Strategy for Sustainable Farming and Food, published in January 2002, sets out how we plan to integrate our policies for food and farming in this broader context.

The Department is actively engaging with stakeholders both nationally and locally. This includes both public and private sectors, representatives of the farming industry and other rural interest groups and bodies. We will involve them in our programme of exercises that is being developed.

The Rural Affairs Forum for England, set up in January 2002, brings together representatives of a wide range of organisations interested in rural issues from economic, social and environmental perspectives. Defra will consult the Forum on all important issues affecting the rural economy and rural communities. Regional Rural Forums have also been set up in every region except London.

The Department accepts the need to continually improve performance. Its new leadership development programme for Senior Managers will ensure that the Department has a Senior Management cohort with the right skills, competencies, behaviours and attitudes in the context of ever-changing circumstances and demands including fostering better external partnerships. The Department is piloting a Leadership Development Programme for all senior managers. The objective is that all senior managers will have attended the programme by July 2004 as the first stage of their development programme. There will be a review of progress against development plans for all participants, and an evaluation of the impact of the Centre and the subsequent support on individuals' performance and behaviours.

**PAC conclusion (i): . . . . The Department should bring all interested parties on board and discuss its contingency plans with central and local government, farmers and other major stakeholders.**

1. The Department is actively engaging with stakeholders both nationally and locally. This includes local authorities, executive agencies, representatives of the farming and other industries as well as other Government Departments and other rural interest groups.

**PAC conclusion (ii): . . . . Contingency plans must . . . take account of the risk of an outbreak not being reported promptly by the farmer concerned.**

2. The Contingency Plans allow for a rapid and appropriate response to unforeseen outbreaks.

**PAC conclusion (iii): . . . . The Department should aim for a high degree of awareness of animal disease in the farming industry. It should work with other organisations, including those in the voluntary sector, to educate farmers and vets about diseases they might not have encountered, but which nevertheless present a real risk.**

3. The Department accepts this conclusion

4. Promotion of an awareness of animal diseases and their significance is part of “Risk Communication”, which is a recognised component of veterinary surveillance. The deliverables for the first year of the implementation plan for the Veterinary Surveillance Strategy include the development of a draft “education programme”. Both this strategy, and the Animal Health and Welfare Strategy, recognise the need for improved and widespread collaborations and the enhanced sharing of information.

5. The Department is developing a draft biosecurity action plan that will set out plans for developing closer partnerships for training in biosecurity and farm health planning. In order to improve biosecurity, there must be an increased overall appreciation and awareness of the importance of diseases and their control. It is important that biosecurity principles are applied in order to reduce the overall risk of disease spread. This needs to be given precedence over detailed training of farmers about the diseases themselves. Certainly, it is important for farmers to be aware of the endemic diseases that may be present in their livestock. Surveillance can then be used in a positive way to develop appropriate farm health plans to reduce the prevalence of such diseases. The draft biosecurity plan is anticipated to be released for public comment by July this year. The final version should be published by the end of the year.

6. More generally, as part of the Learning Skills and Knowledge Programme, the Department is funding a pilot demonstration farm project, due for evaluation by March 2004, and is currently reviewing the pattern of farm advice services with the aim of improving their effectiveness. An action plan will be developed from the review by December 2003. Both initiatives will

include animal health and welfare components among other important aspects of farm business management, and will cover all livestock sectors.

**PAC conclusion (iv): . . . . foot and mouth is only one of a range of serious animal health diseases and the Department will need to look at all its contingency plans afresh in the light of what happened in 2001.**

7. The Department accepts this conclusion. In drawing up the Foot and Mouth Disease Contingency Plan, a modular approach has been taken, with core modules covering both structural and operational matters. The current plan builds upon previous plans and codifies experiences and lessons learned from the 2001 outbreak. It takes into account many of the recommendations made by the other official Inquiries into that outbreak.

8. It is planned that the FMD Contingency Plan will form the framework for contingency plans for other exotic diseases. The same management and organisation structures and the ability to ramp up resources are likely to be implemented in relation to outbreaks of most other exotic diseases.

*On handling the outbreak*

**PAC conclusion (v): . . . . The Department needs to decide what measures are needed to increase veterinary resources quickly at the start of any crisis. It should also clarify the basis on which vets recruited from outside would be paid and the terms and conditions on which they would be employed.**

9. In light of experiences and lessons learnt during the 2001 foot and mouth epidemic, and the subsequent findings/recommendations of the FMD Inquiry Reports, the State Veterinary Service (SVS) continues to review its policy of emergency provision of veterinary resources.

10. The SVS has identified the need to rapidly secure additional assistance to boost its normal manning levels. In the first instance, assistance would be requested from both retired SVS veterinarians and Veterinary staff from the Department's agencies and other government departments since these are the most likely to be available quickly.

11. Non-government veterinary personnel would also be sought and deployed if necessary, although there are unavoidable time-lags involved with both private practitioners and vets from abroad. The former are likely to be tied, at first, by practice commitments, whilst we estimate that recruiting vets from abroad will take a minimum of one to two weeks.

12. As far as terms and conditions are concerned, the current Memorandum held between the SVS and private practice veterinarians (Local Veterinary Inspectors, LVIs) is under review in consultation with stakeholders. Consultation on future arrangements, including contractual terms and training, is expected to take place in early Summer 2003. If an emergency were to arise in the meantime which could not be dealt with using SVS, retired SVS and

other government vets, practising private veterinarians in Great Britain would be engaged as LVIs. Other private veterinary surgeons in GB and abroad would be engaged as casual veterinary staff.

13. LVIs will continue to be paid in accordance with the rates of pay agreed between The Department and the British Veterinary Association. Casual Veterinary Officer's will be paid in accordance with the permanent SVS veterinary pay scale.

14. The great majority of private vets who assisted the Department during the FMD epidemic of 2001 did so as Temporary Veterinary Inspectors (TVIs). The Department has temporarily stopped recruiting TVIs pending the introduction of a new flexible employment contract in respect of the re-named Veterinary Inspectors (VIs) which is due to take place later this year.

15. Assistance from overseas government veterinary personnel would be deployed following risk assessment and epidemiological advice. The Chief Veterinary Officer (CVO) would send a formal request to the International Animal Health Emergency Reserve countries. The CVO would also send a formal request to EU Member States if necessary. It is usual for donor countries to pay the salary of personnel on loan whilst recipient Countries pay travel, accommodation and overtime costs.

**PAC conclusion (vi): . . . . The Department needs to develop a reliable computer system to enable it to track the progress of any future outbreak of disease and take swift and effective measures. The system needs to be fully maintained during periods when there are no disease outbreaks.**

16. Work is already in hand to develop and introduce a new computer system (the Exotic Disease Control System or ExDCS). This is a large project that is being carried out through the Office of Government Commerce (OGC) Gateway process. Its overall aim is to enable the key activities associated with control of a number of important notifiable diseases of animals, to provide management information to staff at all levels and Ministers and to provide vital links to financial control systems. The project is being developed so that it will share the same technical architecture as a similar system which will be developed — as soon as resources allow — to deal with endemic diseases so that staff will be entirely familiar with both systems thus reducing to a minimum the time required for training and familiarisation. Both systems will be maintained so that there will be no delays in bringing ExDCS into use should there be an outbreak of exotic disease

17. The new system should be fully operational in early 2005. Were there to be an outbreak before then, the system that was developed during the 2001 outbreak is available to be brought rapidly into use.

**PAC conclusion (vii): . . . . In principle there would appear to be merit in the suggestion that the level of compensation for farmers should be linked to the adequacy of biosecurity on their premises, and the Department should consider whether a practical scheme could be devised.**

18. The Department accepts this conclusion

19. The Department is considering options for rationalising the current arrangements for animal disease compensation. In both this work, and with that on a possible animal disease levy, the Department is looking for ways that economic incentives can be used to increase the levels of biosecurity on farms.

20. The Department is also developing an action plan for working in partnership with stakeholders to promote biosecurity and farm health planning in the livestock sectors. However, considerable work needs to be carried out to develop biosecurity standards that can be implemented and, if necessary, be enforced.

21. The concept of making the amount of compensation payable dependant on the level of biosecurity on the farm was included in the initial draft of the Animal Health Bill last year. This concept had to be dropped before the 2002 Act was passed due to the strength of the opposition to it. There are considerable administrative and practical difficulties in ensuring that such an approach is consistent and fair. It is also necessary that compensation mechanisms should comply with obligations under human rights legislation. The Government believes that there is scope for farm assurance schemes to encourage a stronger emphasis on biosecurity, and membership and compliance with such schemes could be used as a basis for providing incentives, for example a reduced animal disease levy. The Government will consider this further.

**PAC conclusion (viii): . . . [the Department] should institute effective checks for unmarked animals and penalise those who deal in them.**

22. The Department accepts this conclusion

23. The Government has taken steps to enhance the enforcement and monitoring of pig identification and tracing rules following the investigations last June into a pig slaughtered at an abattoir in Leicestershire which were hampered because of a lack of identification marks on a number of animals. As a result the Animal Health Minister Elliot Morley announced a review of pig identification rules to provide a much greater level of traceability of pig movements from farm to slaughter and to ensure the risks of disease are kept to a bare minimum. The formal consultation exercise ended on 17 February. Officials are currently considering comments received from the industry with a view to implementing new legislation this Autumn.

24. The Department and its predecessor has taken steps to ensure greater consistency of compliance checks and enforcement measures in relation to the movement of livestock, and to ensure that these are risk based.

25. A Framework Agreement is being piloted with 41 Local Authorities (who are responsible for much of the enforcement work under the Animal Health Act 1981). It will be rolled out to remaining authorities during the course of this year.

26. The agreement provides for enforcement to be risk-based, targeted at points where animals regularly congregate (such as livestock auction markets) and at individuals and businesses with a history of non-compliance. Random checks are also made, especially in the form of roadside checks. The procedures to be followed and the level of checks are regularly reviewed at local level against the then level of risk. The enforcement activity itself involves checking for compliance with the rules on identifying and moving livestock, and on record keeping. Local authorities will report enforcement measures carried out, and the result of those measures to the Department. This will enable consistency to be achieved across England and Wales, and for less well performing authorities to benchmark their performance against those doing better.

27. There is a range of penalties available to local authorities, to the Department and to magistrates, depending upon the seriousness of the offence. Where a case is less serious, or where the evidence is not strong enough to support a prosecution, a formal warning may be issued. The Department is also able to insist that those regularly breaching the movement rules must obtain a movement licence prior to each occasion when they move livestock. Data on the result of enforcement activity will increasingly become available as the Framework Agreement is rolled out.

**PAC conclusion (ix): . . . . The Department should examine how the contiguous cull was implemented in 2001 and assess its impact and effectiveness, to inform decisions as to whether, and how, a contiguous cull should be used in the event of any future outbreak.**

28. On 3 April 2003 the Department announced a call for research proposals. The deadline for response is 1 July 2003. This includes proposals that investigate the effect of the disease control measures, including the contiguous cull, which were introduced during the course of the 2001 outbreak. Research is to be based on an analysis of the available database that the Department has made available to the research community. Short-term proposals are sought that can be completed in 6-12 months. The results of the research will feed into consideration of future disease control strategies.

**PAC conclusion (x): . . . . The Department needs to formulate plans for the future of each [mass burial] site, and consult local authorities and residents on its proposals. Continued close monitoring and inspection of the sites in particular is essential.**

29. Further to the statement in the Response to the Reports of the Foot and Mouth Disease Inquiries by the Government and the Welsh Assembly Government, the Department has undertaken reviews of all seven mass burial sites. It has concluded that it needs to retain ownership or occupation, and responsibility for management and monitoring, of the five operational sites, that is, those where carcasses remain buried, for the next 10-15 years.

30. As part of the planning and control process, the Department is involved in ongoing consultation and discussion with relevant local authorities and community groups to agree restoration proposals and the long-term

management of these sites. Non-operational sites with no strategic value, will be disposed of, achieving best value for money or, in the case of the Eppynt ranges, returned to the Ministry of Defence.

31. At all six sites used for carcase burial, there is an extensive programme of inspection and monitoring of surface water, groundwater and for landfill gas. The results are in the public domain and have been provided to the Environment Agency (EA) or the Scottish Environmental Protection Agency (SEPA). The agencies have reported that overall the results from monitoring of the mass disposal sites do not give any rise for concern. Monitoring will continue until the relevant agency confirms that the possibility of any potential risk to the environment or public health is sufficiently reduced.

32. Details of the monitoring programmes and summaries of findings to-date can be found on the EA, SEPA, Welsh Assembly Government and Department of Health websites.

*On controlling the costs of the outbreak*

**PAC conclusion (xi): . . . . The Department should report its conclusions to Parliament [on a subsidised insurance scheme or a joint industry-Government levy scheme].**

33. The Department accepts this conclusion.

34. This links two current initiatives: the review of compensation and the proposals for an animal disease levy. The review of the compensation regime is looking at arrangements for all notifiable animal diseases, not just the exotic diseases, like FMD, which we intend the levy to cover. Options being considered include standard rates of compensation, fixed in advance, for pre-determined categories of livestock species. The proposals for a levy are about sharing the costs of compensation and of disease control. The basic idea is that industry would pay for 50 per cent of these costs and Government the other 50 per cent.

35. A joint consultation exercise on both initiatives is planned for this Summer. Government will report to Parliament on the outcome of this consultation.

**PAC conclusion (xii): . . . . Future welfare [disposal] schemes should have clear objectives and eligibility criteria which can be readily checked. Payments to farmers should be set at a level that encourages applications to be submitted only in respect of genuine welfare cases.**

36. The Department does not accept the assertion that the Livestock Welfare Disposal Scheme failed in its purpose of alleviating animal suffering. However, in its response to the FMD Inquiries, the Government has stated that it would not offer compensation payments to farmers in any future livestock welfare disposal scheme. Experience has shown that these can discourage farmers from taking responsibility for the welfare of their animals, and create

a false market. As far as possible, animals should be kept alive and healthy and Government policies should encourage this. Disposal is an option of last resort. Nevertheless disposal schemes must remain part of contingency planning. This work is under way and lessons will be drawn from the 2001 scheme.

**PAC conclusion (xiii): The Department . . . should seek recovery in those cases where it believes it has been overcharged [by companies invoicing for work carried out].**

37. The Department accepts this conclusion and indeed is actively seeking to reclaim any monies that have been overpaid through negotiation, mediation, litigation and formal overpayment procedures within the Department's accounting systems.

38. The Department has put substantial resources into reviewing all invoices submitted by major contractors. It has employed a team of forensic accountants and quantum experts to ensure that invoices submitted for payment relate to valid work and are supported with appropriate evidence.

**PAC conclusion (xiv): . . . Improved guidance should be developed on the standards of cleansing and disinfection to be adopted in the event of any future outbreak.**

39. Comprehensive guidance on cleansing and disinfection standards was available at the time of the outbreak in the State Veterinary Service Instructions. Lessons learned during the outbreak are now feeding into a revision of the guidance.

**PAC conclusion (xv): . . . The Department should examine the Dutch experience to assess the risks and benefits of their approach [to Cleansing and Disinfection]. The Department should also examine whether in any future outbreak the cost of cleansing and disinfecting could be met by the proposed insurance or levy scheme that is under consideration.**

40. The Department accepts this conclusion

41. Government funding of secondary cleansing and disinfection will be subject to review and consultation this summer as part of the consideration of the future funding of disease control measures (under the levy proposals). This will include examination of the Dutch approach and experience, and any lessons to be learnt from that examination, will be included in the review if considered appropriate.

# Sixth Report

## Ministry of Defence

### Exercise SAIF SAREEA II

#### *The Committee's main conclusions*

**The Department's planning of the exercise was deficient. In particular, because of poor information and inadequate analysis, it did not modify the Challenger 2 Main Battle Tank to operate in desert conditions. The location, time, and scope of the Exercise were subject to change, which contributed to cost escalation and acted against the achievement of value for money. Decisions were not based on the full cost of resources to be consumed by the Exercise. The Department needs to plan major Exercises as projects in their own right.**

The Department considers that overall, exercise SAIF SAREEA, an activity which took place in Oman 18 months ago, provided invaluable training experience, and a wealth of technical information, which have paid very significant dividends in operations in Iraq. The Exercise was a significant military success which also had a positive diplomatic impact in a key region two months after the tragic events of 11 September.

The Department added to its experience of planning and deploying a large joint force across a long distance and it has successfully incorporated many of the lessons learned into the planning and deployment of current operations. It also built up expertise in operating new and legacy equipments in the most demanding of environmental conditions. Many equipments performed well; where they did less well, we learned valuable technical and tactical lessons. Many of these lessons were actioned in time for the start of operations in Iraq; others remain to be implemented or will be considered against the other priorities in the Departmental planning round and as part of normal Departmental business. Some of the observations in the Report, such as the shortcomings of CLANSMAN were well known beforehand; solutions have been developed to enable it to continue to function pending the introduction of Bowman.

The Department plans major exercises as events in their own right, albeit of a different nature from equipment projects. Planning for Exercise SAIF SAREEA II was reviewed at regular intervals in order to ensure that the deployment was in line with extant Defence commitments and to ensure that it offered value for money and was affordable. These reviews led to adjustments in the scope of the exercise. Decisions on resources for exercises were, and are, based on net additional costs (rather than full costs), for good reasons as agreed with the Treasury in 1999.

The decision not to modify Challenger 2 for Exercise SAIF SAREEA II was taken in the light of sound operational and resource factors. Exercise artificialities need to be understood and accepted. But the exercise was nevertheless sufficiently realistic and demanding for us to gain experience of the operation of Challenger 2 (and other equipments) in hot and dusty conditions which has proved invaluable during recent operations in Iraq. It also gave those Servicemen and women who exercised in Oman vital practical experience of fighting in an extreme environment.

**The lessons of the Exercise should be properly applied. The Department has made improvements to its ability to capture lessons from exercises and operations, but also needs to apply the lessons identified. The Exercise illustrated the importance of carrying out critical modifications to ensure that equipment can operate in desert conditions, and in ensuring the capability gaps, for example, tactical communications, are closed. It also revealed shortcomings in the Department's ability to sustain forces deployed at strategic distance. The Department should review whether it has sufficient equipment to sustain the Joint Rapid Reaction Forces in all the environments in which it anticipates operating –temperate, arctic, jungle, and desert. The Department also needs to ensure that any new equipment is specified to work in the environments in which it will be needed.**

Lessons identified during the exercise have been applied to the planning and conduct of current operations in Iraq, as has been demonstrated by their rapid and successful conduct. The logistic support challenge was immense; the Department has moved the same volume of equipment and materiel as it did during the first Gulf War (some 3.5 million tonnes) but in around half the time and has deployed, and supported in-theatre, over 39,000 people. This is proof positive of the value of the exercise and the quality of our operations “for real”.

Specifications for new equipment reflect the global role of our Armed Forces. However, there will continue to be shortcomings until vehicles and equipment developed during the Cold War period and designed mainly for use in north-west Europe have been modified or replaced. In addition, there will always be judgements to be made on priorities, and on what items should be held in stock against any eventuality and on what can be purchased in the immediate run up to an operation. (See also response to the Committee's conclusion (vi)).

**Key elements of the Joint Rapid Reaction Forces concept were tested in the Exercise but more needs to be done to prove the concept in the round. For example, the Exercise was only a limited test of strategic lift because only half an armoured brigade and no war stocks were taken. Future exercises need to demonstrate that there would be sufficient strategic lift capacity available. In time-critical situations, the Department will continue to be reliant upon the ready availability of chartered civilian sea and air assets in actual operations. The Department should explore the possibility of making agreements with civilian suppliers to provide assets when required during times of crisis.**

The Department has to strike an acceptable balance between using its own strategic lift capability (such as the new C-17 aircraft, used for the first time

on Exercise SAIF SAREEA II) and commercial chartered aircraft and shipping. Experience on operations in Iraq, where the deployment was considerably larger than the Joint Rapid Reaction Force scenario tested on the exercise, shows that this approach works well. Some 300 aircraft, and 55 merchant vessels were chartered to deploy UK forces, and over 13,000 tonnes of munitions were delivered to in-theatre forces.

During exercises the Department has to balance deployment costs against the likely benefits. For example, little would have been learned from shipping the full amount of munitions and stocks of spare parts required for a war-fighting operation to Oman, only to then return them unused (and at considerable cost) to the UK. The cost of additional shipping alone would have almost doubled the cost of the exercise. (See also response to the Committee's conclusion (xii)).

### *Deficiencies in planning*

**PAC conclusion (i): In planning future exercises, the Department should balance the cost of modifying key equipment against that of supporting unmodified equipment in theatre. In this case, the decision on grounds of economy not to “desertise” the Challenger 2 Main Battle Tank increased the costs and decreased the effectiveness of the Exercise.**

1. The Department does not accept the Committee's conclusion in relation to the decision to “desertise” the Challenger 2 tanks. The cost of modifying the Challenger 2 for the exercise would have been substantial and a judgement was made not to proceed with the modification on the grounds of cost-effectiveness. This decision resulted in greatly increased consumption of air filters (costing around £1,000 each) and affected availability of Challenger 2 at certain points during the exercise. But it did not detract significantly from the military value of the exercise or the experience gained from it.

**PAC conclusion (ii): Information gathered by the Department about likely environmental conditions prior to the Exercise was incomplete. The Department did not accept the findings of its own reconnaissance report that environmental conditions required the Challenger 2 to be modified. The Department needs to be fully aware of exercise conditions and make best use of all the information sources available in managing future exercises.**

2. The Department does not share the Committee's view that it did not accept the findings of its own reconnaissance report. Careful consideration was given to the reconnaissance report and a deliberate judgement was made which balanced the exercise risks against the modification costs. The Department will continue to make every effort to use as many information sources as is practicable in managing future exercises.

**PAC conclusion (iii): The Department categorised climatic conditions in the hot and dusty Omani desert as being the same as those of Western Europe. The Department should review its procedures for the categorisation of climate to remove the significant overlaps that currently exist.**

3. The Department accepts the Committee's conclusion. Climate categorisation procedures are under review. A Joint Environmental Management Board will be established in April 2004 to improve coordination in this area. A plan to establish a Joint Environmental Data Fusion Centre will be considered in the 2003 resource allocation round.

**PAC conclusion (iv): Original proposals on the content of the Exercise differed radically from what actually took place. The lack of agreement within the Department from the start about its size, shape and location, and subsequent revisions, contributed to cost escalation. The Department should establish at the outset the objectives and parameters of future exercises as a firm baseline for planning.**

4. The Department established the objectives and parameters at the outset of the exercise. But major exercises must be planned over a period of three-four years and the process has to be flexible to reflect changes, including available resource. This is well understood within the Department. We are further refining the Defence Exercise Management Policy which was last revised at the time of Exercise SAIF SAREEA II.

5. Planning for Exercise SAIF SAREEA II was reviewed at regular intervals in order to ensure that the deployment was in line with extant Defence commitments, and to ensure that it offered value for money and was affordable. These reviews led to adjustments in the scope of the exercise.

**PAC conclusion (v): In costing and budgeting for the Exercise, the Department counted only the additional or marginal, costs of the Exercise. Such exercises are a crucial means of maintaining military capability, and the full cost of resources consumed should be taken into account and balanced against other calls on the Defence budget.**

6. Decisions on resource options for activity (eg exercises) are based on *net additional costs*, which provide a common comparator with operations and other military activity. Identification of full costs would not, in the view of the Department, improve the process of establishing the cost-effectiveness of an activity. It would also be very costly and time-consuming to produce. This position reflects the agreement reached with the Treasury in October 1999.

#### *Lessons from the Exercise*

**PAC conclusion (vi): The Exercise produced new lessons but also showed areas, such as under-provisioning of spares, in which lessons from past exercises and operations had not been learnt. The Department has improved its processes for capturing lessons from this and future exercises. The Chiefs of Staff should monitor these processes every six months, as the database of lessons identified is updated, to ensure they are working.**

7. The Department has rigorous and effective procedures to identify and apply lessons identified from previous operations and exercises. Numerous lessons from Exercise SAIF SAREEA II were applied to the Iraq operational deployment. It is important to note that, for example, judgments about spares

provisioning differ between exercises and operations because of the need to balance cost and risk and, in the case of an exercise, to guarantee the availability of stocks for operational contingencies which must take priority.

**PAC conclusion (vii): In the event of an operation, the Department says that it could quickly modify equipment such as Challenger 2 to operate in the desert. But the AS90 self-propelled gun will not be modified for another 12 months despite the fact that over a year has already elapsed since the end of the Exercise. The Department needs to speed up its programme of modifications to ensure that it is able to meet potential commitments.**

8. A distinction must be drawn between routine plans to upgrade equipment which is decided in the Departmental Planning Round, and the ability to undertake similar activity more rapidly under the Urgent Operational Requirements (UOR) process. The UOR process was used to enable modifications to be made both to Challenger 2 and the AS90 self-propelled gun to meet the conditions anticipated on operations in Iraq. These modifications were completed in theatre. The Department's contingency planning and Urgent Operational Requirement process are both robust and effective.

**PAC conclusion (viii): There are important programmes in place to enhance capability, such as those for Bowman, asset tracking and helicopters. The Exercise reinforced concerns about the limitations of the Clansman radio system and the inadequacy of the Department's asset tracking systems. The Department needs to demonstrate that, for example, Bowman will operate in austere conditions similar to those encountered in Oman, testing rigorously that equipment specifications meet the demands of operating in extreme temperatures.**

9. New secure communications equipment, and asset tracking systems, cannot be introduced overnight. The shortcomings of CLANSMAN, the communications system of the 1970s, are well known, and the first Army units start to train on its replacement BOWMAN, in the late summer of 2003. Trials of BOWMAN in extremes of climate are scheduled to take place this year. Hot-dry trials will be held in the US and hot-wet trials will be held in Brunei. The hot-dry trials will subject the equipment to temperatures in the region of 32-49 degrees Centigrade, which is similar to that which our forces might experience in Iraq. Extreme cold trials are scheduled to take place in Canada next year, where the testing will be in the range of -21 to -31 degrees Centigrade.

10. The Department provided a partial asset tracking capability for operations in Iraq through its Urgent Operational Requirement process and has plans to develop an enhanced asset tracking capability.

**PAC conclusion (ix): The Container Handling Rough Terrain (CHRT) system in Oman was not adequately supported for overseas deployment because of limitations imposed by the contract. Contracts providing for the maintenance of all key equipments should cover deployments beyond Europe.**

11. Arrangements are now in place to ensure that CHRT is properly supported on exercises or operations either by the Royal Electrical and Mechanical Engineers (REME) or contractor's personnel.

**PAC conclusion (x): The Department's decision not to issue all personnel with desert equipment and boots was bad for morale and had other adverse impacts. For example, some boots fell apart and footrot became a major issue. The Department should ensure that, in future, forces sent into harsh environments are equipped appropriately.**

12. The decision not to issue desert clothing to all exercise participants was not based solely on the expected temperatures: the Department decided to retain stocks of desert clothing in case we needed to conduct real war fighting at Medium Scale.

13. The Department recognises that the Committee's comments about boots falling apart and of foot rot are based on the Comptroller and Auditor General's report on Exercise SAIF SAREEA II, which alluded in paragraph 2.43 to boots falling apart, or melting in the desert heat and to foot rot being a major issue. However, as was explained in the evidence to the Committee, the Department has been unable to substantiate reports of boots, and in particular the modern military combat boot, falling apart. The boots in question were not normal combat boots, but were chukka boots, issued for use by headquarters staff. They were not appropriate in desert conditions and should not have been used. Most people who wore normal combat boots had no problem with their feet. Footrot was not a major issue, although some incidences occurred early in the deployment largely as a result of the inadequate personal hygiene being applied by personnel inexperienced in the conditions. The need for the correct hygiene regime was emphasised to all personnel and the problem subsided. The Department regrets that these issues were not made clearer during the clearance of the C&AG's report.

#### *The Joint Rapid Reaction Forces Concept*

**PAC conclusion (xi): Important elements of the Joint Rapid Reaction Forces were not tested during the Exercise. For example, medical services could not be tested under operational conditions; and readiness cannot be effectively tested in an exercise of which the participants have many months notice. The Department should therefore look to include untested elements of the Joint Rapid Reaction Forces in future exercises to demonstrate their capability.**

14. It is inherently difficult to test readiness with absolute certainty on an exercise because the scale and frictions of war are absent. There will undoubtedly be lessons identified from operations in Iraq. As the Joint Rapid Reaction Force continues to evolve there will be a need to test these elements within a Joint Task Force. The Department accepts that this is an area for further consideration.

**PAC conclusion (xii): The Exercise was a limited test of strategic lift, and the Department remains reliant on the availability of commercial assets.**

**The Department needs to manage the risk of continuing to rely on the ready availability of civilian strategic lift assets. It should carry out a detailed risk assessment to examine the options fully, including the possibility that arrangements could be made with civilian operators to guarantee strategic lift capacity when required.**

15. Strategic air and sealift capability is examined annually by the Department as part of a wider assessment of logistic capabilities. This is a rigorous and objective review of tasks against assets with the aim of identifying potential capability gaps and thus help inform future equipment investment decisions. It represents, therefore, a thorough risk assessment process.

16. The current assessment, based principally on recent operations, indicates that recent major investments in both C-17 aircraft and RoRo shipping leaves us reasonably well placed for strategic lift capability. Nonetheless, the Department is looking at ways further to enhance its strategic capability. Military capability is also supplemented, as and when necessary, from the commercial market. The Department has enabling contracts with commercial brokers for airlift charter that can be activated at very short notice: these arrangements proved to be highly effective during Operation TELIC. Contracts for strategic sea lift can also be activated rapidly.

17. In addition, the Department has in place both bi- and multi-national arrangements with Allies for both air and sealift which can be activated according to demand and circumstance. The UK authorities also work closely with NATO partners to develop effective arrangements to provide and manage Alliance strategic lift.

# Ninth Report

## Office for National Statistics

### Outsourcing the 2001 Census

*The Committee's main conclusions*

**Outsourcing helped the Department to introduce some important innovations to deliver the 2001 census. The post back allowed the Department to reduce the number of temporary field staff employed on the Census by some 33 per cent compared with 1991. The introduction of electronic form scanning and coding meant that all information submitted on Census returns was recorded.**

The Office for National Statistics (the Department) welcomes the Committee's view. The Census is the largest peace-time operation held in the UK, and the successful introduction of such large scale innovations was a significant achievement.

**In appointing Vogue Consultants as procurement advisors for the Census, the Department failed to follow its own procedures by initially engaging and extending the appointment of the consultants without competition and by entering into a contract that did not meet its own standard terms and conditions. It also failed to seek authoritative advice on the requirement to advertise the procurement and publish details of the award in Office Journal of the European Communities. The Department paid Vogue £485,000 in fees before the irregularities came to light.**

The Department accepts that proper processes were not followed. A separate procurement unit was established within the Department specifically to deal with the census outsourcing because of its magnitude and this did not provide sufficient challenge on matters of process and propriety. To avoid a recurrence the Department has committed itself to manage all significant procurements through a single Central Procurement Unit and allocated the Principal Finance Officer an explicit challenge function on all programme boards handling major expenditure. The Central Procurement Unit reports to the Principal Finance Officer, and draws his attention to any procurement activity instigated by line divisions that breaches proper procurement practice. In the event, the work of Vogue was regarded as providing value for money, and was a significant factor in the success of the outsourcing strategy.

**The Department encountered a number of problems in its outsourcing of the contract for the field staff pay. The competition was limited and the Department did not sufficiently assess whether it was procuring the payroll service it needed. Nor did it assess the ability of field staff to deliver payroll input forms to the standards required under the contract. It did not react to warnings by internal audit about potential problems in**

**the operation of the Census payroll system and the contract was not let in time to ensure that the proposed approach could be tested as part of the Census dress rehearsal in April 1999. As a result of these failings the Census payroll ran into serious difficulties; payments to 23,000 field staff (30 per cent) were significantly delayed and 2,800 were overpaid by some £500,000.**

The Department very much regrets the impact of these problems on census field staff and accepts that there were significant problems in the letting and management of this contract. The warnings from internal audit were not ignored, but the changes made to systems and processes as a result were not sufficient to meet the problems that arose and were not properly tested in the dress rehearsal. The Department will ensure that future contracts are let sufficiently soon for proper testing to take place. The problems were, however, compounded by a significant lack of flexibility and responsiveness on the part of the supplier. The suppliers of most of the other outsourced services showed significantly more ability to respond to the challenges of the Census operation.

The Office of Government Commerce (OGC) Best Practice guide “Value for Money Evaluation in Complex Procurements” published March 2002 said that, where appropriate, the early involvement of suppliers in business requirement definition and development will increase the potential for well-costed bids and deliverable solutions. The Department will take note of this guide when developing its approach to any future complex procurements.

**88 per cent of Census forms were returned through the Royal Mail, exceeding the Department’s forecast of 70 per cent. The Department had planned on the basis of a single estimate, drawing on the experience of other countries, and was not adequately prepared to take advantage of the higher rate of return. The Department’s field information systems proved to be inadequate and prevented it from assessing the progress of the post back in 2017 Census districts immediately after the Census. This failure to realise savings from the post back and the decision to keep the staff in the field during May contributed to some £11.3 million being spent which could have been avoided. When managing complex field operations, Departments should ensure they receive the necessary information to adjust the project to changes in circumstances.**

The Census field staff were well prepared for a higher postal return rate, which should simply have made the follow-up task easier. Royal Mail were asked about the implications of higher response rates and gave assurances that it was well within their operational capabilities to deal with the resulting volumes. However, in the event they were not consistently able to sort forms and deliver them to census field staff within the agreed three-day service level. The performance of the Royal Mail varied greatly between different areas of the country and from day to day. As a result, although field staff could have addressed the higher volumes, they did not know whether forms had been returned, resulting in unnecessary and extended follow up. For any future Census the Department will do more to assess the validity of service providers’ assurances.

The Department is already investigating alternative post-back arrangements and the possibility of 'real time' form tracking systems by which the status of individual forms could be centrally monitored from initial posting, through receipt, to scanning and processing. This would enable better targeted follow-up of individuals, and would provide higher quality management information than the Field Management Information System used in 2001, which was telephone-based and difficult to use.

**The estimated response rate of 98 per cent implies that the Department may not have obtained responses from some one million people. The Department undertook an in-depth survey to provide it with a statistical basis for adjusting the results of the count to arrive at more accurate estimate of the overall population. But in some areas response rates were much lower than that achieved nationally. The response rate in ten Inner London boroughs was below 80 per cent, which has led to some local authorities to question the results for their areas. A key aspect of the 2001 Census was to target field staff at the hard to count areas. The Department should examine why in some areas it nevertheless failed to bring the response rates anywhere near to the national response rate. It should also explore alternative approaches in the resourcing of enumeration teams in Inner London.**

The levels of response in some London boroughs were below what is regarded as acceptable. Lower response rates in hard to count areas, particularly inner London, were, however, not unexpected, and will always occur even with significantly increased and targeted resources. The Census Coverage Survey was designed specifically to address this issue and resources were concentrated in the hardest to count areas in order to minimise the extent of differential under-enumeration.

Achieving good response rates has been becoming more difficult in successive Censuses because of the significant and rapid changes in society. Increasing numbers of people are harder to contact personally because they live in secure 'gated' communities, live alone or are more mobile and hence more frequently away from home. An increasing proportion of the population is unwilling to comply with government requirements.

The Department is actively seeking new strategies to achieve higher response levels. This will include a detailed analysis of the types of people that failed to respond, using information from the Census Coverage Survey and the Longitudinal Study, to enable more accurate targeting of specific sub-groups in future.

#### *On the outsourcing of services*

**PAC conclusion (i): Contracts for professional advice on major procurement projects, including those for specialist information technology procurements, should be subject to competitive procedures.**

1. The Department accepts the Committee's conclusion. The Government's Procurement Policy Guidelines require all Departmental Accounting Officers

to ensure that all procurement is based on value for money, normally through competition. The form of competition should be appropriate to the value and complexity of the goods and services to be acquired. These guidelines are fully reflected in the Department's own procurement guidance and, despite the failures in respect of the contract in question, the Department has been in the habit of ensuring that procurement activities conform to these guidelines and will continue to do so.

2. As previously stated, a separate procurement unit was established within the Department specifically to deal with the census outsourcing because of its magnitude and this did not provide sufficient challenge on matters of process and propriety. The Census Director did not follow proper processes and was disciplined for his role. To avoid a recurrence the Department has committed itself to manage all significant procurements through a single, Central Procurement Unit and allocated the Principal Finance Officer an explicit challenge function on all programme boards handling major expenditure. The Central Procurement Unit reports to the Principal Finance Officer, and draws his attention to any procurement activity instigated by line divisions that breaches proper procurement practice.

**PAC conclusion (ii): Departments should ensure that those in charge of procurement understand their responsibilities and manage procurement activities in accordance with departmental and Treasury procedures. Senior management must also exercise sufficient oversight to ensure conformity with these procedures.**

3. The Department accepts the Committee's conclusion. The Department has greatly strengthened its programme of internal training on financial and procurement issues since 1998, and revised its letters of delegation to senior managers to emphasise the requirement to abide by the standing guidance on competitive procurement. The Department will ensure that the policy and proven good practice for procurement, programmes, projects, risk and service management brought together in OGC's Successful Delivery Toolkit is used to best effect in any future procurement activities. The Toolkit helps departments to ask the critical questions about capability and project delivery and gives practical advice on how to improve.

#### *On the field staff payroll*

**PAC conclusion (iii): Where departments encounter problems in establishing an appropriate bidding field, as was the case in the contract for the Census payroll, they should examine whether the planned procurement strategy remains viable. Departments should not retain bids from those contractors it has assessed as not having the capability to deliver the required services in order to maintain the appearance of competition.**

4. The Department accepts the Committee's conclusion. It is the Department's policy to retain as many bidders in play as possible in order to maximise competition and consequent value for money, but not to retain bidders who are not realistic contenders for the contract in question. The error

made in the case of the payroll competition was to delay the assessment of suitability beyond the point where it should have taken place, an error which arose because the procurement was not managed by the central unit operating under proper, well-understood procedures. Managing all significant procurements through a single, central procurement unit will help to ensure that such errors do not recur.

**PAC conclusion (iv): Where the service delivery is subject to uncertainties, for example in the case of the Department's ability to deliver error-free forms for input to the payroll, the assumptions underpinning contract terms and service performance should be rigorously assessed and tested in advance.**

5. The Department accepts the Committee's conclusion. The Department accepts that the procurement timeframe for payroll services for the 2001 Census was too short, resulting in the loss of opportunity to fully test assumptions underpinning the contract. In any future census, any outsourcing of services will commence sufficiently soon for assumptions to be fully assessed and tested.

*On the post back*

**PAC conclusion (v): The tight timetable set for the conduct of the Census Coverage Survey, contributed to the pressure on the Department to complete the enumeration by the end of May. The Department should assess whether the timetable allowed sufficient time to complete the post back and conduct any further enumeration necessary to chase outstanding forms.**

6. In the UK it is estimated that at least one per cent of households change address each month. The Census Coverage Survey, which was designed to be able to detect Census under-enumeration of less than one percent, therefore needed to start as soon as possible after census day if it was to be able to assess whether specific households had responded to the Census. It is important that Census enumeration is completed before the coverage survey begins to reduce statistical dependence between the two. The Department will, for any future census, re-assess the balance between these requirements.

*On the accuracy of population figures*

**PAC conclusion (vi): When the Department carries out its review of the 2001 Census, it should consider whether the Census Coverage Survey was sufficient to identify under-enumeration, or whether additional resources in the hard to count areas would have helped to increase the overall response rate and the accuracy of the count.**

7. The Department accepts that additional resources in the hard to count areas would have helped to increase the overall response rate and narrow the statistical confidence intervals around the count. However, if additional resources were available, there may be better ways in which these could be

used to improve the coverage of the census, such as the development of improved household address lists for delivery of forms and subsequent, better targeted, follow-up. As part of its current review of Census methodology, the Department is considering the strengths and weaknesses of delivering Census forms by post. This would alleviate the difficulties of making personal contact with people and substantially reduce the need to recruit, train and pay field staff. Recommendations are expected in Autumn 2003.

**PAC conclusion (vii): In the light of the Census results showing that the Department's mid-year population estimates for 2001 were over-estimated by some 900,000, the Department should consider what steps might be taken to improve the systems to track outward migration from the UK and avoid similar errors in estimates of the population made in between Censuses.**

8. The Department accepts the Committee's conclusion. The Department recognises that, in comparison with the very accurate figures on natural increase taken from the system of vital registration in the UK, the net-migration component of population change, and particularly the out-migration component, remain the most difficult to measure accurately. Accordingly, it has already set in train two major reviews to provide improved methodologies for measuring net migration and for estimating future inter-censal populations. Furthermore the Department is exploring whether greater use of government administrative data could be made both in the Census and in the population estimates, for example through using sources such as pension, benefit, tax, passport and driving licence records.









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