



Treasury Minutes on the Forty-fourth to Forty-ninth Reports from the Committee of Public Accounts 2003-2004

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**Presented to Parliament by the Financial Secretary
to the Treasury by Command of Her Majesty
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TREASURY MINUTES DATED 26 JANUARY 2005 ON THE
FORTY-FOURTH TO FORTY-NINTH REPORTS FROM THE
COMMITTEE OF PUBLIC ACCOUNTS, SESSION 2003-2004

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Forty-fourth Report

Department for Environment, Food and Rural Affairs

Protecting England and Wales from plant pests and diseases.

PAC conclusion (i): The Department should base its annual inspection targets on scientific and statistical advice to address the key risks and to meet European Commission requirements the Department should reassess current inspection targets across import types using cost-benefit analyses.

1. The Department accepts this conclusion.
2. New European Union (EU) rules in relation to checking imports from non-EU countries are due to come into force in 2005. The new rules require all consignments to be checked prior to Customs clearance but with the possibility of the frequency of checking being reduced for trades which are deemed by the European Commission, in consultation with the EU Plant Health Standing Committee, to be low risk. The UK has been a strong proponent of a risk-based approach at EU level and the Department's officials are working with their counterparts from other member states to ensure that levels of inspection are set on a scientific basis which is defensible and in accordance with international standards. Inspection performance will be measured against compliance with the new rules. Overall this change will result in a net increase in the number of inspections undertaken, with the cost of inspection being charged to those importing consignments. We have already taken on more staff to increase our inspections of non-EU country imports.
3. In addition to requirements in relation to checks on imports from non-EU countries, the Department carries out a quarantine surveillance programme aimed at checking the health status of material moving within the EU. The Department's Central Science Laboratory is currently undertaking a detailed review to help refine the surveillance targets set and in particular highlight those trades most likely to harbour pests and diseases.

PAC conclusion (ii): Few inspections detect plant pests and diseases, reflecting either a low incidence of pests and diseases in imports, or poorly targeted or poor quality inspections. The Department ... should institute a peer review system to provide assurance on the quality of inspections and adopt an enhanced risk based approach ...

PAC conclusion (iii): The Department should sharpen its risk management so that the highest risks command the highest priority for inspection resources

4. The Department considers that the low level of quarantine pests and diseases detected as a result of its inspections is a reflection of the low level of pests and diseases present in regulated imports of plants and plant material into England and Wales. The requirement for imports to comply with the EU's phytosanitary rules is well-established, as are the penalties for non-compliance. The low level experienced is therefore in line with expectations. If there was a higher level of quarantine pests and diseases going undetected one would expect to see clear evidence of a far higher number of outbreaks across a much wider range of such pests and diseases.
5. Historically the UK has operated a risk-based approach which targets consignments that pose the greatest threat (on the basis of what is known about the pests and diseases present in the country of origin and experience of previous interceptions). The Department considers that its targeting has been effective but

would accept that the basis upon which this has operated has not been sufficiently transparent. As described in the response to the Committee's first conclusion, new EU requirements are due to commence in 2005 which will require changes to the approach in checking imports from non-EU countries. The new requirements allow flexibility in the level of import checks to be adopted at EU level to match the evidence of risk.

6. As regards the recommendation for peer review arrangements, responsibility for monitoring Member States' compliance with EU phytosanitary legislation, including in relation to any official inspection role, rests with the EU Food and Veterinary Office (FVO), supported by national experts made available by the Member States. The FVO have undertaken regular missions to the UK, including to check on the implementation of checks made under the Community's plant health regime. In reporting their findings the FVO have consistently confirmed that inspections undertaken by the Department's Plant Health and Seeds Inspectors are well targeted and effective. The FVO have also regularly commented favourably on the professionalism and skill of the Department's inspectors and scientific support. As was acknowledged in the National Audit Office's report, the Department is regarded by both national stakeholders and by other plant health authorities as having a good record in containing and eradicating pests and diseases. The Department's inspectors and scientific services are also held in high regard and in addition to playing a significant role in the development of international phytosanitary standards are frequently called upon by non-EU country authorities to help train their inspection and scientific staff.

PAC conclusion (iv): The Department should take advantage of the country's high reputation for plant health through improved food labelling. It should work with supermarkets and the industry to explain to consumers that products covered by the Red Tractor mark meet the United Kingdom's standards for plant health.

7. The Department has discussed the Committee's conclusion with Assured Food Standards (AFS), which is responsible for setting the standards that underpin the Red Tractor logo, and for promoting the logo itself. AFS is checking the extent to which the existing standards encompass matters relating to plant health. If they are capable of supporting a claim about plant health AFS will bear this in mind when developing its promotion campaigns.

PAC conclusion (v): The Department's compensation arrangements for farmers are inconsistent The Department should review the circumstances in which compensation schemes might be appropriate across the range of farming and horticultural activity ...

PAC conclusion (vi): Crop insurance or levy schemes would spread the risk and might also encourage prompt notification of pests and diseases. The Department should explore with the industry and insurers the scope for a crop insurance market, and whether compulsory or voluntary insurance would be more equitable. Another option would be a levy scheme along the lines of that within the travel industry, which might be run by existing industry levy bodies or the Department.

8. The arrangements for compensation in respect of some animal diseases and the broader position on cost-sharing for animal health are under review within the context of the GB Animal Health and Welfare Strategy, along the lines recommended by the Committee. The outcome of that review will be the subject of public consultation as soon as practicable.

9. In the case of plant health, the Department has offered, subject to State Aids clearance, to contribute to an industry hardship fund in respect of losses of nursery stock due to statutory action against *Phytophthora ramorum*. This offer has been made in recognition that the action being taken against *P. ramorum* is for wider environmental reasons rather than as a measure to protect producer interests. The offer has also been made conditional on the industry submitting proposals for longer term risk-sharing, such as the development of insurance or levy schemes.

PAC conclusion (vii): The shrinking pool of suitably qualified science graduates puts the future of the Department's plant health work at risk. The Department should work in partnership with universities, the industry and levy bodies to increase the provision of scholarships and bursaries in relevant subjects. It should consider bringing in more scientists from its counterparts in other countries through secondment or on fixed term assignments where it needs specific expertise.

10. The Department supports this conclusion.

11. The reduction in the availability of suitably qualified graduates with plant health, particularly, taxonomic, skills is a world-wide phenomenon. The Department have established three fellowships specifically targeted at increasing the pool of taxonomic expertise for species groups where there are concerns about long term succession. Scientific expertise is already shared between European countries through EU-funded R&D projects and through organisations such as the European Plant Protection Organisation (EPPO) which has a number of expert panels. How to maximise scientific support to national plant protection organisations was the subject of a recent EPPO Colloquium. The UK takes a substantial and proactive role in all these fora and is a member of a recently formed EU working group charged with addressing this particular issue.

PAC conclusion (viii): The Department's plant health team should work with the Pesticides Safety Directorate and with the industry to facilitate the development of other means of control such as pest resistant crops before key pesticides or other control measures are due to be withdrawn

12. The Department accepts this conclusion.

13. Arrangements to facilitate regular consideration of cross-cutting issues by the teams responsible for plant health and pesticides control are well embedded. For example, following internal consultation, to help facilitate eradication action, one of the major pesticides used on an emergency basis in controlling *Thrips palmi* has since received a more general approval. Similarly, as a result of close liaison the Pesticides Safety Directorate granted approval for exemption from buffer zone restrictions which permitted treatment with chlorpyrifos based products to help combat an outbreak of western corn rootworm, a pest of maize. The Department is also contributing to EU research and development projects aimed at identifying alternative controls to help reduce pesticide usage.

14. The Department also funds extensive research into improved methods of pest and disease control, ranging from strategic work on breeding for pest and disease resistance to work with industry bodies on the application of best current practice. The identification and use of existing disease resistant varieties is often more practicable and quicker than breeding new ones. The Department works closely with the Horticultural Development Council and the British Potato Council to ensure that Government and industry-funded programmes are complementary and that appropriate knowledge transfer takes place.

Forty-fifth Report

Home Office

Criminal Records Bureau: delivering safer recruitment?

1. The Criminal Records Bureau (CRB) was established as a separate Executive Agency of the Home Office on 1 September 2003, having previously been operating as part of the Passports and Records Agency of the Home Office.

PAC conclusion (i): Timetables for the development and implementation of new services should provide for sufficient in-depth consultation directly with potential users of the service, and for the outcome of consultation to be reflected in service design

PAC conclusion (ii): In developing services to promote electronic government departments should first establish that potential users will wish to use, or be equipped to use, the planned service in this way

PAC conclusion (iii): Adequate time for piloting new services is fundamental to successful introduction

2. The Government accepts these conclusions. In so far as they are of general, rather than CRB-specific applicability, the Committee is invited to note that Home Office best practice guidance and policy requires that timetables for all new services are planned in order that sufficient time is allowed for consultation with end users, development of specifications that will meet the end user and business requirement, and for the procurement process. This is embedded in procurement training courses, and the Office of Government Commerce (OGC) Gateway process.

3. In the case of developing new electronically delivered services, the Home Office is currently developing a Service Delivery Plan in line with Cabinet Office guidance that will aim to deliver high-quality public services by stimulating and enabling the Department to undertake customer-focused, efficient service design and delivery.

4. As regards the application of these conclusions to the specific case of CRB, with hindsight, consultation – including on e-applications – could have been handled better and, in retrospect, more time for testing should have been allowed.

PAC conclusion (iv): Rejected bids should be scrutinised carefully for signs of possible weaknesses in the tender specification, and the successful contractor's bid

5. The Government accepts this conclusion. Home Office best practice guidance and policy requires that bids are scrutinised carefully by a team of people, often comprising a multi-disciplinary team of end users, managers, and technical experts.

6. In the case of CRB, the Passports and Records Agency put in place mechanisms to follow best practice, including the use of consultants to audit its procurement processes and manage implementation. It also undertook Gateway reviews.

7. Rigorous due diligence checks and analysis were undertaken of the bids received, including a specifically commissioned examination of the lowest bid (Capita's).

8. All bids were evaluated using evaluation models agreed by the Tender Evaluation Board. The first evaluation model (the qualitative model) defined the following elements:

- A list of criteria to analyse draft agreements and other measures.
- The evidence to be considered when allocating scores to the criteria.
- The panel responsible for marking criteria
- The minimum acceptable score to be attained for each key criterion for a bid to be considered for the next stage of the process (the quantitative process).

9. The quantitative model considered 13 separate elements of bid cost, both contractor's raw costs and CRB additional costs to evaluate the true cost of each bid over the life of the contract.

10. Two bidders including Capita offered similar technical and operational solutions.

11. The major difficulties in this project arose from the decision to change fundamentally the business requirements and processes following the letting of the contract to Capita and its development and implementation of the business process and system design.

12. Capita's and the other bidders' bid submissions had been based on the Agency's bidders' prospectus and original tender specification.

PAC conclusion (v): If business assumptions change fundamentally during service development, Departments should consider whether to continue with their current contractor or test the market again, balancing the potential delay to service introduction with the risks to value for money of a single tender in such circumstances

13. The Government accepts this conclusion. Home Office best practice guidance and policy requires that where fundamental changes are necessary during service specification development, consideration has to be given as to whether the market should be tested again in a fresh competition.

14. Once it was realised that there would need to be major changes to the service requirements to meet customers' requirements the Agency and Capita worked together to implement the necessary changes to the business processes, staffing and support systems. This was post – contract let and after implementation of the programme had begun.

15. This was the most appropriate approach as it minimised the delays to the implementation of the CRB service and to ensure protection for vulnerable adults and children. Given the capacity of the CRB and Capita to make the necessary adjustments and their contractual relationship there were no grounds for re-tendering the contract.

PAC conclusion (vi): The Agency and Capita were slow to establish an effective working partnership to address the emerging difficulties

PAC conclusion (viii): The Bureau has achieved significant improvement in the turnaround times for handling Disclosures, with the majority now dealt with within target times

PAC conclusion (xii): The Home Office and the Bureau should commission research as to whether the Bureau's more comprehensive and consistent means to access to criminal records is contributing to a reduction in the number of crimes and abuses against the vulnerable.

16. The Government agrees with these conclusions.

17. During 2002, the Home Office, CRB and Capita acknowledged that there were problems with the Disclosure service. The Agency and Capita began the development of the business processes and systems in a constructive way but the relationship came under stress as problems mounted. However by early 2003 both CRB and Capita management had developed and put in place a joint service improvement plan to address the operational issues and management arrangements. Within a matter of a few months both the service and the management issues had recovered well.

18. The Government welcomes the Committee's recognition of the progress that has been made, particularly in the area of turnaround times. The CRB has improved the speed of its service delivery to the point where since June 2003 the CRB has exceeded its rolling 12-month service standard for processing 90 per cent of Enhanced and Standard Disclosures in four and two weeks respectively. The CRB has also effectively eliminated all backlogs. The CRB regularly updates its publication of turnaround time performance against targets on its website (www.crb.gov.uk).

19. This performance is a significant improvement on the standard of service being provided in July 2002 when applications were taking on average six to eight weeks to process. However, the Government accepts that there will in practical terms always be a small number of cases falling outside these standards, owing to their inherent complexity or the extent of local police force intelligence searches.

20. The Government continues to believe that the CRB makes a major contribution to safer recruitment and thereby reduces the potential for abuse of the vulnerable. The service provided by the CRB is more comprehensive and accessible than the previous arrangements and this is demonstrated by the fact that the CRB has issued over five million Disclosures in the last two and a half years. This represents twice as many checks on people working with children and vulnerable adults than before. The CRB is processing more checks, more quickly than ever before; and providing protection to more children and vulnerable adults than before. These benefits have been recognised by CRB's customers who, in a survey in 2003, stated that

- They have not employed someone due to the information contained in a Disclosure (18 per cent); and
- Disclosures are useful in making recruitment decisions (71 per cent).

Over the next 12 months this research will be repeated and expanded to elicit more quantitative data to identify the impact that the Disclosure service has on crime and the fear of crime. The CRB will also undertake additional research targeted on a cross-section of the general public to understand their awareness of the CRB; their perception of crime and fear of crime; and the impact of the CRB on these perceptions.

PAC conclusion (vii): The Home Office and the Bureau should better facilitate the checking of identity, which has now been made the responsibility of employers and voluntary organisations

PAC conclusion (x): In furnishing Disclosures to employers, the Bureau should emphasise that while every effort is made to secure their accuracy, they can only be as good as the basic data provided both by the applicant and the Police National Computer

21. The Government accepts these recommendations.

22. An Independent Review Team (IRT) was convened at the request of the Home Secretary in September 2002 to review the CRB's strategy and operations in the light of perceived failures. It was to recommend measures to the Home Secretary, for achieving a step change in performance in terms of turnaround time, output volumes, efficiency and accuracy. One of the recommendations was that Registered Bodies should be made unambiguously responsible for validating the identity of those for whom they seek Disclosures and for ensuring the quality and completeness of applications submitted to the CRB. To support this, the CRB continues to provide clear guidance to Registered Bodies on how an applicant's identity can be verified using a range of documentation such as passport and driving licences.

23. In order further to improve the situation, however, the CRB is undertaking an ID authentication pilot study involving Registered Bodies making online ID checks for Disclosure applicants. The provision of electronic identity authentication tools to Registered Bodies should add value to the process of identity authentication. It would form part of a 'tool kit' including guidance that Registered Bodies could use to verify applicant identity. An evaluation of the pilot will be undertaken in spring 2005.

24. Additionally, in relation to Sir Michael Bichard's recommendation 23 (which stated that Registered Bodies or the CRB should be able to check key documents such as driving licences or passports against the relevant Government Agency database) the Government is proposing an amendment to Part 5 of the Police Act 1997, which is contained within the Serious Organised Crime and Police Bill, to allow the CRB to undertake such checks.

25. As regards the accuracy of Disclosure information sent to employers, the CRB is not the owner of the information that is searched as part of the Disclosure process. The police are responsible for the accuracy of information on the Police National Computer and for locally held information; and the Department for Education and Skills (DfES) for the Protection of Children and of Vulnerable Adults lists and List 99. The CRB has, and will continue to make it clear to Registered Bodies through its monthly newsletter, guidance, website, consultative meetings and conferences that the CRB does not own the data it provides and is reliant on the data owner as to the content of the information that they provide. Registered Bodies are also informed that identity verification and validation by them is an important part of the Disclosure process.

PAC conclusion (ix): Disclosures should be extended to staff already employed as well as new recruits to enhance protection to vulnerable adults in particular

PAC conclusion (xi): The range of vulnerable groups includes both old and young and it is important that the Bureau sets its priorities to ensure that proper protection is extended to all.

26. The Government agrees with these conclusions and particularly agrees that there is a wide group of people and sectoral activity for whom Disclosures priorities should be appropriately set. In this context, the Committee may wish to note that at

present over 25 per cent of the Disclosures issued by the CRB are for employment in the educational sector; 23 per cent for the charity/voluntary sector; 18 per cent care; 15 per cent medical; 11 per cent for childcare/fostering/adoption; and 8 per cent for the social sector.

27. The Government is committed to parity of protection for all vulnerable groups and, to deliver this commitment, the CRB works closely with government departments, large Registered Bodies and key stakeholders to discuss development in and expansion of the Disclosure service. The CRB continue to work closely with (particularly) the Department of Health and DfES to develop coherent and deliverable policies on criminal record checking to ensure their implementation is carefully managed. In 2004, this culminated in the extension of the Disclosure service to all existing workers in the care sector, resulting in over 250,000 additional people being checked. In July 2004 the CRB added the new Protection of Vulnerable Adults List (PoVA) to its searchable data sources, bringing equal protection to the vulnerable as exists for children through the Protection of Children Act List (PoCA). The CRB plans to continue this expansion of the Disclosure service in 2005, with checks being done on all General Practitioners and new recruits in the National Health Service. The CRB has also worked closely with the Department of Culture, Media and Sport and the Football Association (FA) to meet the need to improve child protection in the field of football through a rolling programme to extend checks to sports coaches.

28. The Government is confident that the CRB will continue to work with its customer base to deliver an effective programme of criminal record checking that meets the demands and needs of their various sectors, including as a priority working to deliver effective responses to the relevant recommendations put forward by Sir Michael Bichard.

Forty-sixth Report

Department of Environment, Food and Rural Affairs

The UK Emissions Trading Scheme: a new way to combat climate change

PAC conclusion (i): The Department has done well to introduce an innovative Scheme for encouraging emissions reductions

1. The Department welcomes the recognition of the Department's Emissions Trading Scheme (UK ETS), which has been very successful in producing emissions reductions and has provided experience for a number of participants, for verifiers, consultancies, brokers and other ancillary services in advance of international schemes. A senior representative from a leading City law firm has recently responded:

2. "The UK's early start in the implementation of market based climate change policies has clearly given business a head start in the development of climate change related services and products. It is no coincidence that many of the financial and other institutions who are gearing up for the new carbon markets are doing so through their London-based office or that there seems at the moment to be a greater concentration of climate change related businesses and service providers operating out of the UK than any other country."

3. The experience has proved particularly useful for Government in gaining a greater understanding of the administration of such a scheme, of the behaviour of participants, and on baseline setting. The UK ETS has contributed directly to the development of an EU/UN emissions trading registry which has, to date, been licenced to 11 states participating in the EU ETS and helped ensure that this Scheme is ready to begin in 2005.

PAC conclusion (ii): Baselines for such trading schemes do, however, need to be set according to a thorough understanding of participants' current performance and activity

4. The Department accepts this conclusion. The Department worked hard to set baselines that provided potential auction participants certainty while taking account of regulatory limits but needed to balance that against the need to treat participants equally and to allow credit for early action. However, lessons have been learned in the light of the UK ETS experience and a different methodology has been employed for the EU ETS, that takes account of projected emissions at a sector level through the three years of the first phase of the Scheme.

PAC conclusion (iii): The Department should seek concessions from Scheme participants who have benefited unduly from generous baseline positions

PAC conclusion (iv): The generous baselines agreed for some participants have led to a surplus of emissions reductions in the emissions trading market, and could undermine the impact of Climate Change Agreements

5. The Department accepts these conclusions. In the light of the results from the second year of the UK ETS, the Department has discussed with Participants ways of remedying this situation. Six participants, who have benefited from generous baseline positions were invited to reconsider their commitment to the UK ETS. These participants have offered voluntary action to reduce the overall surplus of allowances in the market. They have made voluntary offers that total 8.86 million tonnes of allowances being removed from the market over the life of their

agreements. The reduction is through a variety of means reflecting each organisation's position and likely future emissions. Based on the original baselines, the effect of this voluntary action will be to increase the reductions of carbon dioxide equivalent (CO₂e) the UK ETS delivers between 2002-2006 from 11.88 million tonnes to 20.74 million tonnes CO₂e.

6. The National Audit Office's examination of the four companies that achieved the largest reductions in the first year of the scheme indicated that 66 per cent of their emissions reductions were due to participation in the UK ETS whilst 34 per cent, or 1.28 million tonnes, were not. If, in the absence of information on predicted overachievement, we assumed that these four continued to produce the same level of emissions reductions and non-additionality, we could expect a total of around 6.4 million tonnes of non-additional CO₂e reductions by 2006. This would compare to the extra 8.72 million tonnes of CO₂e reductions that these four participants have offered voluntarily. The non-additionality figures should naturally be treated with caution as we cannot be certain that these results would continue in future years, given that they relate only to four participants in the first year of the scheme.

7. Because of the cross-sector nature of the scheme participants' actions are not easily comparable. Some have benefited from the early availability of abatement technology whilst others have not. Some sectors have projections of increased emissions over the remainder of the UK ETS, whilst others do not.

8. Analysis carried out by consultants included the net impact of CCA holder participation in the UK ETS. In the first Climate Change Agreements (CCA) reconciliation period approximately 500,000 allowances were purchased by CCA holders, largely to meet targets. The second reconciliation period for CCAs is approaching and the Department will analyse the extent to which CCAs make use of allowance purchases to meet their targets.

PAC conclusion (v): The success of the Scheme in part depends on there being a functioning emissions trading market, and the Department should establish whether potential participants who would benefit from trading are in fact making use of the market

9. The Department accepts this conclusion. There has however been a significant number of transactions during the first two years of the UK ETS, totalling more than 2,300 transactions over both years. The UK ETS has been beneficial in gaining understanding of the barriers to participation and the Department recognises that there is further work to be undertaken to educate potential participants in the benefits of trading. The Department is preparing publicity, press notices and information aimed at CCA holders to encourage their participation in the market and increase trade. The Department is also carrying out work to look at potential participants in the UK ETS should it continue beyond 2006.

PAC conclusion (vi): Only 34 companies participated in the Scheme in the end, although the Department had originally estimated that up to around 3,000 companies might benefit

10. The Department does not accept that participation of 34 companies in the auction represented a failure. Volterra developed a model for the UK ETS, which included all large firms with over 500 employees. This resulted in a model with 3,600 firms who may have been interested in the potential for trading emissions. It was never envisaged that many of these firms would take part in the UK ETS. The Department accepts that publicity, education and time are required to attract large numbers of participants. In the case of the UK ETS it was considered that the benefits of gaining learning by doing experience in advance of forthcoming international trading schemes were sufficient to justify beginning a scheme within

quite a tight timescale and therefore with fewer participants. The Department expected 20 plus participants to take part in the auction.

PAC conclusion (vii): Despite the small number of participants, the Department did not reduce the amount of planned incentive funding from £215 million, although it had the opportunity to do so at the end of the first round of bids. The Department might have reduced the incentive funding at this stage, and retained some funds for another, subsequent auction armed with a better understanding of participant's auction behaviours and emission reduction practices, to obtain better value for money.

11. The Department does not agree with the implication of this conclusion. The first round of the auction produced a quantity of emissions reductions in excess of expectations. A judgement was taken, in the light of this, to retain the £215 million incentive funding. There was a risk that if funding had been significantly scaled back at this stage it would have substantially reduced the level of interest in the UK ETS and there would have been insufficient participants for the UK ETS to proceed. It was, as already stated, felt that the benefits of proceeding with the UK ETS would justify the spending. In the event the UK ETS has, to date, delivered emissions reductions well in excess of expectations at the auction.

PAC conclusion (viii): The Department elected to use an auction method which did not afford an opportunity to assess whether a better deal could have been secured at lower prices

12. The Department does not accept this conclusion. The Department took the most expert advice available at the time to design the auction. A number of auction methodologies were considered and the descending clock auction was chosen as the most suitable methodology for participants who were entering into a new market under uncertainty. The chosen auction method was effective in maximising the quantity of emissions reductions for the Department's budget. Advantages of the descending clock auction were transparency and simplicity for bidders, to attract sufficient participants from a range of organisations.

PAC conclusion (ix): The Department should evaluate the cost effectiveness of the different elements within the Climate Change Programme intended to reduce greenhouse gas emissions

13. The Department accepts this conclusion. The Department is currently reviewing the Climate Change Programme. As part of this, work is being carried out to evaluate the effectiveness of the different existing climate change policy measures to inform the shape of future policies in the Climate Change programme set for the first half of 2005.

PAC conclusion (x): The Department should evaluate the wider benefits achieved by the Scheme, including the benefits to the City of London, the learning benefits to Scheme participants and the business development opportunities for UK companies, for example in trading and verification expertise

14. The Department accepts this conclusion. The work by independent consultants NERA has identified some of the wider benefits of the UK ETS, and has reported on the benefits that business has gained – in particular those of traders and verifiers. There will be further opportunities to assess the wider benefits of the UK ETS once the EU ETS has been implemented.

PAC conclusion (xi): During the transition to the European Union Emissions Trading Scheme, the Department should work with the European Commission and other member states to develop administrative processes (for example,

verification processes and national emissions registries) which draw on the experience of those used in the UK Scheme.

15. The Department accepts this conclusion. The emissions trading registry developed for the UK ETS has provided a blueprint for the Department to develop an EU/UN registry for use in the EU ETS in 2005. To date 11 other states have licenced the Department's software, and others are expressing interest. This has placed the UK at the forefront of registry development and has directly assisted other states' to take part in the EU ETS from its beginning.

16. Working groups established in connection with the UK ETS have provided valuable input into the development and preparation for EU ETS. The UK has been well placed to lead the way in meeting the very challenging timescales for implementation of EU ETS. Industry and verifiers are benefiting from progression of generally similar approaches to monitoring, reporting and verification. UK ETS protocols for calculation of emissions have formed the basis of approved methods accepted for EU ETS baseline verification.

PAC conclusion (xii): The Department should share information on the developing European emissions market with stakeholders such as the Department of Trade and Industry, City of London banks and the Corporation of London, and support joint initiatives to attract emissions trading to London

17. The Department accepts this conclusion. The Department has been working closely with DTI, HM Treasury, HM Customs and Excise, and the Insolvency Service in resolving outstanding issues regarding market development issues such as the tax and accounting treatment of allowances and insolvency issues. Details of this will be published on the Department's website shortly. Government meets regularly with brokers, verifiers, consultants and industry through the Emissions Trading Group (Sub-group 4) to discuss market related issues. The Government is also working with this group to progress the development of the electronic interfaces to the new EU ETS Registry.

18. The newly formed London Climate Change Services Providers Group (LCCSPG) has been established to promote the business opportunities and economic benefits for its members from the development of emissions trading markets in Europe, and we will be working with them on this. This confirms that the UK is uniquely placed to be the market leader in this new business sector.

Forty-seventh Report

Department of Health

The management of suspensions of clinical staff in NHS hospitals and ambulance trusts in England

PAC conclusion (i): There is a pressing need for accurate and timely reporting of exclusions to NHS trust and Foundation Hospital Boards, and Strategic Health Authorities to enable them to see that cases are properly managed. The Department needs a better grip on the management of all exclusions of clinical staff and should repeat the National Audit Office's survey of all NHS trusts to determine the extent and costs of exclusions and report its results.

1. The Department agrees with the recommendation. The framework document published in December 2003¹ provides for periodic review and reporting of progress in individual cases and makes it clear that NHS trust boards have a responsibility to ensure that internal procedures are being followed.
2. Under the Secretary of State Directions which introduced the new framework,² trust boards now receive a monthly statistical summary showing all exclusions with their duration and the number of times they have been reviewed and extended. A copy of the report must also be sent to the Strategic Health Authority (SHA), who will collate a single report for the National Clinical Assessment Authority (NCAA). The Department of Health (DH) has passed the responsibility for monitoring the number of long term suspensions to the NCAA.
3. The Department will liaise with NHS Employers (the new NHS employers' organisation set up in October 2004) and the NCAA to undertake a repeat of the National Audit Office (NAO) survey of the extent and cost of exclusions.

PAC conclusion (ii): The Department should complete its negotiations with the British Medical Association and issue further guidance on disciplinary processes. The guidance only applies to doctors and, with several hundred other clinical staff excluded each year, it is unacceptable that similar arrangements have not been made for them. The Department should now issue extended guidance covering all clinical staff.

4. The Department agrees with the principle of extending guidance on exclusions to cover all clinical staff. Priority has been given to resolving the problem in medicine and dentistry as this is where 75 per cent of the savings can be made. It has always been the case that the principles in the framework can be applied to other staff groups. The Department will ask NHS Employers and the NCAA to consider how best to encourage the development of good practice in managing the exclusion of other clinical staff in parallel with the work already underway to improve the handling of performance concerns in other professional groups, as described in paragraph 14 below.
5. The Department completed negotiations with the British Medical Association in November 2004 and a new mandatory framework on disciplinary procedures should be published by spring 2005. The intention is that the new procedures should come into effect from 1 April 2005 and will cover all doctors and dentists employed in the NHS.

¹ HSC2003/012 *Maintaining High Professional Standards in the Modern NHS*

² The Restriction of Practice and Exclusion from Work Directions 2003

PAC conclusion (iii): Where cases are pending for more than six months, the Department should identify what actions it might take to promote an early resolution.

6. The Department agrees that every effort should be made to resolve long standing cases. Normally there should be a maximum limit of six months exclusion, except for those cases involving criminal investigations. The new framework requires those exclusions which have been extended over six months to be reported to the SHA with the reason for continuing the exclusion, the anticipated timescale for completing the process and the actual and anticipated costs of the exclusion. The SHA will then form a view as to whether the case is proceeding at an appropriate pace and in the most effective manner and whether there is any advice they can offer to the board. The NCAA will also continue to provide advice until the case is concluded. It is not appropriate for the Department to intervene directly in matters concerning individual employers and their employees – this is a matter for the NHS.

PAC conclusion (iv): Some cases have taken more than two years, including cases where patient risk is not a factor. One long-running case is unlikely to be resolved until March 2005, resulting in an additional delay greater than the Department's target of six months for dealing with new cases. Such personal conduct cases need to be dealt with much more expeditiously using the employing NHS trust's disciplinary process, with its range of sanctions. Suspension should be reserved for cases of gross misconduct which could result in dismissal.

7. The Department agrees that exclusion should be reserved for exceptional cases though not exclusively restricted to those involving gross misconduct. The new disciplinary framework for doctors and dentists no longer distinguishes between personal and professional misconduct. Conduct cases such as the one described above will now be dealt with under the trust's own disciplinary process which applies to all employees. The new framework provides for a separate process for handling concerns about a practitioner's capability and is intended to resolve the problem before formal disciplinary action is required. Where formal action is considered appropriate the new framework will work in a less adversarial and legalistic way ensuring that the long delays which affected many previous cases are avoided in future.

8. The exclusions framework emphasises that exclusion from work should only be used as an interim measure in the most exceptional circumstances where alternative methods of maintaining patient safety are not possible or to enable the investigation to be completed unhindered by the presence of the practitioner.

PAC conclusion (v): The Department's latest guidance on confidentiality clauses following our report on inappropriate adjustments to waiting lists is limited to chief executives and board directors. The Department should make clear that confidentiality clauses should not be used to prevent disclosure of settlements for any NHS staff.

9. The Department has always maintained that confidentiality clauses should not be used to prevent disclosure of settlements to staff.

10. The Department has no plans to extend the Direction HSC 2004/01 beyond board members but the Health Service Circular on Public Interest Disclosure Act (HSC 1999/198) does state that local policies should prohibit confidentiality gagging clauses in contracts of employment and compromise agreements which seek to prevent the disclosure of information in the public interest.

11. The new disciplinary procedure for doctors and dentists sets out a number of principles of good practice for agreeing terms of settlement on termination of employment. Deeds of Compromise must not include 'clauses intended to cover up inappropriate behaviour or inadequate services.'

PAC conclusion (vi): The National Clinical Assessment Authority ... should now be expected to achieve its target turnaround times for advising trusts and completing assessments. Foundation Hospitals should seek advice from the Authority and trust boards and Strategic Health Authorities should hold trust managers to account where Authority advice is not taken. The Authority only covers doctors, and the Department should consider extending its remit to other clinical staff.

12. The Department agrees that NCAA targets should be achieved and will continue to monitor the performance of the NCAA in achieving its target turnaround times.

13. The Department expects NHS trusts and Foundation trusts to follow the advice of the NCAA. The framework requires the chairman of the board to designate a non-executive member to oversee the case and ensure that momentum is maintained. The board will also receive a report on the progress of each case at the end of each period of exclusion demonstrating that procedures are being correctly followed and that all reasonable efforts are being made to bring the situation to an end as quickly as possible. However, there may be occasions where the circumstances of a particular case mean that it is not feasible to follow NCAA advice, for example, where there has been a complete breakdown of relationships or where the NCAA recommends retraining that is not available. In the rare instances where it is not possible to follow NCAA advice, the reasons for not doing so should be set out in the progress reports provided to trust boards and the SHA.

14. Following the report "Reconfiguring the Department of Health's Arm's Length Bodies" published in July 2004 the functions of the NCAA will be transferred to the National Patient Safety Agency from 1 April 2005. It would be inappropriate to look to extend the role of the NCAA to other clinical staff until these changes have been completed. However, DH, professional organisations, regulatory bodies and the NCAA met last year to explore ways in which different professional groups could share best practice about handling concerns about the performance of practitioners, including exclusion from work. Plans are in place to take this work forward and key stakeholders have agreed to take part.

PAC conclusion (vii): Trusts are failing to undertake the specified employment checks when recruiting staff and are therefore putting patient safety at risk Trusts should undertake employment checks for all new staff. They should ensure that they advise potential employees and regulatory bodies where they have concerns about clinical competence, and complete disciplinary action once begun.

15. The Department agrees the recommendation. Following the publication of the NAO report, the Department issued a reminder to all NHS employers that the pre-appointment checks specified in HSC 2002/008 are mandatory under the Secretary of State's power of direction. The HSC has been subject to review, including a formal consultation exercise with the NHS, and new guidance will be issued shortly. This will include guidance on Criminal Records Bureau checks, which will become mandatory for all eligible new NHS staff on 14 February 2005.

PAC conclusion (viii): The National Clinical Assessment Authority should monitor the ethnicity of doctors referred to it and make the relevant statistics known. As part of their diversity policy, trusts should monitor the ethnicity of excluded staff and if a disproportionate number of ethnic minority staff are excluded, should investigate the reasons.

16. The Department agrees the recommendation. The NCAA will shortly be assuming responsibility for the collection of data on exclusions (formerly called suspensions). As part of this, the Authority plans to start collecting data on ethnicity to help address some of the concerns raised in the NAO report. Over time such data will help give a clearer picture of the ethnicity of doctors on long term suspension and provide a foundation for further research.

17. The Department agrees that trusts should monitor the ethnicity of excluded staff. However, the relatively small number of exclusions in a single trust makes it unlikely that significant trends would be visible. The Department, therefore, attaches greater importance to the monitoring of ethnicity at a national level by the NCAA.

Forty-eighth Report

Department for Education and Skills

Connexions Service

PAC conclusion (i): Connexions should work with schools to help them deliver a good standard of careers education. The quality of schools' provision for careers education is very variable Connexions Partnerships should identify local gaps or weaknesses in provision and appoint a Personal Adviser to work specifically with schools on developing the careers curriculum.

1. The Department for Education and Skills (the Department) agrees with this recommendation. The Department issued a careers education and guidance framework in March 2003 which gave guidance on how schools and Connexions Partnerships could work together to review and develop their careers education and guidance programmes. A staff training module on working with schools and colleges was also made available in November 2003.

2. The End to End Review of Careers Education and Guidance concluded that 'the greatest potential for improving careers education and guidance delivery lies in driving up the quality and relevance of careers education in schools'. The findings of the review are being used to inform the Youth Green Paper, due to be published in February 2005.

3. The Working Group on 14-19 reform recommends that opportunities to develop common knowledge, skills and attributes (which would include careers education) should be integrated into all 14-19 programmes. The Government's response to the Working Group report, which will be in the form of a White Paper, is due to be published early in 2005.

PAC conclusion (ii): Connexions staff should participate in relevant local training of teachers and other school staff, for example on identifying and referring young people who need advice. Connexions should supplement the training with periodic seminars to help increase schools' awareness of Connexions' role. The training should be enhanced by "real life" examples from Connexions of how young people have been identified and helped before multiple problems could develop.

4. The Department agrees that it is important that Connexions should contribute to the training of relevant staff in schools. Partnerships have provided schools with training on the role of the Personal Adviser, and have helped in upskilling careers teachers to fulfil a wider role.

5. The End to End Review of Careers Education and Guidance explored the relationship between schools and Connexions. The findings of the review are being used to inform the Youth Green Paper, due to be published in early 2005.

PAC conclusion (iii): The Department should explore why there are large apparent variations in the attention that local Connexions Partnerships pay to different groups of young people across England. As Partnerships are managed locally to meet specific local needs, some variation would be expected in the effort devoted to different groups The Department should satisfy itself that these variations are a valid response to local conditions.

6. The Department accepts that the large variations in the balance between categories of intervention highlighted by the National Audit Office should be challenged. Partnerships are required to undertake a comprehensive assessment of

the needs of young people, and the services available to support these needs. This informs plans for the deployment and targeting of resources within the Partnership area. Government Offices scrutinise Partnerships' plans to ensure that there is a fit between identified needs and appropriate deployment of resources, and monitor their delivery throughout the year.

PAC conclusion (iv): Connexions Partnerships should make sure that all their staff complete Connexions specific training by March 2005. There have been delays in ensuring that all staff are trained in the way that Connexions operates. Half of the Personal Advisers in the first phase of Partnerships (set up before April 2002) had not completed their Connexions-specific training at the time of the National Audit Office's study. Take-up of the training has been especially slow in Partnerships with services provided by subcontractors.

7. The Department agrees with this recommendation. The Department undertook a review of training in Connexions Partnerships in April 2004, and issued new working guidelines to support those responsible for training. These guidelines have been successfully implemented, and regular monitoring shows an improvement in progress towards training the 'stock' of Personal Advisers as a whole. Demand for courses has risen, and there have been fewer cancellations. Partnerships have also been encouraged to identify more accurately the numbers of Personal Advisers requiring training and this has enabled them to plan for and recruit to courses more effectively.

8. The future positioning of Connexions within Children's Trusts and the broader Children's Workforce is becoming a higher priority for Partnerships in considering training strategy and provision, with many seeking a balance between planning a shared approach with neighbouring Partnerships, whilst also developing links with local partners within the Children's Workforce.

PAC conclusion (v): Connexions should ask Partnerships to include key messages and lessons from customer feedback in their performance reports, so that nationally Connexions can identify and act upon common concerns. Partnerships receive a range of feedback on the quality of services offered, for example through customer surveys and complaints. They should report key messages from the feedback and say what they have done in response.

9. The Department agrees that customer feedback should be used to determine the shape of future services. Partnerships are required to undertake a comprehensive annual self-assessment, and evidence gathered from customer feedback forms an integral part of this. Any areas for improvement are addressed by improvement actions in business plans for the following year. Government Offices are required to monitor performance quarterly and report on the extent to which Partnerships have used past findings to make changes in their services.

10. An independent national Connexions Customer Satisfaction Survey was commissioned by the Department in 2003, which gathered the views of over 52,000 young people from across all 47 Connexions Partnerships. The survey found that 90 per cent of young people were satisfied with the service. Feedback gained from this survey will be used to inform policy and service development at national level, and results for individual Partnerships fed back to Partnerships and Government Offices for action at local level.

11. All Partnerships are required to have a system in place for handling complaints that complies with current Departmental guidance. The procedure aims to resolve the problem at the lowest possible level. Young people have recourse to an independent agency if they need it and Government Offices will review any case that is considered by an appeals panel.

PAC conclusion (vi): The Department should ask the Government Offices for the Regions to agree with local Partnerships challenging but achievable targets for reducing the proportion of young people not in education, employment or training. Locally set targets should reflect the economic and social conditions that affect each Partnership.

PAC conclusion (vii): Connexions should work towards aligning its targets with those of the Learning and Skills Council. Connexions aims to secure higher youth employment or participation in education or training, whilst the Learning and Skills Council's employment target specifically seeks to secure employment with training. Both organisations have an interest in sustainable employment and both need to reflect the government's wider concern to encourage young people to continue with some form of education.

12. The Department agrees that each Connexions Partnership should be set a challenging but achievable target for reducing the proportion of young people not in education, employment or training. The Department is currently developing a delivery plan for reducing the proportion of young people not in education, employment or training in consultation with the Prime Minister's Delivery Unit. This plan will include proposals for local targets that build on the success already achieved, and which will be at a level necessary to deliver the Department's challenging Public Service Agreement (PSA) target to reduce the proportion of young people not in education, employment or training by two percentage points between 2004 and 2010. This will contribute to the Department's PSA target to increase the proportion of 19 year olds who achieve at least level 2, which is the equivalent to five GCSEs at grades A* to C. Connexions and the Learning and Skills Council will work together at both national and local level to ensure that an appropriate balance of provision is available for all young people wishing to undertake further education and training.

13. Whilst Connexion's main objective is to reduce the proportion of 16-18 year olds not in education, employment or training, its priority is to place young people into appropriate education and training rather than unskilled employment. Increasing the proportion of young people in education and training is – and will remain – one of the Service's key performance indicators.

PAC conclusion (viii): Connexions should encourage all Partnerships to adopt effective data-sharing practices. Practices in data sharing between Partnerships and the organisations they work with vary widely between geographical areas. Where Partnerships continue to have problems relating to interpretation of the Data Protection Act, Connexions should take the lead in resolving them, in consultation with the Data Protection Registrar.

14. The Department agrees that effective data sharing practices are necessary to ensure agencies work together to support young people. The implementation of effective data sharing arrangements has been a priority for Connexions since its launch.

15. Section 10 of the Children Act 2004 requires arrangements for co-operation to be made between a range of partners involved in providing services, with a view to improving the well-being of children and young people. Statutory guidance on Section 10, published for consultation on 22 December 2004, will make clear that an effective approach to information sharing forms an integral part of such co-operation arrangements. This is supported by a Departmental-hosted practitioner community website for discussion and the exchange of good practice on information sharing. The Government has announced on 1 December 2004 in *Every Child Matters: Change for Children* that it will publish in September 2005 clear guidance for all children's services practitioners on information sharing covering

health, education, social care and youth offending. These developments will provide considerable support to the effort to establish effective information sharing practices with Connexions Partnerships.

PAC conclusion (ix): Connexions' public and private sector providers should, as far as possible, be operating on a 'level playing field'. Withdrawal of the VAT dispensation with effect from 31 March 2004 risks disadvantaging Partnerships subcontracting to private sector partners. The Department has sought to deal with this by developing a model with a local authority as lead partner. Where such arrangements still cannot be agreed, it is important that decisions about delivery partners are not distorted by tax considerations, but offer the best value and quality of service for young people.

16. The Department agrees that public and private sector providers should, as far as possible, operate on a level playing field. The Department will seek to promote contestability in all commissioned work, operating to key principles of openness, transparency and fairness.

17. A recent independent study by PricewaterhouseCoopers "Scoping the Market for Children's Services" cites Connexions as an example of a market where competition has been deliberately introduced and identifies it as highly contestable and competitive.

Forty-ninth Report

Inland Revenue

The recovery of debt by the Inland Revenue

PAC conclusion (i): The Department should impose a surcharge on persistent late payers and oblige them to pay the tax and contributions they deduct from their employees into a designated bank account. The Department writes off debts of almost £0.5 billion a year because of insolvencies and, of the £3 billion of debt over one year old, around £1.2 billion is owed by insolvent companies or individuals. Much of this is tax and contributions deducted by employers from the pay of their employees. The Department should, as a minimum, demand security from businesses who have a poor payment record to provide cover for future tax bills, as some overseas tax authorities and HM Customs and Excise can do.

1. The Department notes the Committee's recommendation. Since May 2004 it has been a legal requirement for all large employers to make mandatory electronic payments. This scheme imposes surcharges on persistent late payers, although currently take up of the scheme has been good with around 97 per cent (and increasing) of those employers with 250 or more employees paying on time. Although there are a limited number of these employers, these rules cover a major part of total PAYE receipts.

2. The Department has a number of initiatives designed to minimise the loss to the Exchequer through insolvency. Following a successful pilot scheme run in 2003, a specialist team was set up in April 2004 to identify businesses heading for insolvency at an earlier stage, supporting those businesses, with a long term future, in temporary difficulty to get them back on course, whilst moving swiftly to wind-up cases with no hope of recovery to protect the Exchequer. The balance of money outstanding is actively pursued, with some of it already subject to agreed instalment arrangements or other enforcement action.

3. A review of the existing powers of HM Customs and Excise and the Inland Revenue was announced during the Second Reading of the Commissioners for Revenue and Customs Bill on 8 December 2004. The Paymaster General, Dawn Primarolo, announced that the Government would issue a consultation document in January 2005 "that will consider the suitability of the existing range of powers – including the requirement to provide information, interest and surcharge regimes for late payers, penalties for non-compliance, and rights of appeal – and the modern regulations and practices that HM Revenue and Customs (HMRC) will need to be a high-performing 21st century tax administration."

4. The response to this and other recommendations below takes account of existing measures planned without seeking to pre-empt the outcome of the review which will consider which powers are most appropriate for HMRC.

PAC conclusion (ii): The Department should make maximum use of other Departments' records to find taxpayers it cannot trace, and seek a legal power to require taxpayers to provide up to date contact details. The Department has written off some £55 million a year because it could not trace the taxpayer and a further £300 million of debt over one year old relates to cases for which the Department does not have up to date contact telephone numbers and addresses.

5. The Department notes the Committee's recommendation. It has a number of legal gateways with other government departments and within its existing powers, makes use of these to trace customers for whom it has no current address. The Department also provides a tracing service for some other government departments, with which it has appropriate gateways, in particular HM Customs and Excise.

6. The Department is taking steps to improve its tracing service by bringing together all available data services, internal and external, in a new IT based Tracing Business Service. Over time the service will enable the Department's tracing units to undertake a single search covering all sources and update addresses automatically. The first tranche of improvements were delivered successfully in July 2004.

7. The Department is also actively involved in cross-departmental work looking at improving the way citizens interact with government, including how contact details are provided and maintained.

8. As indicated in the response to Committee's recommendation (i), a review to establish appropriate powers for HMRC is underway.

PAC conclusion (iii): The Department should seek to achieve similar debt clearance rates to the utilities sector. On self-assessed Income Tax, the Department cleared only 59% of cases within 90 days compared with a debt clearance rate of 90% in the utilities sector. Eliminating the backlogs that build up periodically during the year would be a useful first step which could save around £2 million a year in preventing the build-up of older debt and associated write-offs.

9. The Department notes the Committee's conclusion. It prioritises large value cases and takes early action to protect the flow funds to the Exchequer but, across all cases, has to balance early pursuit against the volume of cases. Its processes and systems are designed to help manage the peaks of work and take a number of factors into account, including the most effective time to pursue debts. The Department continues to work to advance payment. A significant amount of money is paid on Self-Assessment (SA) in January and February (around two thirds of total SA receipts).

PAC conclusion (iv): To improve efficiency, all debts should initially be pursued through the Department's Telephone Centre. All debts should moreover be handled through the Department's automated Integrated Debt Management System. The Department will then find it easier to pursue individuals and companies for the various debts they owe on different tax streams at the same time. This will be an important step in ensuring that the new HM Revenue and Customs has systems to manage debts efficiently across its customer base.

10. The Department agrees the Committee's conclusion. In October 2004 full Integrated Debt Management System (IDMS) support was provided for tax credits debts, and during 2005, delivery of a project moving SA debts into IDMS will be realised. By then debts in respect of all major heads of duty will be handled through the IDMS system. The vast majority of these will be initially pursued through the Telephone Centre, although, in certain circumstances, where the risk profile suggests that it is appropriate, cases are sent immediately for local action.

11. As part of the development of HMRC, the departments are looking at the most appropriate systems to support debt management.

PAC conclusion (v): The Department should seek additional powers for enforcing debts, similar to those of other tax authorities. These include recovery of debt from a person's salary or from funds held by their bank or

other third party without the need to go to court. Recovering debts through court action is expensive for the Department and yet it has had to make increasing use of this method of enforcing debts.

12. The Department notes the Committee's conclusion. It has a number of links, formal and informal with other fiscal authorities through which it shares best practice and compares performance. Whilst it is not always possible to make a direct comparison, as each tax authority has its own legal framework and social context, these have proved extremely valuable.

13. The review of powers mentioned in the response to Committee's conclusion (i) above will consider which powers are most appropriate for HMRC.

14. For large debts, the Department's preferred method of recovery is distraint. For smaller debts it uses magistrates courts, which are generally fast, cost effective and straightforward. Wherever possible, these are used in preference to county court proceedings. By comparison, county court actions sometimes take longer to clear and may involve more time and work by Recovery staff. However, County Court is also a very effective enforcement method, particularly when used against those who would not welcome a county court judgement against them or those who have previously ignored all communications and cannot be contacted.

15. The Department is planning to improve risk profiling over the next two to three years, which should allow it to identify the most appropriate course of action, enabling earlier intervention in some cases, minimising the use of more expensive actions downstream.

PAC conclusion (vi): The Department should provide the facility to pay by credit card, passing on any service charge to taxpayers who use this method. It should also be able to require payment by direct debit where the taxpayer has previously defaulted on a tax bill. Giving taxpayers additional means of payment should help to speed up and increase the revenue actually collected. A number of other public authorities accept credit card payments.

16. The Department notes the Committee's conclusion. It offers an extensive range of existing payment methods and is continuing to review these to improve customer services, whilst balancing the need to maximise revenue due to the Exchequer. It has recently introduced extended payment by debit card and is considering introducing other ways to facilitate payments, including the possible introduction of payment by credit card.

PAC conclusion (vii): The Department should provide up to date and accurate information and advice to those in debt on its website and in leaflets in different languages. Improved communication would help taxpayers understand their obligations and go some way towards helping those who do not have access to professional advice. The Department's leaflets have been out of date for too long, and its website does not provide important information on the Payment Helpline, codes of practice and other sources of advice.

17. The Department agrees the Committee's conclusion. It has withdrawn many of its leaflets and intends to replace them with enforcement information sheets. It has already begun, in conjunction with the voluntary sector, a review of its website information and leaflets on payment and debt recovery and made changes during 2004. As part of the creation of HMRC, debt management information for the public will be looked at as an early priority, to ensure that information provides optimum help.

PAC conclusion (viii): The Department's performance measures should include, for all types of tax and national insurance contribution debt, the

percentage of taxpayers who pay on time, the percentage of debt collected within 30 days and the percentage of debt collected within 90 days. Such data would help focus on minimising debt levels and speeding up recovery, in line with good practice in debt management. The current targets focus solely on the percentage of taxpayers that pay their taxes within 12 months of the due date.

18. The Department agrees the Committee's conclusion. Currently, it has service delivery targets for the percentage of taxpayers that pay on time for its major heads of duty: Corporation Tax, Pay as You Earn and Self-Assessed Income Tax. It is reviewing its current performance measures to determine the most appropriate intervals at which to take them. Amongst others, these are likely to include 30 and 90 day targets and one at six months.

PAC conclusion (ix): The Department should analyse the debt record of different types of taxpayer and use risk scoring techniques to identify the need for early action to support those taxpayers who are more likely to get into debt. The Department analyses how taxpayers' characteristics affect their tax compliance record. Similar analysis of the debt record of taxpayer groups, combined with the use of risk scoring techniques, would enable the Department to develop expected payment profiles for taxpayers based on type and location.

19. The Department agrees the Committee's conclusion. The Integrated Debt Management System is the first step toward this. By using historical information, it is possible to start to target interventions according to a limited range of risk factors. Over the next few years the Department plans to introduce increasingly sophisticated risk profiling in line with best practice. This will need to be considered against other priorities.



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