Treasury Minutes on the Tenth to the Eleventh and the Fourteenth to the Thirty Second Reports from the Committee of Public Accounts Session 2009-10

Presented to Parliament by the Exchequer Secretary to the Treasury by Command of Her Majesty
July 2010

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TREASURY MINUTES DATED 15 JULY 2010 ON THE TENTH TO THE ELEVENTH AND THE FOURTEENTH TO THE THIRTY SECOND REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS SESSION 2009-10

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Tenth Report

Department of Health (DH)

Services for people with rheumatoid arthritis

1. Rheumatoid arthritis is a lifelong, progressive, musculoskeletal disease that causes severe pain, swelling and inflammation of the joints, and can lead to reduced joint function and disability. An estimated 580,000 people in England have the disease, with 26,000 new cases diagnosed each year. Annual healthcare costs to the NHS are £560 million, with costs to the economy of £1.8 billion in sick leave and work-related disability.

2. Too many people with the disease are not diagnosed early enough and, once diagnosed, they do not always get the services they need to help them live as well as possible with the disease. Starting treatment, within three months, can stop the disease getting worse and yet the time between experiencing symptoms and receiving treatment is typically nine months. The barriers to gaining early treatment arise from people's low awareness of the disease, causing them to delay seeking medical help, and from GPs failing to spot the early symptoms and refer quickly enough for diagnosis by a specialist. People with rheumatoid arthritis visit the GP on average four times before referral, and a fifth visit a GP eight times or more before referral.

3. People do not always get the services they need once they have been diagnosed. For many long-term conditions, there may be a postcode lottery of care. There are big variations in spending on rheumatoid arthritis across Primary Care Trusts (PCTs) and access to the range of services needed to manage rheumatoid arthritis varies. There are differences in the quality and breadth of services available, in particular significant gaps in access to psychological services. People may also find it difficult getting timely access to help when they experience a flare-up.

4. Not diagnosing the disease early enough makes it harder for people to remain in work. Three quarters of people with rheumatoid arthritis are diagnosed, when of working age, and one third of people stop working within two years of being diagnosed. People with the disease often lack the right support mechanisms to help them maintain their independence and make an economic contribution to society.

5. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Department of Health (the Department) on: identifying and diagnosing cases of rheumatoid arthritis sooner; providing better support for people living with the disease; and how the NHS can work more effectively to improve services for people with rheumatoid arthritis.

PAC Conclusion (1): Prompt diagnosis of rheumatoid arthritis is crucial in preventing irreversible damage yet delays arise from people failing to present promptly to GPs with symptoms. The Department should run a campaign during 2010 to raise people's awareness of the symptoms of rheumatoid arthritis, highlighting the need to seek prompt medical attention.

6. The Department partially agrees with the Committee's conclusion. The Department does not agree that a Department-led mass media campaign is the most appropriate or cost-effective course of action to raise public awareness of the symptoms of rheumatoid arthritis considering the relatively small numbers of rheumatoid arthritis cases and the lack in seasonal spikes in diagnosis, making a year-round rolling campaign necessary.

7. However, the Department recognises that low public awareness of the symptoms of rheumatoid arthritis is a barrier to the early diagnosis and treatment of the condition. The Department is therefore supporting a group of charities, who are working together to produce materials aimed at raising awareness of inflammatory arthritis conditions, including rheumatoid arthritis.

8. Additionally, the information available through the NHS Choices website, on the symptoms of rheumatoid arthritis, provides a further mechanism for raising public awareness of the condition. *The NHS Guide*

to rheumatoid arthritis, which is available on NHS Choices features information on the warning signs and symptoms of the condition and streaming of a video showing a rheumatologist outlining symptoms, treatment and aspects of living with rheumatoid arthritis.

9. The Department will provide patients and clinicians with a link to a new source of patient information designed by a group of patient, professional and pharmaceutical organisations, the Rheumatology Futures Project Group, published on the Arthritis Research UK website. This information has been specifically designed to provide patients access to information covering the whole of the patient journey.

PAC Conclusion (2): GPs often fail to recognise the symptoms of rheumatoid arthritis, causing delay in referring to a specialist for a diagnosis. The Department should, as a priority, launch a targeted campaign or guidance to raise the awareness of GPs and other primary care professionals of the importance of referring people promptly to a specialist, if rheumatoid arthritis or other forms of inflammatory arthritis are suspected.

10. The Department partially agrees with the Committee's conclusion. Rheumatoid arthritis can be difficult to diagnose. Symptoms are hard to tell apart from other arthritic conditions and GPs may have limited contact with patients with rheumatoid arthritis. The Department will not launch a targeted campaign or further guidance. However, it has existing and planned activity, which will provide the appropriate level of guidance to GPs and primary care professional awareness of the symptoms of rheumatoid arthritis. A group of charities, with the support of the Department, are producing materials that will be circulated to GP practices and pharmacies aimed at raising awareness of inflammatory arthritis symptoms amongst members of the public, GPs and other healthcare professionals.

11. Information and guidance on the symptoms and treatment of rheumatoid arthritis are available to GPs and healthcare professionals through widely used resources, such as NHS Evidence and Map of Medicine. NHS Evidence guides GPs to a range of accredited sources including the National Institute for Health and Clinical Excellence (NICE) Clinical Guideline 79 on the management and treatment of rheumatoid arthritis in adults.[1] Map of Medicine is also available to GPs to determine the best possible treatment options for their patients, including information on the various patterns of onset, diagnostic tests and medical treatment of rheumatoid arthritis.

PAC Conclusion (3): GPs receive on average only two hours of teaching on musculoskeletal conditions during their training, including minimal coverage of inflammatory arthritis. The Department should encourage the Royal College of GPs to provide more training on rheumatoid and inflammatory arthritis when it implements its plan to extend the duration of training for GPs. Such training should help trainee GPs identify the early signs of inflammatory arthritis and emphasize the importance of early referral to specialists.

12. The Department partially agrees with the Committee's conclusion. The Department recognises the importance of training for GPs in this area and agrees the Royal College of General Practitioners (RCGP) should ensure it is appropriately covered in the GP training curriculum. The Department will seek reassurance from the College that rheumatoid and inflammatory arthritis is given sufficient prominence in GP training to ensure that all GPs have appropriate competence to recognise, manage and refer appropriately in the primary care context.

13. Whilst it is correct that the RCGP would like to extend the duration of GP training, there are no plans at present for such an extension. The Department's view is that this subject should be adequately and appropriately covered, whatever the length of training.

1 Rheumatoid arthritis: the management of rheumatoid arthritis in adults: http://guidance.nice.org.uk/CG79

PAC Conclusion (4): In July 2009 a Commissioning Pathway for Inflammatory Arthritis was introduced but current services fall far short of this ideal. The Department should write to this Committee by March 2010 setting out what it is doing to encourage take up of the Commissioning Pathway by Primary Care Trusts, and how it intends to evaluate its impact on patients.

14. The Department disagrees with the Committee's conclusion. The good practice *Commissioning Pathway* was published as part of a suite of more than 50 good practice pathways, covering a range of conditions and symptoms. The Department is not mandating implementation of these pathways and does not have any plans to evaluate their impact on patients. These pathways were developed to support commissioners to challenge existing practice; utilise service improvement tools and techniques; and maximise opportunities for transformational change. It is the responsibility of PCTs, as Commissioners of Healthcare, to ensure that their populations have access to the services that they need.

15. The Department has widely communicated the good practice outlined in the *Commissioning Pathways* to a broad audience. For example: it has been promoted at a range of events across the country, including an event for primary care nurses, and at the National Association of Primary Care Conference to promote this good practice amongst a wider audience, including GPs, PCTs and commissioners. The *Commissioning Pathways* are also used and promoted by the NHS Interim Management and Support Team, in the direct support it provides to organisations that have requested assistance in the redesign of services.

PAC Conclusion (5): People with rheumatoid arthritis can experience intense pain when they suffer a flare-up but rapid access to specialist care is not always available when they most need it. The Department should review the evidence on the need for better access to flare-up and pain management services for people with rheumatoid arthritis and produce an action plan by March 2010.

16. The Department partially agrees with the Committee's conclusion and agrees that patients who experience a flare-up may not always be able to quickly access appropriate services at present. Access to flare-up and pain management services should be planned at a local level. In the Department's view, patients with severe rheumatoid arthritis would benefit from a personalised care plan, agreed with the local specialist care provider and with local pain management services.

17. The content of a care plan should provide the relevant information and specify the support needed to enable the patient to self-care and manage their pain on a day-to-day basis. This will include information on how acute flare-ups should be managed between primary and secondary care. In many cases, telephone advice and support from a healthcare professional, either to the patient's GP or to the patient directly, may be sufficient. Local patient support organisations, for instance Pain Concern and Arthritis Care, may also have a role in providing advice and support. For other patients, access to specialist pain services – based either in hospital or in the community – may be needed. Some health communities are experimenting with a patient-initiated on-demand service[2] and this may be appropriate more widely.

PAC Conclusion (6): Rheumatology specialists do not have sufficient flexibility to prioritise appointments for patients according to clinical need. Strategic Health Authorities should clarify how they expect commissioners in primary care to ensure that sufficient follow-up appointments are available for people with rheumatoid arthritis in their local area, and should audit whether acute trusts are providing the number of follow-up appointments required to meet clinical need.

18. The Department disagrees with the Committee's conclusion. The Department recognises the importance of supporting patients, who require continued treatment for rheumatoid arthritis, and understands that follow-up appointments are particularly important for rheumatoid arthritis patients, in order to manage disease flares,

2 http://www.bmj.com/cgi/content/full/330/7484/0-c

and to assess the effectiveness of treatment and the risk of co-morbidities, such a cardiovascular disease. However, the Department has no plans to request that Strategic Health Authorities (SHA) set out expectations of the commissioning of follow-up appointments or to audit the provision of follow-up appointments.

19. It is for commissioners to ensure that they have commissioned sufficient capacity to allow timely access to first or follow-up appointments. PCTs should be working with local service providers to ensure the correct capacity is available to provide the best evidence based care for their patients.

20. The Department expects local health communities to be mindful of NICE guidance as a basis for their discussions on how to provide appropriate follow-up access to patients with rheumatoid arthritis. *NICE Clinical Guideline 79* is based on a thorough assessment of the available evidence and makes clear the importance of patient reviews and the appropriate frequency of follow-ups. A NICE commissioning guide *Services for the diagnosis and management of rheumatoid arthritis in adults* (December 2009)[3] has been produced to assist commissioners in implementing *NICE Clinical Guideline 79* locally. The guide sets out the steps required to commission an effective rheumatoid arthritis service, in line with the clinical guidelines, including consideration of how best to provide follow-ups within the local service.

PAC Conclusion (7): The Committee was concerned about significant variations in the cost of providing services for rheumatoid arthritis. Data presented by the National Rheumatoid Arthritis Society identified variations in spending by Primary Care Trusts on rheumatoid arthritis services of between £5.68 and £17.58 per head—a greater than threefold difference. The Department should identify the reasons for variations in Primary Care Trusts' spending, set national benchmarks, and require Strategic Health Authorities to hold Primary Care Trusts to account for the cost effectiveness of the services they provide.

21. The Department partially agrees with the Committee's conclusion. Since the 2003-04 financial year, the Department has collected, through the *National Programme Budgeting Project*, estimated expenditure by PCT, on 23 programme budgeting categories, based upon International Classification of Disease (ICD) categories. From the 2006-07 financial year, the Department commenced the collection of additional information in the form of sub-categories. Expenditure on "Problems of the Musculo Skeletal System" is collected. However, this is not broken down further into sub-categories.

22. The National Rheumatoid Arthritis Society (NRAS) estimate appears to have been calculated by assuming that expenditure on rheumatoid arthritis is a constant proportion of each PCT's reported expenditure on musculoskeletal conditions, in the 2007-08 financial year. However, it is likely that at PCT level, the proportion of expenditure on rheumatoid arthritis will vary due to different epidemiological factors faced by each PCT, and the way clinicians respond to these factors. At present, the Department does not have any plans to expand further the programme budgeting data collection to collect PCT expenditure on rheumatoid arthritis.

23. The Department, in partnership with organisations such as the Information Centre for Health and Social Care, increasingly presents information, which highlights the variation in both programme level expenditure and the subsequent health outcomes. The primary purpose of this work is to help PCTs determine whether, for the care that they currently commission, that they are achieving their objectives of improving health outcomes and delivering value for money. PCTs are able to use this information, as part of their comprehensive needs assessment when determining their own local priorities. Given this, the Department does not have any plans to set national benchmarks.

3 http://www.nice.org.uk/usingguidance/commissioningguides/raadults/raservice.jsp?domedia=1&mid=DDD02C26-19B9-E0B5-D4145FE3A986D540

PAC Conclusion (8): The NAO Report identified inconsistency between Primary Care Trusts in the provision of certain drugs for rheumatoid arthritis and the extent of multidisciplinary services. For example, access to biological drugs varies widely and while depression is common with rheumatoid arthritis, there is often no access to psychological services. Primary Care Trusts should obtain much better information about the numbers of people with rheumatoid arthritis, decide what services, including psychological services, they need to provide, and take action to ensure their services are configured cost-effectively.

24. The Department agrees with the Committee's conclusion. It is the responsibility of commissioners to ensure that their populations have access to the services that they require. PCTs and local authorities have a statutory responsibility to undertake a *Joint Strategic Needs Assessment* (JSNA). The JSNA should provide a comprehensive local picture of current and future needs, including patient aspirations for health and wellbeing. JSNAs should involve health commissioners and wider local partners to establish clear, shared, evidenced-based priorities. Used effectively, JSNA processes will inform commissioners to challenge existing service provision, better address unmet needs, and configure community and innovative services to achieve improved outcomes. Additionally, the strategic plans developed by PCTs should reflect the needs identified through the JSNA.

25. The NICE commissioning guide *Services for the diagnosis and management of rheumatoid arthritis in adults* (December 2009) is available to assist commissioners in providing an effective rheumatoid arthritis service in line with clinical guidelines. The commissioning guide includes a benchmarking tool, which commissioners can use to help understand the level of service needed locally and the cost of local commissioning decisions.

26. NHS organisations are legally required by a statutory funding direction to make funding available for treatments, recommended by NICE's technology appraisal guidance, within three months of final guidance being published. The Care Quality Commission's 2008-09 annual health check showed that 95% of NHS organisations were able to demonstrate compliance with the core standard that includes technology appraisal guidance.

27. *NICE Clinical Guideline 91* includes guidelines on the provision of psychological services for people with chronic physical health problems[4]. *The Improving Access to Psychological Therapy* (IAPT) programme makes evidence based psychological therapies more widely available. Evidenced based psychological therapies of the kind offered in IAPT services are recommended for treatment of people with depression and a long term physical condition which includes people with rheumatoid arthritis.

PAC Conclusion (9): Support for people with rheumatoid arthritis to remain in or return to work is totally haphazard. The Department should publish clear standards covering the support people can expect from the NHS to help them remain in or return to work. It should agree with the Department for Work and Pensions how they will ensure that assessors have the knowledge they need to make proper judgments about the ability of people with rheumatoid arthritis to work.

28. The Department disagrees with the Committee's conclusion. The Department recognises the importance of supporting people with health conditions to stay in, return to or move into work. However, key research[5] shows that medical diagnosis is not normally the key determinant for remaining in or returning to work. The Department has done a significant amount of work with the Department for Work and Pensions (DWP) on a cross Government programme of work to create new perspectives on health and work, improve work and workplaces and provide access to appropriate and timely external support after a health condition has developed or worsened. This work should underpin support for those with rheumatoid arthritis.

4 The treatment and management of depression in adults with chronic physical health problems (partial update of CG23): http://guidance.nice.org.uk/CG91

5 Vocational Rehabilitation: What works, for whom and when? Gordon Waddell, A Kim Burton, Nicholas AS Kendall

29. The Department has worked with healthcare and other professionals to help them provide the best advice on health and work to individuals and their employers. *The National Education Programme* was designed to give GPs a better understanding about the benefit work can bring to health, and the confidence to discuss the issue of work with patients during consultations. The Department has engaged, educated and supported GPs to improve their understanding of the evidence that staying in or returning to work is generally good for their patients' health, helping them to help their patients. The introduction of the new Statement of Fitness for work (Fit Note) in April this year, also means that GPs are now able to give more helpful advice to their patients and employers to support an earlier return to work.

30. DWP has funded a generic training module on the links between work and health, which has been designed to help nurses prepare patients for work following an injury, disability or period of ill-health. This has been written by the Royal College of Nursing (RCN), with input from the Department and DWP and is on the RCN website and available to nurses across all nursing specialties. Furthermore, NHS Plus, an umbrella organisation for NHS Occupational Health Services (OHS), has recently supported the Faculty of Occupational Medicine to pilot and implement the first national occupational health provider quality of service standards. These should help to raise the overall standard of care provided by occupational health services, in particular those provided by employers, who are key agents of the return to work process.

31. Over and above the wider package of policy initiatives, DWP has ensured that healthcare professionals, who carry out assessments for Employment and Support Allowance, are trained in disability assessment medicine and has developed an evidence-based protocol on rheumatoid arthritis. It has also supported the Multiple Sclerosis Society to work with other stakeholder organisations (including Arthritis Care) to develop an online toolkit to support people with long-term chronic illnesses to remain in or swiftly return to the workplace where possible.

Eleventh Report

HM Revenue and Customs (HMRC)

Dealing with the tax obligations of older people

1. Older people are a significant and growing group for HM Revenue and Customs (the Department), making up 18% of taxpayers. In 2007, the number of people over the State Pension age was, for the first time, greater than the number of children, and around 5.6 million were liable for Income Tax. Older people are more likely to comply with their tax obligations than other taxpayers but are less likely to understand them, and many pay more tax than they need to.

2. Errors occur because people's tax affairs often become more complicated when they reach pension age, and that the Department's systems do not cope well with their multiple sources of income. For example, an estimated 1.5 million older people have overpaid tax by £250 million because of discrepancies between the Department's records and those of their employers and pension providers. Older people may also be paying too much tax because they do not claim additional tax allowances available. Some 2.4 million older people have also overpaid around £200 million in tax because they did not have their savings income paid gross of tax.

3. The Committee concluded that the Department should devise simpler systems so that older people can have peace of mind about their tax affairs. At present, if they have more than one source of income, as many older people do, they receive multiple tax coding notices, which make it difficult for them to check whether they are paying the right amount of tax. The onus is on older people to claim the age-related allowances, where the rules on eligibility are hard to understand and older people do not find the claim form easy to complete. The Department does not have a clear idea how many older people are missing out and may therefore be paying more tax than they need to. Awarding the age-related allowances automatically, where information available indicates an individual's eligibility, would reduce the burden.

4. The Committee recommended that the Department should have a more coherent plan for meeting the needs of older people efficiently and effectively. Administering Income Tax for older people is costly for the Department and could rise further as the number of older people increases. It costs the Department twice as much on average to deal with an enquiry from an older person compared to those from other taxpayers because their enquiries tend to be more complicated. Older people were however less likely to contact the Department for help even though 36% did not understand their obligations, compared to 26% of all taxpayers. The Department should improve the support it provides to older people by working more closely with other agencies in the third sector and across government. In particular, it should safeguard opportunities for face-to-face contact, which older people often prefer.

5. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Department on: claiming the additional tax allowances available to older people; administering tax for older people; and providing cost-effective support for older people.

PAC Conclusion (1): The Department's systems for dealing with older people's tax affairs are too complex, create uncertainty for older people, and result in too many overpaying tax. The Department should establish a clear plan by June 2010 to guide its approach, making it simpler for older people to fulfill their obligations and reducing the level of error in their tax. This should include accurate information on the needs of older people; and a clear explanation of what the Department and other agencies should do to meet these needs.

6. The Department partially agrees with the Committee's conclusion and has undertaken extensive research into the needs of older people. Over the past two years the Department has used these research findings to inform a number of focused activities, each intended to make it easier for older people to fulfill their tax

obligations and reduce error. A period of evaluation is now needed to determine the success, or otherwise, of the actions taken so far, to ensure it is achieving an improved service for older people.

7. The Department is developing and piloting new ways of providing information that older people need as they near retirement, including blind person's allowance, age-related allowances and other agency services. Any evidence gained from pilot exercises will be important in informing the Department's future approach, but the likely timescale involved means that it will not be possible to develop a future plan by June 2010.

8. An extensive scoping study, based on all the available evidence, is currently underway to determine future priorities for improving services to vulnerable customers. Older people are one of the important groups the Department will consider in prioritising for funding services. However, the Department does not want to pre-determine the results of the scoping exercise by agreeing to have a plan in place by June 2010.

PAC Conclusion (2): The Department does not know the costs it incurs, how effective it is in meeting the needs of older people, or the likely impact of future growth in the numbers of older people. The Department should track the costs of helping older people with their tax affairs, the quality of service it provides and their take-up of allowances. It should estimate the likely impact of the forecast growth in older people, and decide how it will provide effective support for older people as the number of older people increases.

9. The Department partially agrees with the Committee's conclusion. The Department does hold information on the size and expected future growth of the older population:

- Over a third of the population (20.7 million) are currently aged 50 years or over.
- There are currently 7.3 million people aged 55 – 65 years and the numbers entering this group are expected to rise by 2.3% by 2013.

10. Additionally, the Department has carried out an extensive review that details the demographics; who older people use for help and advice; attitudes and behaviours and their experience of dealing with the Department. This information is being used to determine the Department's future approach with this key customer group.

11. The main channel for helping people is through the Department's contact centres. The Department does not collect the age of customers who call the contact centres. To track the help the Department is providing to older people, would mean that they would need to either ask people their age or to match a unique reference (for example; a national insurance number) to records which provide a person's date of birth. Both methods would involve costly system re-design and there are no plans to do this.

12. The Department does not routinely separately track the quality of service provided to older people, however it does use some vehicles to gain information on this. For example, its *Customer Survey* and the *Contact Centre Survey* both ask various questions about people's experience of its service and can be broken down by age. There is also a new *Tax Credits Panel survey*, which will provide certain information by age.

13. The Department is able to track how many older people have an age-related Personal Allowance. However, it is more difficult to establish a take up rate as, to be meaningful, it would need to take account of the number, who would derive no benefit from claiming. There are substantial numbers, whose incomes are below the tax threshold, who would not benefit from this allowance.

14. In terms of other allowances, many retired people, whose income is covered by their personal allowance, are able to elect to receive savings interest gross, or claim tax back on savings interest. This was recently highlighted in a campaign aimed at people on pension credit, most of whom are able to take advantage of claiming tax back on savings interest. This campaign is being evaluated. Also, it is possible to track the take up of working tax credit by age and this information is published regularly, as national statistics, on the Department's website.

PAC Conclusion (3): The age-related allowances are intended to help people financially in later life but the Department does not know for certain how many people are eligible for the allowances but do not receive them. The Department should establish accurately how many older people have not claimed the age-related allowances, Blind Person's Allowance and the Married Couple's Allowance but are eligible to do so, and identify the steps it will take to ensure they receive the allowances due to them.

15. The Department disagrees with the Committee's conclusion. The Department writes to everyone who is about to retire to give them the opportunity to claim their age-related allowances. There have also been recent improvements to the relevant form (P161) to make it easier to complete. More than half of pensioners have no tax liability on their income due to personal allowances and age-related allowances. In total there are 9.8 million pensioners, of which 6.6 million have contact with the Department and their allowances are checked. The vast majority of the rest have no contact with the Department because they do not pay tax and therefore, would not benefit from an age-related allowance.

16. On Blind Person's allowance (BPA), Local Authorities (LA) holds information on 'Registered Blind' people. Due to data protection issues, the Department would require all LAs to write to each of their registered blind customers to ask their permission to pass their details onto the Department. This would be both expensive and burdensome. It is also likely that many older people do not claim BPA because their own and their spouse's incomes are below their personal allowances. The Department has previously worked with the Royal National Institute for the Blind (RNIB) and Action for the Blind to raise awareness of the availability of BPA. Both advertise BPA on their website and other communications, for example, RNIB 'talking books'.

PAC Conclusion (4): The age-related allowance rules are complex and hard for older people to understand and place too much emphasis on older people having to prove their eligibility, resulting in errors in claims and potential overpayments of tax. The Department should reduce the effort required by older people.

(a) by agreeing with the Department for Work and Pensions and other agencies what information the Department could use to identify who is eligible for an allowance;

(b) by awarding the allowances automatically without the need for a claim in those cases where the information available indicates an individual's eligibility, and

(c) where claims are required, by making the process easier to complete, such as by allowing claims to be made by e-mail or with assistance from the Department's staff.

17. The Department partially agrees with the Committee's recommendation 4a. The Department and the Department for Work and Pensions (DWP) are currently looking together at the prospect of adapting existing, secure data flows to improve information sharing about people approaching retirement age. This may also offer the prospect of revisiting the current paper exchanges between the two departments. Work is ongoing to confirm costs, benefits, risks and opportunities across different options. The Department chairs the Individuals Stakeholders forum of 25 Third Sector organisations and DWP. This group dedicates time to explore specific opportunities for improved joint working between the Department and DWP, including ways to smooth the transition from work to retirement.

18. The Department disagrees with the Committee's recommendation 4b. The higher amounts of age related allowance for people aged 65 years to 74 years and 75 years and over, are reduced where an individual's income exceeds a limit, £22,900 for 2010-11. The Department asks for details of the individual's expected income where they make a claim, in order to know whether a restriction applies. If the Department were to automatically award the full amount of age-related allowance, people with incomes above the income limit would underpay tax.

19. The Department partially agrees with the Committee's recommendation 4c. The Department has rolled out initiatives to aid customers in making claims, for example, improvements to the form used to claim age-related allowances (P161). In addition, elderly and other vulnerable customers can make appointments with one to one advisors at the Department's enquiry centres. Dependent on cost, resources, and being able to meet the challenges in respect of authentication, customer identity, and confidentiality, an e-mail approach would be an avenue that the Department would like to explore in the future.

PAC Conclusion (5): Many older people with multiple income sources have to cope with several tax coding notices which they find hard to check and which creates costs for the Department in dealing with associated enquiries. Once the rollout of the new PAYE system is complete in 2010 the Department should provide people with a single document, which explains clearly how their tax code is calculated and how tax will be deducted from each income source.

20. The Department agrees with the Committee's conclusion. The Department will look at this as soon as funding becomes available against other priorities. Recent Departmental initiatives to help, include website improvements and a new explanatory enclosure with the 2009-10 coding notices, The Department will want to assess the impact of these innovations before considering whether a single coding notice might usefully complement these to reduce confusion.

PAC Conclusion (6): The planned one-stop shop drawing together online, telephone and face-to-face support across Government and the third sector offers an opportunity for the Department to improve the access older people have to information and help in managing their tax affairs. The Department should decide with the Department for Work and Pensions, as a matter of urgency, what tax information will be provided for older people through the one-stop shop and ensure that they will have access to this information as soon as the initiative is launched.

21. The Department agrees with the Committee's conclusion. The Department is working with DWP to ensure that key messages about tax in old age are reflected in the one stop shop. However, the brief of the one-stop shop – 'to help people in mid life plan ahead… to make decisions on financial, health, careers and other issues', is far wider than just financial and tax planning, therefore the Department's priorities will not be the only consideration for DWP.

PAC Conclusion (7): The Department recognises that working with third sector organisations is a cost-effective way of helping older people to get their tax right, but it is not yet making the most of such organisations in helping it to contact hard-to-reach older people. The Department should:

(a) identify the types of support which third sector organisations are best placed to provide to older people and how it can maximise that contribution, and

(b) target its funding accordingly, providing a commitment to long term funding where this would help third sector providers develop a more sustainable and cost-effective service.

22. The Department agrees with the Committee's conclusion. The Department intends to work with intermediaries, including the Third Sector, to better meet the needs of its customers (including older people) who need help. During 2009-10, work has been undertaken to assess the existing capability, capacity and appetite of the Third Sector to work more closely with the Department in future, to provide face-to-face support to customers. Options are now being worked on for a more strategic alliance with this sector. The Department will be looking at what delivery and funding models will offer best value for money, including the possibility of longer-term core funding, depending upon the 2010 Spending Review.

23. Additionally, the Department has identified that a number of key life events, such as preparing for retirement, can often be the trigger for customers to contact the Department or Third Sector organisations for help. As part of their grant in Aid programme for 2010-11, the Department has allocated some funds to the Third Sector organisations to run proof of concept pilots to explore ways of engaging more effectively with these customers. They are focusing on certain customer groups, one of which is pre-pensioners and pensioners. £115,000 has been allocated to Age UK, working in partnership with TaxHelp for Older People (TOP) to undertake a pilot focusing on engagement with customers approaching retirement.

24. The Department's development of a new service model for delivery of face-to-face advice will provide additional opportunities for Third Sector organisations' involvement in developing, testing and taking forward new approaches, which may further extend the types of support provided.

PAC Conclusion (8): In pursuing efficiency savings, the Department should not put at risk the access to face-to-face contact that older people and other vulnerable groups need, which is currently provided through its enquiry centres. The Department should talk to other organisations to identify how the needs and preferences of older people can be met most cost-effectively. It should recognise that older people often place great value on face-to-face contact and safeguard the opportunities for this when deciding on what access people have to enquiry centres in different parts of the country.

25. The Department agrees with the Committee's conclusion. The Department will continue to consult widely as part of its review into revised opening hours. It is aware that there are customers who would benefit from face-to-face support, but who, for whatever reason, do not or cannot currently access it though the fixed Enquiry Centre network. The Department's review team is discussing with Third Sector partners, such as TOP, Gingerbread, Citizens Advice and the Low Incomes Tax Reform group, how to better identify and provide support for people who need face to face advice and support, to obtain their entitlements or pay tax due.

26. The Department will look at ways in which these customers can be reached more effectively, by the development, testing and implementation of new approaches to deliver face-to-face contact. The Department intends that elderly and other vulnerable customers who need this form of support, will still be able to access one to one help in the same part of the country as now; however, the way in which this is accessed may change.

Fourteenth Report

Department for Transport (DFT)

Department for Transport: The failure of Metronet

1. In 2003, the Government entered into three innovative 30-year contracts with private sector contractors to upgrade London's underground rail system. Four years later, in 2007, two of the three contractors (Metronet BCV and Metronet SSL, known collectively as Metronet) went into administration, when they could no longer meet their spending obligations. While some of the improvements, they were contracted to deliver, were completed on time and within budget, others have been delayed. The loss to the taxpayer arising from Metronet's poor financial control and inadequate corporate governance is some £170 million to £410 million.

2. The Department for Transport (the Department) must learn from its mistakes, not just when formulating its plans with the public sector bodies for the long term arrangements to replace the Metronet contract, but also for the other private sector contract with Tube Lines, and longer term, for the Cross Rail scheme. More broadly, the Government needs to play a more proactive role in managing risk when it devolves the management of high value, long-term contracts. Departments need, for example, to have the right commercial skills in place and perform robust risk analysis when negotiating such contracts, to monitor the risks thereafter, and be prepared to intervene where necessary.

3. On the basis of a Report by the Comptroller and Auditor General, the Committee examined the Department, the Public Private Partnerships (PPP) Arbiter, and the Treasury on their roles in the failure of Metronet.

PAC Conclusion (1): The Committee found it unacceptable that the Department ignored the recommendation made by the National Audit Office in 2004 to avoid a 'hands-off' approach to overseeing the London underground rail system. It's failure to be more proactive in managing the risks has cost the taxpayer up to £410 million. The Committee is equally appalled by the cavalier attitude to protecting public money that the Department displayed by claiming that its decision to use Metronet contracts had been vindicated because there would have been an even greater loss to the taxpayer had the upgrades been overseen directly by London Underground.

4. The Department disagrees with the Committee's conclusion. The Department did not have a 'hands off' approach, nor did it fail to be proactive. The Department was acting within a statutory framework, which deliberately constrains its role in relation to the Mayor of London. The PPP contracts were designed, in the knowledge, that Parliament would establish a Mayor through the Greater London Authority Act 1999 (the GLA Act) and the contractual arrangements (including the outcome focus, risk transfer, and a statutory Arbiter) sought to improve on the previously poor record of delivery by London Underground, including over 30% cost overruns on the Central line upgrade.

5. Therefore, the Department does regard, as relevant, that the NAO assessed that over £4 billion was economically and efficiently spent on the Metronet lines through the PPP contract; and notes that such a statement in respect of previous arrangements would not have been possible to make with the same rigour.

6. The Department has also acknowledged that, with the benefit of hindsight, the PPP contract should have included provisions which dealt with the situation where Metronet's governance collapsed notwithstanding that this resulted in a substantial loss (estimated at £540 million) to shareholders. However, with the contracts and the GLA Act in place, the Department had neither statutory nor contractual rights to intervene and, while in practice a great deal of discussions behind the scenes took place, the outcome ultimately reflected the provisions in the original contracts, as exposed by the principal failure of Metronet's internal governance.

7. Once Metronet had collapsed, the Department ensured – through negotiation with the Mayor and Transport for London (TfL) – a new form of scrutiny of London Underground and the wider TfL estate, through the establishment of, the Investment Programme Advisory Group (IPAG). The purpose of the IPAG is to provide scrutiny of the efficiency of the TfL investment programme, in a way, which is visible both to the Mayor and to the Secretary of State. The panel members were appointed by the Mayor, but on criteria agreed with the Department and based on relevant experience in engineering and project management. The IPAG was established on 4 May 2010. It has a general duty to promote economic, efficient and effective performance by considering the wider farepayer and taxpayer interest. It will publish an annual report on TfL's overall performance, and in-year reports if it feels this would be beneficial.

8. To reflect the Department's significant contribution to TfL expenditure through the GLA transport grant, all reports produced by the panel will be shared with the Secretary of State. The IPAG will also oversee TfL's existing system of gateway reviews for each project, and be able to commission other reports as it sees fit. TfL management will be required to respond to any reports by the panel, setting out how issues raised will be dealt with. This action demonstrates how the Department seeks to continue to protect the interests of the taxpayer on London Underground investment, while at the same time respecting the devolution settlement for London that Parliament has created.

9. On 7 May 2010, TfL announced an agreement with Tube Lines shareholders, Bechtel and Amey, to purchase their shareholdings in the company. The purchase was completed on 27 June 2010, bringing Tube Lines under public sector control as a subsidiary of TfL. The Department is working with TfL and London Underground to make sure the new arrangements for Tube Lines demonstrate continuing value for money for taxpayers and fare payers, whilst at the same time respecting devolution.

PAC Conclusion (2): Delivery of major London Underground infrastructure improvements was devolved to others but the responsibility for safeguarding taxpayers' interests rested firmly with the Department. As a priority, the Department should review major devolved delivery arrangements, at least annually, across the remaining life of the project, with all pf the other key players, and satisfy itself that between them they have identified and are mitigating the major risks to value for money for taxpayers.

10. The Department disagrees with the Committee's conclusion. The Department's responsibility for safeguarding taxpayers' interest was reflected in its effort to design PPP contracts which would deliver value for money. However, the design had to reflect Parliament's intent in creating a Mayor of London. As a result, the Department had neither statutory, nor contractual rights to intervene.

11. The Department recognises the Committee's recommendation to review annually major devolved delivery arrangements. However, it is a consequence of any devolution (and hence local accountabilities) that the funding body has limited rights of intervention. Nonetheless, working within the devolution legal framework in each case, the Department accepts the merit of a regular review of major risks associated with devolved delivery.

PAC Conclusion (3): It is unacceptable that none of the public sector bodies tasked with oversight of the complicated devolved delivery of the modernisation of London Underground's infrastructure had the information or influence to do so effectively. The Department should assure itself that the risks associated with the largest and most complex devolved delivery contracts are being managed. It should require the bodies, to whom it has devolved responsibility, to exercise strong oversight of contractors and to report their findings to the Department. It should also assess, periodically, whether the level of review being exercised, is adequate and should be prepared to intervene, where it has concerns.

12. The Department partially agrees with the Committee's conclusion. The Department accepts that, with the benefit of hindsight, the PPP contracts should have been structured, so as to create better information rights and to enable the Arbiter to give London Underground the right to reduce their Infrastructure Service Charge payments in the event that the arbiter considered the potential cost of uneconomic and inefficient action might not adequately be contained within the debt and equity risk buffers. In effect, the PPP contracts assumed that the potential loss of stakeholder funds would ensure effective governance.

PAC Conclusion (4): The Department failed to allow and plan for the additional risks to Metronet's financial viability inherent in having a 'tied supply chain', whereby the company's shareholders were also its suppliers. The Department should review the way in which it identifies and monitors the risk associated with a tied supply chain on such major contracts. It should set out clearly how it will identify and monitor risks to the financial viability of the prime contractor, and should be prepared to intervene, where necessary, even where delivery is devolved.

13. The Department disagrees with the Committee's conclusion. By establishing PPP contracts, in which substantial shareholders funds were at risk, the Department believed it had addressed risks associated with Metronet's viability. Evidence elsewhere also shows that tied supply chains are not of themselves inherently risky. However, as already acknowledged, the PPP contracts failed to address the risk that, despite the shareholder funds at risk, a contractor would operate such poor governance as Metronet.

14. The Department's general approach, with or without tied supply chains, is to pay only after delivery, either of a final service or of a substantive milestone capable of fair valuation. For example: on the M25, where there is a tied supply chain, there will be no payments for the costs of widening until individual stretches of the motorway have been completed. On other road schemes, payments are made before the road is opened, but only after a significant milestone, for example, on the completion of earth works.

PAC Conclusion (5): The Department was extremely naive to expect lenders to exert strong oversight of Metronet's governance and financial health to protect their investment when the Department had shouldered all but 5% of the lenders' risks. When giving letters of comfort, the Department should identify the impact on its own exposure to risk and actively seek to reduce, or mitigate it, such as by making clear to lenders how it expects them to act. The Department should also monitor the likelihood of its liability maturing. For example: it should reassess the situation when it reviews risks with the contract managers and when it is preparing its financial accounts.

15. The Department disagrees with the Committee's conclusion. The private sector parties lost a significant amount of money through the collapse of Metronet, amounting to £540 million in combined debt and equity. The Department considers it was reasonable to expect Metronet's shareholders and its lenders to provide sufficient governance to protect this significant investment.

16. The Department agreed the approach with the Treasury at the time the PPP contracts were negotiated and reached the conclusion that, given the difficulty involved in carrying out extensive work on a network that is in parts over 100 years old, and the opposition of former Mayor to the PPP at the time, it would be necessary to underpin the debt to a significant extent. London Underground had a history, in the 1990s, of delivering upgrade and renewal projects late and over budget, and the PPP contracts aimed to improve on this position. Apart from the PPP Contracts, the Department has not provided a letter of comfort to the lenders of any other project delivery agent.

PAC Conclusion (6): The PPP Arbiter has no specific statutory duty to protect the public interest or to help the Department monitor the contractor's performance against the contract. As a priority, the Department should take the opportunity, as part of a permanent solution to the future of the contracts previously held by Metronet, to clarify the role and responsibility of the Arbiter. It should give him powers to help protect public investment by providing assurance on whether work performed is affordable and provides good value for money.

17. The Department partially agrees with the Committee's conclusion. The PPP Arbiter already has a general duty, under section 231(2) of the GLA Act, to act in a way which the Arbiter considers best calculated to reach a range of objectives – one of which is to promote economy and efficiency in the provision, construction, renewal or improvement and maintenance of the railway to which the PPP agreement in question relates.

18. Similarly, it is the Arbiter's duty to stipulate efficient and economic costs for specified work, where required, to at periodic reviews involves benchmarking what efficient contract delivery would involve, as well as what Metronet was achieving. The Department therefore disagree that the Arbiter was not charged with the relevant duties.

19. Alongside the establishment of the IPAG, the Department agreed with TfL that London Underground undertakes to continue to make available, to the PPP Arbiter, such level of information as the Arbiter requests to assess the performance of Tube Lines. With TfL's purchase of Tube Lines, the Department is working with the Mayor and TfL to ensure the new arrangements for Tube Lines demonstrate continuing value for money for taxpayers and farepayers.

PAC Conclusion (7): Action could have been taken much earlier to prevent the Metronet companies going into administration had the Arbiter produced an annual report on Metronet's performance in 2005. However, Metronet and London Underground decided to ask the Arbiter not to produce such a report. The Department should encourage contract managers to ask the Arbiter to carry out an investigation if suppliers provide inconsistent or inadequate information.

In the longer-term, with respect to Tube Lines, the Department should seek an amendment to the Greater London Authority Act 1999 to allow it to request the Arbiter to carry out investigations, where appropriate. The Department should also require, as a minimum, that any new oversight arrangements allow the Department to request investigations, and require an annual review, supported by the audit of financial models, to improve the transparency of information about delays or cost overruns.

20. The Department partially agrees with the Committee's conclusion. In hindsight, it would have been useful for London Underground and Metronet to ask the Arbiter to carry out the 2005 Annual Report on Metronet's performance. This would have highlighted the problems earlier, in particular the poor internal information on expenditure and delivery and areas where they were not efficient. It is possible that this might have prompted Metronet and their shareholders to take remedial action and seek an earlier Extraordinary Review. However, this action might not prevented costs to the taxpayer, which is why the Department has acknowledged that the PPP contracts should have included stronger information powers, and with those powers, the authority for the Arbiter to trigger a reduction in TfL payments judged appropriately.

PAC Conclusion (8): The mistakes made on Metronet should not be repeated on other large scale contracts and Government departments must establish and exercise their right to act where problems of this magnitude occur. The Committee is pleased to note that on its contract for widening work on the M25, the Department negotiated rights for the Secretary of State to intervene, should the company not be run in the way specified in the contract. The Treasury should monitor compliance, with its guidance on sub-contracting, and should make clear to Departments that similar clauses must be built into all contracts that carry significant risks to the taxpayer.

21. The Treasury partially agree with the Committee's conclusion. The Treasury considers that existing PFI standard contract terms provide the necessary rights and protections for the public sector in most circumstances. The PFI contract-monitoring role, within the Treasury, reviews all PFI contracts that exceed delegated limits or are novel or contentious. Whilst compliance with the standard form is the norm, it is open to Departments to negotiate additional rights and protections for project specific reasons, subject to review and approval to ensure that value for money is not adversely affected, especially in complex situations.

22. Standard PFI contracting, and the powers for a procuring body to intervene where a contract is under performing, are set out in the Treasury document *Standardisation of PFI Contracts – Version 4 ("SoPC4")*. Firstly, Authority Step-in Provisions *(SoPC4 – Section 29)* provide for the procuring body to intervene in the contracted services without terminating the contract if this offers a value for money solution. Secondly, Termination Provisions *(SoPC4 – Section 21)* provide for the contract to be terminated and re-tendered if performance falls below specified standards. In the case of the M25, the Secretary of State is the counterparty to the contract and so benefits directly from these rights.

23. Alterations to these standard provisions, including the addition of further provisions, require the approval of the Treasury on a project-by-project basis before contracts are agreed. This approval process enables the Treasury to monitor the contractual ability of procuring bodies to intervene in poorly performing projects.

Fifteenth Report

Government Equalities Office (GEO)

Equality and Human Rights Commission

1. The Equality and Human Rights Commission (the Commission) was established by the Equality Act 2006 and came into existence on 18 April 2006. It took up its new powers, and those of the former Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission (the Legacy Commissions), on 1 October 2007. The Commission is a Non-Departmental Public Body (NDPB) reporting to the Government Equalities Office (GEO), a Government Department set up in October 2007, with responsibility for equality strategy and legislation.

2. Serious errors were made in setting up the Commission, not helped by three changes of sponsor Department in the months immediately before its launch. The Commission now accepts that it was not ready for business when the doors opened on 1 October 2007 and that its set-up process, which cost £39 million, was flawed and inefficient. A report from the Office of Government Commerce (OGC), in May 2007, expressed serious concern about the Commission's readiness to open for business later that year, as it did not have in place sufficient senior staff, a transition strategy, business strategy, organisation design or job descriptions.

3. Mistakes were made by the then sponsor Department (the Department for Communities and Local Government), the Legacy Commissions, and the Commission's transition team in the handling of an early exit scheme, which was offered to employees of the Legacy Commissions. The Commission had no control over which staff transferred to it or who left under the scheme, leaving it 140 people short and with skills gaps in key areas. The Commission failed to follow the correct process and did not obtain approval from the Treasury before entering into these arrangements. The Treasury did not grant approval retrospectively on the grounds that the Commission could not prove that these re-engagements gave good value for money.

4. This expenditure was therefore deemed irregular, and the Comptroller and Auditor General (C&AG) issued a qualified opinion on the Commission's 2006-08 accounts. Weaknesses in the Commission's controls have continued beyond the period covered by the Comptroller and Auditor General's report. The Commission has made an additional payment of £15,000, which it cannot adequately explain, to one of the re-engaged consultants, and it has also breached its pay remit and staff complement levels. The Commission has been without a permanent Chief Executive since May 2009. When the new Chief Executive has been appointed, he or she will need to ensure that strong controls are in place to ensure that such errors do not recur.

5. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Commission and the Government Equalities Office (the Department) on the events leading to the qualified audit opinion on the Commission's 2006-08 accounts and on the continuing weaknesses in the Commission's controls.

PAC Conclusion (1): Delays in appointing key staff meant that the Equality and Human Rights Commission was not ready for business on 1 October 2007. Fifteen out of 25 Directors had yet to be appointed and the team put in place to manage the start up did not have the right balance of skills for the job. When new bodies are set up the Government should ensure that a comprehensive project plan is in place from the very start, which identifies when key staff need to be appointed and what skills they should have.

6. The Government agrees with the Committee's conclusion that projects of this nature should adopt formal project management methodology – including comprehensive project plans. The existing Cabinet Office guidance to Departments on setting up and managing public bodies will be strengthened to make it clear that Departments should adopt proper project management tools and technique when establishing and re-organising public bodies.

PAC Conclusion (2): Three changes in sponsor Departments in the months immediately before the launch undermined Departmental leadership and led to a lack of continuity in Departmental guidance. When machinery of government changes are being planned, Departments must undertake a thorough evaluation of the risks that would arise from changing governance arrangements for high risk projects. Sponsorship for sensitive and time-critical projects should not be transferred to a new Department where there is a risk that transferring responsibility would undermine the success of the project.

7. The Government agrees with the Committee's conclusion. Changes to the structure of Government are not made lightly. It is normal practice, before any announcement, that officials and Ministers work on the rationale for change, including the consideration of non-Machinery of Government options. Following any significant Machinery of Government change, the usual practice is for the Cabinet Office to place a document, explaining the changes, in both Houses of Parliament libraries.

PAC Conclusion (3): Problems with the start-up were exacerbated because the Commission did not delay its launch date, even though its business plan, job descriptions and the allocation of staff to roles had not been finalised. The Commission now acknowledges that its launch date should have been delayed. When new bodies are being set up, management and the sponsor Department should take an objective view of how ready the entity is to take on its functions. Accounting Officers should flag up clearly where there is a risk that pressure to adhere to an unrealistic start date will result in poor value for money, and should be prepared to seek an Accounting Officer Direction where necessary.

8. The Treasury is refreshing the standard guidance *Managing Public Money,* which is used throughout Whitehall, and beyond, to help the public sector achieve high standards of propriety, regularity and value for money. The new version will include material on the lines that the Committee advises upon.

PAC Conclusion (4): The Board did not effectively oversee or scrutinise the set-up process or management's decisions. The Chair of the Commission should have ensured that the Board more closely reviewed and scrutinised the progress in setting up the Commission, particularly in the period before the Chief Executive was appointed. The Board should have challenged management's proposals more robustly and should have been more proactive in holding management to account. The Commission's Board should clarify the respective roles of the Board and the management team and be proactive in seeking evidence to satisfy itself that management have processes in place to effectively deliver their responsibilities.

9. The Government agrees with the Committee's recommendation. In the last 18 months, the Commission has taken action to clarify its governance role and to ensure that it is fully able to hold the Executive to account. The Commission's financial position and its management performance are subject to rigorous examination at every Board meeting. The Board has established two Committees to reinforce its scrutiny of the Executive: the Resources and Regulatory Committees. The Chairs of these two Committees, and of the Commission's Audit and Risk Committee, report in writing and orally to each Board meeting, which are held every six to eight weeks.

PAC Conclusion (5): The Committee was concerned that the process of setting up the Commission cost over £38.8m. This Committee has commented previously on problems with set-up of new bodies, most recently in our report on HM Revenue and Customs Prosecution Office. HM Treasury should draw up best practice guidelines for the creation of future public sector bodies. The guidelines should highlight the common risks and the steps, which should be taken to mitigate those risks, and provide benchmarks for the reasonable cost of a merger.

10. The Cabinet Office will be refreshing guidance on set-up processes for Non-Departmental Public Bodies (NDPBs). This should include best practice and guidelines for the creation of new bodies. A revised iteration of *Managing Public Money* will include guidance for Departments.

PAC Conclusion (6): Staff with valuable skills were allowed to leave the Legacy Commissions through an early exit scheme and then had to be re hired by the new Commission at a cost of £338,708. The Commission had no control over who left through the scheme. The Treasury and the Cabinet Office should ensure that they provide clear guidelines on the need to consider the retention of key skills when devising early exit schemes and on who should be responsible in such circumstances for designing schemes and communicating with the staff affected.

11. Departments and Agencies have put in place their own selection criteria, to meet their own business needs and to address their particular circumstances, so as to manage downsizing and restructuring situations, which are commonplace across Whitehall, particularly since the Spending Review 2004. Maintaining skills will be a key component of managing any downsizing or restructuring programme. Employers are expected to operate within all Advisory Conciliation and Arbitration Service codes of practice including their comprehensive guidance on redundancy handling. The importance of maintaining a balance of skills and experience for future success is fully covered in that guidance.

PAC Conclusion (7): The Comptroller and Auditor General qualified the Commission's accounts for 2006-08 because it did not follow proper process in re-engaging former staff as consultants. The Commission did not understand what needed to be included in the business case, did not hold an open competition for the appointment of the consultants, and did not obtain formal approval before the consultants started work. The Department should issue clear guidelines to the Commission on how future business cases should demonstrate the achievement of value for money. The Department should also clarify with the Commission at what point it expects to be brought into these decisions, especially where prior approval from the Treasury is required before action can be taken.

12. The Department agrees with the Committee's recommendation. Given the problems experienced over the October 2007 re-engagements, a specific business case template is being introduced for submission from the Commission to the Department, and ultimately to the Treasury for approval, in cases where the Commission intends to sever staff with compensation.

13. The Department expects value for money to be delivered by the Commission through the requirements of the revised *Framework Agreement* promulgated in January 2010, and kept under review in the light of events. Annex two to the *Framework Agreement* sets out the delegated levels of expenditure applicable to the Commission including the circumstances and expenditure thresholds at which competitive tendering processes are required to ensure that value for money is identified. The Commission is required to refer any difficult or potentially novel or contentious expenditure to the Department's Sponsorship Team in the first instance, and ultimately to the Treasury for approval. The statement of delegated limits makes clear the circumstances in which the Department's, and where appropriate the Treasury's, approval will be needed before Commission expenditure can be committed.

PAC Conclusion (8): Serious weaknesses in the Commission's controls have continued beyond the period covered by the 2006-08 Accounts. The late disclosure of an additional £15,000 paid to one of the re-engaged consultants and the breaches of the Commission's pay remit and staff complement show that the Commission's controls over staff costs remain weak. The Committee welcomes the Accounting Officer's assertion that stronger controls are now in place. The Department and the Accounting Officer must ensure that the Commission follows proper procedures with regard to the management and use of public money in future.

14. The Department agrees with the Committee's recommendation. The Department, working closely with the Commission's Accounting Officer, has put in place a series of measures designed to ensure increased Commission efficiency and control over expenditure. The key measures are:

- A strategic plan, agreed with the Treasury, for the improvement of financial and operational management;
- A new and more detailed framework agreement between the Department and the Commission governing the relationship between the two, and in particular the Commission's accountability for the expenditure of public money. Under this agreement, new reporting arrangements have been introduced so that the Department receives financial information from the Commission which is more detailed and better linked to outputs; and
- Steps to relate the Commission's grant-in-aid more closely to its expenditure capability and compliance with Government accounting requirements. For 2009-10, the Department reduced the grant-in-aid by seven million pounds to £62 million to reflect the Commission's expenditure profile, and by a further half a million pounds as a penalty for breaching its pay remit.

15. Additionally, the Department appointed nine new Board members during 2009, partly in response to concerns about the Board's ability to hold the Commission's management to account. The recruitment exercise emphasised the need for business and management experience as well as understanding of equality and human rights.

16. However, in order for these control measures to work as intended, it is essential that staff in the Commission understand and comply with them. Internal reviews, which the Commission carried out during 2009-10, particularly into the £15,000 payment, and the use of single tender actions in procurement exercises, discovered instances of non-compliance with delegated expenditure limits and other financial controls in the *Framework Agreement*.

17. In response to these problems, the Commission has strengthened its systems of internal control in the following ways:

- The Commission is committed to ensuring that proper procurement processes are followed whenever it takes on contractors. It will strengthen the authority of the central procurement function and require all expenditure to be authorised by a Director, and all expenditure over £5,000 to be approved by the Head of Procurement or the Finance Director, as well as by the relevant Director.
- The Commission's internal audit programme will include extensive audit of procurement compliance. The Accounting Officer will review the performance of Directors and managers to ensure that they comply with good procurement practice, and will strengthen the performance management framework to reinforce accountability for expenditure.
- The Accounting Officer has put in place controls, for example on the local recruitment and central profiling of casual staff, designed to ensure that there will be no further breach of the pay remit and to strengthen the system of grants administration.

PAC Conclusion (9): The Commission has not had a permanent Chief Executive since May 2009. An interim Director General has been in post since May 2009 and is paid at a daily rate of £1,000 (excluding VAT), which will have cost a total of £138,000 (excluding VAT) by the end of January 2010. A new Chief Executive will need to tackle the continuing weaknesses in the Commission's controls. The Commission, with the agreement of the Department, should seek to appoint a permanent Chief Executive as soon as possible, having followed a rigorous competitive appointment process designed to ensure the appointment of the best-equipped candidate.

18. The Department agrees with the Committee's recommendation and that recruitment of a permanent Chief Executive should be through a rigorous competitive process. The Director General has made considerable progress in improving the accountability and management of the Commission. Following the end of his contract, in January 2010, his interim appointment was extended on a short-term basis to the end of September 2010, at an annual equivalent rate of £150,000. This compares to the previous Chief Executive, who was paid £185,000 a year.

Sixteenth Report

Department for Communities and Local Government (DCLG)

Regenerating the English Coalfields

1. Reviving the English coalfields has been one of the largest regeneration challenges to face the country over the last 30 years. Between 1981 and 2004 over 190,000 people lost their jobs in coal mining. The speed and extend of pit closures resulted in severe economic, social and environmental deprivation in many communities. In response, the Department for Communities and Local Government (the Department) developed three specific initiatives to regenerate coalfield areas, involving a commitment of almost £1.1 billion of public money.

2. As at July 2009, the three initiatives had spent £630 million and had brought 54 former coalfield sites back into working use, and enabled private development of 2,700 houses and 1.1 million square metres of employment space, and provided financial support to around 3,000 community projects. Despite the initiatives, 37% of coalfield areas continued to be ranked amongst the most deprived in England in 2007. Thirteen years after the start of the initiatives, the Committee believes that the Department still lacks a clear vision and has no overarching strategy for the regeneration of these areas, has not sufficiently coordinated the three strands of the regeneration, and has failed to coordinate wider Government activity. In consequence, training and support to help former coalfield communities find employment has rarely been linked to job opportunities created on coalfield sites.

3. The Committee concluded that the Department does not know what improvements the initiatives had made to the lives of people living in the coalfields areas. The number of jobs the initiatives had helped to create could be anywhere between 8,000 and 16,000. The Committee is concerned that public money has been invested to create jobs that would have been created anyway. While progress has been made, coalfield regeneration has cost the taxpayer much more than originally expected, and it has taken much longer than planned. The Department needs to develop more sophisticated benchmarks that take into account the different levels of contamination on a site and allow separate evaluation of the incremental costs to develop housing and employment space.

4. On the basis of a report by the Comptroller and Auditor General the Committee took evidence from the Department and the Homes and Communities Agency on the lack of coordination demonstrated by the Department, information the Department collected to judge performance, and the need to consider future direction in the light of the economic downturn.

PAC Conclusion (1): Thirteen years after the start of the schemes, the Department still lacks clarity as to how its initiatives can best revitalise the local communities in which it is investing. The Department should reassess the needs of coalfield areas in 2010, and articulate a clear, measurable and time-bound aim and developing an overarching strategy to achieve it. Its commitment to produce an action plan is a step in the right direction, and should set out how it will better lead and coordinate coalfield regeneration to obtain the best value for money from the remaining £450 million to be spent by its initiatives. The Department will need to assign action dates and specify how and when its progress will be measured and reported.

5. The Department agrees with the Committee's recommendation. *A Review of Coalfields Regeneration*, led by Michael Clapham, is currently underway and will report to Ministers in Summer 2010. The Department will use the review to help inform the Comprehensive Spending Review (CSR). The aim will be to ensure that the impact of any future Government investment in the coalfields is maximised and local services tailored so that ongoing problems, such as worklessness, are tackled effectively, and that the optimum value for money is achieved from any future investments made.

6. The review will examine the future support needed for coalfield communities, in the light of available resources, and of the fact that 90 of the 107 sites in the programme have been completed, are on site, or require no further action. It will look at:

- lessons that can be learnt from the programme's achievements so far, what has worked well and where improvements can be made;
- the practical issues around physical regeneration, worklessness, health inequalities, training and skills, economic growth and community cohesion;
- ways to improve accountability, transparency and reporting arrangements; performance measurement and monitoring; and information to support decision-making; and
- delivery of the three initiatives, in particular how they could better work together.

7. A review of the coalfields initiatives has the support of delivery bodies, stakeholders and other partners. Mainstream programmes of other Government Departments, such as the Department for Business, Innovation and Skills (BIS – economic growth agenda) and the Department for Work and Pensions (DWP – worklessness) form part of a holistic approach to tackling regeneration in coalfields areas.

8. The Department has submitted an action plan, which commits it to establishing a Coalfields Programme Board (CPB) to ensure effective oversight of the entire programme, look at value for money, and to drive forward co-ordination across the National Coalfields Programme, The Coalfields Regeneration Trust (CRT) and the Coalfields Enterprise Funds.

9. A Senior Whitehall Strategic Group will be established to ensure appropriate linkages are being made between the coalfields programmes and policy development more widely across Government. The group includes representatives from the Department for Education (DFE), Department for Transport (DFT), Job Centre Plus, Home Office, BIS, Yorkshire Forward, Government Office for Yorkshire and Humberside and coalfield delivery bodies such as the Homes and Communities Agency (HCA – also formerly known as English Partnerships) and CRT.

10. The Department will work with the HCA to ensure that the existing Coalfields Programme Delivery Board is strengthened to help drive progress effectively, that there is effective co-operation with local partners, and that arrangements are in place to ensure the value for money of the National Coalfields Programme as a whole.

11. The action plan will also review the future of the coalfields programmes and ensure local co-ordination mechanisms are in place to allow local stakeholders and interest groups to determine local priorities.

12. The review is due to report to Ministers in late Summer 2010, with the other actions put in place, or completed by the end of 2010.

PAC Conclusion (2): The Department has failed to lead coalfield regeneration across Government. The Department should take the lead to bring together relevant Government Departments to support enterprise, employment, education and transport in coalfield communities. The Department should agree clear terms of reference and establish national aims, underpinned with clear lines of responsibility.

13. The Department agrees with the Committee's conclusion. The National Coalfields Forum was set up to encourage other Government Departments to work with the Department on the coalfields agenda, following a recommendation in the interim evaluation of the programmes, carried out by SQW Consulting. However, this has not been as successful as hoped. To address this issue, the Department has established a Senior Whitehall Strategic Group to ensure that linkages are made between the coalfields programmes and development of wider cross Government policy. It will also identify key challenges and opportunities, arising in coalfield areas,

and consider how to align this to Government policy. The Group is part of a strengthened governance structure to provide effective co-ordination and oversight of the three initiatives. The group met in January and May 2010.

14. The *Review of Coalfields Regeneration* will examine ways in which the three current programmes can be more effectively coordinated to work together at a local level. It will look specifically for how local authorities can play a leading role in linking the programmes to the specific needs of the local communities. The review will consider the position of the coalfields in a post recession world, looking at the relative positions of central and local Government, and how mainstream funding, via the local authorities, can join up with the dedicated coalfields programmes.

15. A third coordinating approach is provided by the work of the HCA, through the continuing *Single Conversation process*. This is seen as a particularly powerful tool for engaging local authorities and local communities in considering the range and detail of local circumstances, and agreeing on what approaches are likely to prove the most effective in each particular area. Coalfields have been included in the process from the start, and benefit from the HCA principle of facilitating engagement with other programmes and mainstream providers. Thought has been given to the utilisation of other funding sources such as the National Affordable Housing Programme, Kickstart and the Public Land Initiative.

PAC Conclusion (3): The Department has not sufficiently coordinated its three strands of coalfield regeneration and funding for improving local coordination is at risk. The Department should define the respective responsibilities of the initiatives and how they should work together in coalfield areas. The Department should assess the additional value for money from improved local coordination between its initiatives and use this to inform future funding allocations.

16. The Department partially agrees with the Committee's conclusion. At local level, co-ordination was achieved with agencies working together, through Local Area Agreements and other initiatives such as the Family Employment Initiative, which supports people from coalfields communities into employment, training and other opportunities.

17. The three programmes were set up as part of a much wider Government initiative in line with the *Task Force Report*, which proposed a multi-stranded cross Government programme of work to deal with coalfield regeneration that also needed mainstream funding. It did not envisage the Department's initiatives operating as a single unit. However, the Department recognises that there is clearly more scope for closer working and is committed to bringing this about.

18. Prior to the National Forum being set up, regular stakeholder forums were held as a method of coordinating the work of the three initiatives. These forums were held quarterly, chaired by the then English Partnerships and attended by the Coalfields Regeneration Trust (CRT), the Department, other Government departments, the Enterprise Fund, Regional Development Agencies and wider stakeholders relevant to the subject being discussed. Examples of topics covered included housing, land contamination and other technical issues, and employment and training.

PAC Conclusion (4): The Department has failed to develop a robust assessment of the direct impact of its initiatives, including proof that the money spent has created jobs that would have been created anyway. To demonstrate that its plans merit continued funding, the Department should establish the success of its initiatives using direct measures such as the occupancy rates on sites and the number of jobs filled by members of coalfield communities as a direct result of the initiatives. To better assess the true impact of the programme, the Department should compare the benefits achieved by site redevelopment with those former coalfield communities whose sites were excluded from the Programme and publish the lessons learnt from this evaluation.

19. The Department partially agrees with the Committee's conclusion. It accepts the need to develop measures to demonstrate the benefits of specific funding for coalfields communities and the review will look at the best way of achieving this. However, the Department does not agree that there would be benefit in undertaking the type of evaluation suggested by the Committee. Since the 1980's, 124 coalfield pits closed, there are 107 sites in the National Coalfields Programme and only a small number were excluded. Because of the small number of sites that were not part of the HCA programme, and the length of time that has passed since the sites closed, any benefits that may be gained through such an evaluation would be minor.

20. When the programme was set up, not all of the former pit sites were transferred to the HCA sites programme. There were a small number of sites brought into the programme, that because of the length of time they had been lying derelict, it was considered that the communities around those sites were no longer coalfield communities. This meant that in some cases, the areas covered by the different coalfields initiatives were not the same. One programme deals with the physical dereliction, and the other social and community initiatives concentrated on those areas where there was still a mining community.

21. In some cases, local authorities had taken action to deal with the dereliction in an area. However, it would have been unfair to exclude communities from being able to take advantage of the other coalfields initiatives, such as the Coalfields Regeneration Trust, because that particular site was not part of the HCA programme.

PAC Conclusion (5): The Department does not have a specific programme in place to help local people benefit from jobs on its site developments. The Department should have a specific programme in place for every site to help local people access job opportunities created by construction work and incoming business. It should urgently check all its site developments and make sure that such programmes are in place. And it should incentivise the Coalfields Regeneration Trust (the Trust) and the National Coalfields Programme (the Programme) to make use of their collective networks and expertise to create job opportunities for local people.

22. The Department agrees with the Committee's conclusion. Of the job opportunities that have been created, 38% went to people from outside the coalfield areas, and local people took 62%.

23. *The Family Employment Initiative* is a programme whereby the CRT works in partnership with the HCA, local authorities and other agencies in local areas, such as Job Centre Plus. The initiative provides information, advice and guidance on a wide range of topics to help local people from the coalfield communities. The project targets specific streets in deprived communities, predominantly identified by Job Centre Plus, providing personal support and linkages to existing provision, and influencing commissioning, where needs emerge. This initiative is currently working with local people in Derbyshire, Nottinghamshire, West Yorkshire, Newcastle-under-Lyme, Sunderland and Wigan – where a three year programme is under way in partnership with the local authority and the Working Neighbourhoods Fund. Since 2006, the initiative has helped 1000 people into employment.

24. Current HCA policy is that capital investment across its programmes, including funding and the sale or use of HCA land should encourage the delivery of employment and skills opportunities. The HCA has established apprenticeship targets and delivery partners. Developers and registered providers are required to provide an *Employment and Skills Plan* and *Method Statement* as part of the approval process. The HCA supports close working with local employment and training networks and providers, therefore, wherever possible, local people have better opportunities to improve their skills and find employment.

PAC Conclusion (6): The benchmarks the Department uses to assess its spending on the contamination, housing and employment aspects of coalfields regeneration are too broad to give confidence over value for money.

(a) To improve the comparability of the costs of treating land, the Department should develop separate and narrower benchmarks for differing levels of contamination, and

(b) The department should develop more sophisticated housing and employment benchmarks that exclude the unavoidable cost of treating land to meet legal obligations, and are based solely on the incremental costs and benefits associated with the work.

25. The Department agrees with the Committee's conclusion. The National Coalfields Programme portfolio is both large and diverse. Although the majority of sites are contaminated, some more severely than others, there are a number of sites that require little in the way of remediation. This is in part, reflected in the broad range of value for money (VFM) statistics. Other influential variables include the size of the site, the proposed end use, together with the level of private sector interest. Overall, the HCA suite of vfm benchmarks is currently being refreshed.

26. To meet legal obligations, all *Green Book Economic Appraisals* normally include a reference case option this sets out and costs the statutory legal obligations for any particular site. Once these costs are established, it enables analysis on other incremental costs and benefits associated with the work.

27. The Department will work with the HCA to take this forward by agreeing standard methodologies on benchmarks and assumptions, in conjunction with the Treasury. This will be part of the wider Property and Regeneration business case methodology and vfm benchmarking review, which aims to help improve the quality and consistency of appraisals produced by the Department and its agencies. The proposed output from the review will be a guidance note for the Department and HCA analysts setting out the agreed methodologies, vfm benchmarks and definitions.

PAC Conclusion (7): The Department did not act quickly enough to support enterprise in coalfield areas. By the time the £50 million Coalfield Enterprise Fund to support businesses was proposed in 1998, the employment, skills and confidence in many coalfield areas had been lost. An urgent response was needed but the Department took until 2004 to develop and launch a £10 million fund. And the Department took until 2009 to identify a mixture of public and private funding to reach the £50 million mark. The Department should urgently reassess the enterprise funding needs of coalfield areas.

28. The Department agrees with the Committee's conclusion. The Coalfields Enterprise Fund took longer to set up than was originally intended. The Fund was breaking new ground and was operating over the large, but diffuse coalfield areas, focusing on severely deprived communities. It proved very challenging to engage with financial institutions, including banks and fund managers, to encourage investment in these areas.

29. Delays occurred because of the lengthy process to appoint a fund manager. There were also delays because of the need to obtain state aid clearance from the EU Commission, the lengthy negotiations with private investors and the fact that they pulled out when the European Investment Bank did not grant a guarantee on their investment. The Fund was therefore restructured to a co-investment model, for which state aid clearance was granted in 2003. The Department will carry out an evaluation of the Coalfields Enterprise Funds to assess its effectiveness in attracting venture capital, and to enable recommendations to be made on the future of the Fund in Autumn 2010.

PAC Conclusion (8): The Department is not confident of achieving its target outputs for the physical aspect of coalfield regeneration by 2017 because of the current economic downturn but it has not reviewed its spending plans. The capacity of coalfield areas to absorb new building developments on former coalfield sites and create jobs is dependent on the speed of economic recovery. The Department should re-evaluate how best to achieve its aim to revitalise coalfield areas in light of the downturn. It should reassess the immediate and long-term needs of coalfield communities in light of further job losses. The Department should reassess the balance of spending between physical regeneration on sites, physical regeneration and infrastructure elsewhere, support for training and skills development, and support for enterprise, and set itself challenging targets to maximise its contribution to employment and sustainable growth in coalfields areas.

30. The Department agrees with the Committee's conclusion. The Department accepts that the targets set for the National Coalfields Programme have taken longer to achieve than originally envisaged, given the changed economic conditions. *The Review of Coalfields Regeneration* will provide advice to assist with this. The economic downturn has meant that receipts to be recycled back into the programme, and the slowed demand to develop employment floor space has contributed to the delay. Based upon current projections, the programme, to remediate the land on these former sites, is due be completed by 2015, ensuring that the environmental legacy of the industry is cleaned up and the blight associated with derelict sites is removed.

31. The target of the original programme was to restore and regenerate each of the sites to positive use within its ten-year business plan. As further sites were added to the programme, and the ownership and contamination issues associated with some of the sites were investigated, it became clear that it would take significantly longer to complete the work. The impact of enhanced remediation and environmental obligations changes in planning policy, and changes in wider regeneration objectives, all impacted on the timescale.

32. The HCA considers the development and remediation of a site in its entirety and looks at the best end use for each of those sites. The tangible benefits from the regeneration of these sites such as homes, job opportunities and open space will come at the end of the process once the remediation has been done. The Programme is managed to ensure each of its projects are delivered alongside other regional priorities by regional project managers, as part of HCA's *Single Conversation*. This ensures that the Programme is integrated with ongoing regeneration activity and that projects are sustainable and not brought forward without taking other development activity into account.

33. The Review will look at ways to ensure that targets remain relevant and up to date, particularly in the light of changing market conditions, and at future output and funding trajectories.

Seventeenth Report

Department for Business, Innovation and Skills (BIS)

Venture capital support to small businesses

1. Since 2000, the Department for Business, Innovation and Skills (the Department) and its predecessors have invested public money, alongside private investors, in a series of funds managed by private sector fund managers. The funds provide support to small businesses unlikely to receive support from other sources. The programme currently comprises 28 funds. By December 2009, taxpayers had contributed £338 million, alongside £438 million from private investors. Businesses receiving support say it has enabled them to get started more quickly and attract funding alongside other investors. But the distribution of funding from national funds has been concentrated in London and the South East, reflecting the location of many fund managers.

2. The Department's intervention in the venture capital market was experimental and risky, yet it did not set clear, prioritised objectives for the funds, including the expected economic benefits, and did not set targets at the outset for expected rates of return. There is evidence that the Department has learned some lessons, over time, but it did not begin to properly evaluate the progress of its early funds until late 2008, and did not publish a report until December 2009.

3. The Committee was concerned that the Department had published no information on the performance of these funds. While recognising that many individual investments would fail, the Department expected that any losses would be outweighed by the gains made on successful investments. The Committee was also concerned that the Department has not done enough to curtail the high costs of managing the funds. For example: the fees for the Regional Venture Capital Funds have totalled £46 million, compared to the £130 million invested. Substantial fees have been paid to fund managers, even though the performance of the funds has been poor.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department and Capital for Enterprise Limited on how the funds established, since 2000, had been managed, and what actions had been taken to improve the programme and design of funds.

PAC Conclusion (1): Despite investing taxpayers' money in venture capital funds for almost ten years, the Department failed to establish a basic set of economic and financial objectives vital for setting clear direction for this set of funds. As a priority the Department should set clear, prioritised objectives for the programme as a whole and the individual funds including, in particular, the intended economic benefits for businesses. It should then set targets for measuring their success.

5. The Department partially agrees the Committee's recommendation. The Department accepts that the objectives it had set for each of its equity programmes lacked clarity and had not been prioritised. It therefore reviewed the objectives for each scheme and collated them under the three headings.

6. The first objective is the Ultimate Objective. For all of the Department's venture capital programmes, the ultimate objective is to deliver a net economic benefit to the UK, which will determine whether the scheme is delivering value for money. The success criteria would be measured by the amount of additional Gross Value Added (GVA – additional output) generated by recipient businesses over the life of the fund being greater than the economic cost of delivering the scheme. Due to measurement difficulties, the assessment excludes additional GVA generated after funds have closed and any external benefits, such as those arising from improvements to financial infrastructure.

7. The second objective is the Intermediate Objectives. Success in achieving these objectives will determine the ability to meet the ultimate objective by:

- increasing the supply of finance to viable and appropriate SME businesses; and
- increasing the economic performance of recipient businesses (in aggregate), through improvements in output, employment, exporting and innovation.

8. The third objective is the Operational Objectives. These cover the creation of the funds and on-going delivery by:

- ensuring the schemes are implemented; managed and delivered efficiently; and provide value for money; and
- ensuring processes are in place to capture early lessons in delivery and implementation; and ensuring that they are fed back into the further policy development.

9. All of the objectives are supported by specific success criteria and outputs by which the programmes will be measured.

PAC Conclusion (2): This was a new and risky programme but it was eight years before the Department even began to evaluate the impact of these funds. The Department should, within the next two years, be in a position to demonstrate whether value for money is being achieved. In doing so, it should assess both the past and likely future financial performance of the funds and the economic impact secured. It should also evaluate the impact of the investment on individual businesses, including whether limits on the amounts that can be invested have reduced the likelihood of success.

10. The Department agrees with the Committee's recommendation. Equity programmes are long-term policy interventions and it is generally accepted that the final outcome for an equity fund may not start to become apparent until its sixth or seventh year. However, the Department believes that it is able to start collecting evidence to aid evaluation from the first years of the programmes, but that it must remain cautious about making any assessment of value for money, before the funds close.

11. All of the Department's venture capital schemes will be evaluated in three ways. The first is the initial assessment, over the first and second years, which will interview early recipients for information on their characteristics to ensure the scheme is correctly targeted. For example: on whether they are innovative and have growth objectives; the application process; on whether they would have received finance in absence of scheme; and any evidence of early perceived impact on business performance and expectations of future additional performance.

12. The second way involves an interim assessment on the sixth and seventh years. This is becoming accepted as the period by which the true impact of equity programmes begins to become evident. The intermediate performance will analyse and assess by a large-scale survey and capture information on business performance over time. For example: on turnover, employment, innovation, exports and the level of financial and project extra resources. Additionally, survey fund managers and independent experts will assess the fund value and the programmes impact on the market conditions affecting the supply and demand for equity finance to Small and Medium Enterprises (SME).

13. The third way is the final assessment as funds close. This involves an assessment of economic performance of businesses, since investment, using existing and new survey and administrative data (for example: Companies House) to track business performance and assess against a comparison group of non-recipients. Further interviews with stakeholders will be carried out to gather additional information for the final assessment on the effectiveness of the fund, particularly in relation to delivery and the impact on the supply of capital. Even for legacy programmes, this final stage will not commence until about 2012-14, as schemes did not make significant investments until 2002.

14. The assessment of two of the earliest programmes was published in December 2009. Companies that responded revealed that on average, seven extra jobs had been created, three quarters had an additional £375,000 turnover and 42% had started or increased exports. A more detailed assessment, covering the entire legacy programmes, is now in progress. The evaluation will be collected from individual firms and aggregated to provide details that can be published on the Department's website. The Department has already completed an interim assessment of the Regional Venture Capital Fund (RVCF) and the Early Growth Fund (EGF).[6]

6 http://www.berr.gov.uk/policies/enterprise-and-business-support/analytical-unit/research-and-evaluation/globally-competitive-business

15. The Department intervenes, where there is an acute shortage of venture capital, or where private funds may exist, but lack scale. One example is on relatively small funds for early stage companies, where the costs associated with many smaller investments make the returns appear less attractive. Initially European state aid restrictions limited investment to £500,000. However, following evidence provided by the Department to the European Commission, it agreed that Enterprise Capital Funds (ECFs) can invest up to £3 million. The Department will keep this matter under review.

PAC Conclusion (3): The early funds were structured in a way that meant the taxpayer bore a disproportionate share of the risk compared to private sector investors, and hence greater losses. When developing new funds the Department, building on the improvements made to the design of more recent funds, should avoid structures, which give preference to the interest of private investors and leave the tax payer with substantial risks.

16. The Department partially agrees with the Committee's recommendation. The Department's programmes, that target the equity gap, must address the inherent lack of appetite amongst private investors for such investments. In the early programmes, the Department's investment was subordinated, so that private investors were protected from much of the downside risk. By doing this, the Department was able to leverage a greater amount of investment from the private sector and thereby provide significantly more funding for SMEs and potentially realise greater economic returns (employment, exports and turnover). The RVCF leveraged approximately £7 from the private sector, for every £3 the Department provided.

17. Since 2006, when the ECF were launched, the policy has been to provide a more sustainable programme. The Department gets its preferred return first. However, it then accepts a limited share of the remaining profits. Private investors therefore take on the greater risk with a greater potential return. This has resulted in the Department leveraging £1 from the private sector for every £2 it invests.

18. If future policy objectives were to substantially increase venture capital, particularly in areas where the equity gap is most acute, then some level of subordination of the Government interest might be considered. The Department believes this should be avoided. Therefore, the decision to subordinate would only be taken if it represented best value for money for the public, following a robust business case, based on the methodology outlined in the Treasury's *Green Book*.

PAC Conclusion (4): The Committee is concerned that the Department and Capital for Enterprise Limited do not have a grip on the cumulative fund management fees incurred by these funds, and by paying fees regardless of performance, have been prepared to reward failure. The large number of funds plus the small size of individual investments are likely to have increased costs. For the future, the Department should reduce the number of funds to focus its investments on those areas most likely to yield benefits to the taxpayer. Where there is evidence of poor performance by fund managers, Capital for Enterprise Limited should take prompt action to reduce fees.

19. The Department partially agrees with the Committees recommendation. The Department collates, and has provided details of, the cumulative management fees. Capital for Enterprise Limited monitors the performance of fund managers The Department agrees that it should focus its investments to deliver the best outcome for the public. The Department engages with private sector fund managers and invests alongside the private sector using the normal commercial arrangements that exist in this sector. If the Department offered less favourable terms than the rest of the sector, it could only attract second-rate fund managers and would be unlikely to attract co-investors.

20. Capital For Enterprise Limited operates a rigorous selection process to assess the abilities of the fund managers and adopts the normal commercial practice. Fund managers and investors agree a legally binding contract that provides the fund manager with a management fee, based on a percentage of the sum to be invested during the initial investment period. After the initial investment period, fund managers receive a sum

based on the amount invested or the value of the fund. The fee covers the fund manager's costs, which include identifying good investment opportunities, actively assisting the businesses to grow, and then exiting the investment through a flotation on a public market, or a sale to other private investors. It is only when investors in the fund have achieved an acceptable level of return that the fund manager receives a profit share.

21. The Department has spoken to a number of investors and fund managers and is persuaded that there is no scheme that can fully assess performance, before the fund is significantly exited. However, there are occasions when fund managers are viewed as not fully honouring their obligations. For example: when there are significant changes to the fund manager's team, or when fund managers are not complying with their obligations to the funds, as set out in the legal agreements. Capital for Enterprise Limited monitor all funds and will take action to address any situation, which can include reducing the funds under management and the management fee paid to the fund managers.

22. The Department invests where the equity gap is most acute and attracts private investors, either through subordination or allowing the private investors a higher share of profits. The size of the investments made in companies is controlled by the EU State Aid regulations. A fund management team would normally be expected to manage no more than 15 investments from a fund and this efficient portfolio size, coupled with the investment size restrictions from Europe, limits the size of these funds. The Department and Capital For Enterprise Limited will continue to ensure that these funds can continue to operate at a viable size and will ensure any constraints imposed by the European Commission are properly informed.

PAC Conclusion (5): Despite investing taxpayers' money in funds, the Department has accepted restrictive confidentiality clauses and until late 2009, there was scant information in the public domain about the performance of funds. Capital for Enterprise Limited has recently published some aggregated data about the funds. It needs to build on this by providing a clear up-to-date picture of where investments have been made and how the funds have performed, including the extent of any successes and write-offs. For future funds, the Department should avoid entering into confidentiality agreements, which restrict the ability to be transparent about fund performance.

23. The Department partially agrees with the Committee's recommendation. Information, which could identify the performance of individual companies, immature funds or the interests of private investors is not published and is protected by confidentiality clauses. The confidentiality clauses are a commercial requirement. As the Department needs to protect its investment, and the companies it invests in, it is unlikely that the Department will be able to attract good quality fund managers and private investors and avoid signing any confidentiality agreements.

24. The information provided by the Department was not out of step with other countries. Capital for Enterprise Limited have had to balance the legitimate needs of private investors with those of the tax payers (the Department has not been asked to and could not provide confidential or sensitive financial data) however, it can and has provided aggregate details such as sectoral and geographic analysis.

25. The Department does want to increase transparency of its investment portfolio to, demonstrate the effect of these investments to investors and companies. The confidentiality agreements prevent the detail of every separate fund being reported. However, the Department can provide aggregate details of the individual programmes, such as Regional Venture Capital Funds and Early Growth Funds. Within the Enterprise Capital Fund programme, which has been investing for a number of years, it will be possible to separate out different vintages of funds, for example, funds that commenced in 2008. In addition to the financial performance, the Department has a schedule of evaluation surveys. The first of which has reported and the results of this survey and future surveys are and will be published on the Department's website.

PAC Conclusion (6): There is a risk that the current pattern of investment, concentrating in London and the South East, reinforces inequalities between regional economies. The geographical distribution of investment activity for the national funds tends to coincide with where the fund managers are located. Capital for Enterprise Limited should make fund managers aware of the department's remit to reduce inequalities between regional economies to avoid the risk that promising businesses in the regions are overlooked. Capital for Enterprise Limited should also publish regional distribution of funds and fund managers.

PAC Conclusion (7): The Department lacks a clear picture of how its national programme of venture capital funds fits alongside other venture capital funds established and managed by Regional Development Agencies. The Department and Regional Development Agencies should collate information on the aims, objectives, and amounts invested in the various publicly supported venture capital funds. The Department should use this information, working with other relevant public bodies, to ensure that funds complement each other, that any potential duplication of effort is avoided and that common objectives are pursued efficiently.

26. The Department partially agrees with the Committee's conclusions. The Department operates national schemes because research by academics and advice from the sector is that regional schemes are often sub optimal. The Department schemes are run as commercial investments using a mix of private and public sector investors. The Department's objective is for the programme to be cost neutral in the medium term and that each fund is commercially managed and tasked, with maximising returns.

27. To achieve this, Fund Managers need to access opportunities across the UK. However, there is no indication that there is a significant bias in favour of London and the South East. The distribution of Department's investments over the regions aligns with general trends in regional economic activity and is more evenly distributed than British Venture Capital Association data.[7] There will never be an exact match between investments made and the regional economic activity for a number of reasons, not least, that some regions operate their own significant Venture Capital funds.

28. The Department has signed protocols with the Regional Development Agencies and is working with other Government Departments to use the expertise of Capital For Enterprise Limited when new funds are proposed, and to draw together information on all the existing venture schemes. To date 56 schemes (legacy and live) has been identified with a total of £973 million committed, provides an overview of the venture capital landscape. Following on from this, the Department will ensure that information is collated on the funds and the investments to enable a comparative assessment of the aims, objectives and performance. This will enable better benchmarking of performance; deliver improvements to the design and delivery of the schemes; and should deliver both financial and economic benefits.

29. Fund Managers, whose reputation is based on their ability to deliver the best returns for the investor, will not want to overlook the best investment, because it is based in the wrong region. Few businesses would have the expertise to enter in to venture capital arrangements without seeking the professional advice of corporate finance advisors. Fund managers are in constant contact with corporate finance advisors through leaflets, placed articles, e-mail and phone, to alert them to the funds they are managing and thereby contact many of the investment opportunities across UK.

30. The Government announced, in Budget 2010, that it will publish a Green Paper on business finance before the summer recess. The paper will consider the broad range of finance options for businesses of different sizes including bank lending, equity and corporate debt. It will invite views from business, investors and lenders on priorities and approaches to enhancing the access of credit-worthy businesses to appropriate sources of finance.

7 http://www.capitalforenterprise.gov.uk/files/Website%20-%20Equity%20Fund%20Data%20060110%20v1.pdf

Eighteenth Report

Department for Transport (DFT)

Vehicle and Operator Services Agency: Enforcement of regulations on commercial vehicles

1. The Vehicle and Operator Services Agency (the Agency) has successfully increased by over 25% the number of dangerous vehicles and drivers that it removed from the roads in recent years. The Agency's work to target its efforts more at the riskiest operators, the Committee considers that there is scope to do better by bringing the Agency's working practices up to date to reflect current road traffic patterns and the opportunities afforded by technology and working with others.

2. More needs to be done to address the significant risk to road safety posed by foreign commercial vehicles. They appear to contribute little in the way of revenue and pose a particular challenge in terms of enforcing regulations. The Department for Transport (the Department) and the Agency have increased the number of inspections of foreign vehicles and have put in place stronger sanctions in the form of fines. However, they must not lose focus on the need to address a number of important barriers to the effectiveness of their enforcement activities. In particular, the Committee does not consider that the Department and the Agency have done enough to secure access the HM Revenue and Customs' Freight Targeting Database which would allow the Agency to target non-compliant vehicles and drivers as they enter the country and so prevent them from travelling on Britain's roads.

3. The Agency seeks to target its inspections of British operators on those, which present the greatest risks, however it needs to develop its systems further so that they reflect better the known risks to road safety. Likewise, the location of staff and check-sites needs to reflect more closely current traffic patterns. The Agency is also unable to obtain as much information about high-risk British operators as it would like as there is currently no fully effective mechanism for sharing data between Member States in the European Union. The Department's new *Heavy Goods Vehicle (HGV) Compliance Strategy* is under development and provides an opportunity to make better use of data to analyse risk and to target more effectively.

4. On the basis of a report by the Comptroller and Auditor General, the Committee examined the extent to which the Agency is effective in targeting high risk vehicles and whether its approach to enforcement is appropriate in today's world.

PAC Conclusion (1): The Committee is concerned that the Agency has not done enough to address the risks to safety posed by foreign HGVs on our roads. While the Department is funding a three-year programme to target such vehicles, a more sustained effort is required. The Department and Agency should prepare an action plan to set out what they will do to focus greater enforcement activity on foreign operators when the present high Risk Traffic Initiative expires in 2011.

5. The Department disagrees with the Committee's conclusion. In addition to the enforcement activities funded by the *High Risk Traffic Initiative*, a number of other initiatives are in place to tackle the safety risks posed by foreign-registered Heavy Goods Vehicles (HGVs). These include:

- the implementation of new legislation to allow the Agency and the police to issue fixed penalties and impose a financial payment for offences by drivers who do not hold a satisfactory UK address. During 2009-10, some £3.5 million was collected, a large proportion of which was the result of offences committed by drivers of foreign-registered HGVs. The Agency and the police are also empowered to immobilise vehicles for serious offences until such time as payment is made and the offence rectified.

- an increase in the number of checks on foreign-registered vehicles, with over 170,000 checked in 2009-10 compared to 57,000 in 2006-07. The proportion of roadworthiness, overloading and drivers' hours offences found on foreign-registered vehicles in 2009-10 was broadly similar to that for GB-registered vehicles checked, suggesting that the compliance gap is narrowing; and
- the distribution of Fresnel lenses to drivers of left-hand side HGVs to tackle the problem of blind spots. The Highways Agency (HA) and the Agency distribute around 60,000 such lenses every year.

6. The Agency has recently developed a compliance profile for non-GB registered HGVs based on the degree of risk posed; similar to the one in use for GB-registered operators. Enforcement officers will be able to access the information via a hand-held device to better identify, which foreign-registered vehicles pose the greatest risk and should be stopped for inspection. The system is due to be rolled out during 2010-11.

PAC Conclusion (2): The Department should have done more sooner to ensure that the Agency had access to information in HM Revenue and Customs' Freight Targeting Database which would give it critical intelligence about vehicles arriving in Britain from mainland Europe. After several years the Agency still has not negotiated access to the database. The Department and Agency should reach agreement with HM Revenue and Customs urgently to share information held on vehicles, taking appropriate regard of data protection requirements. If necessary, this should be by direct contact between the respective Permanent Secretaries.

7. The Department agrees with the Committee's conclusion. The Freight Targeting System (FTS) operated by the UK Border Agency (UKBA) contains real-time information about HGVs travelling by ferry from mainland Europe to Britain, which would be helpful to the Agency's enforcement activities.

8. The question of the Agency's access to certain information from FTS has now been resolved. The Agency has examined the FTS system in some detail and identified the information that would be of most use to it initially; primarily data from the ship's manifest which includes details about the vehicle's registration and driver. The UKBA will make certain information available to the Agency in August, initially in the South East ports, enabling the Agency to further target high and medium risk operators.

9. The intention is for the Agency not only to use the information tactically at the ports but also to incorporate it into the Agency's compliance risk assessment system developed specifically for non-GB registered vehicles. The additional information will enable enforcement officers to better target roadside checks at risky foreign-registered HGVs travelling on our roads. Access to other, less critical data held on FTS, of interest to the Agency in the longer-term, will be negotiated at a later date.

PAC Conclusion (3): The Agency is currently unable to access all ports where it could best inspect high-risk vehicles before they enter Great Britain. The Agency is negotiating a memorandum of understanding with the British Ports Association to establish its access conditions. If these negotiations do not have a successful outcome in the near future, the Department and Agency should identify and implement other means to get access to all ports in Great Britain.

10. The Department partially agrees with the Committee's conclusion. Substantial benefits can be gained by inspecting vehicles and drivers' records at the ports, the starting point of many HGV journeys on Britain's roads. Defects and offences can be spotted, and unsafe HGVs and their drivers prevented from travelling on our roads until the problem is rectified. The visibility of the Agency at ports also offers a deterrent advantage.

11. The Agency has secured agreement in principle with the British Ports Association to a draft memorandum of understanding on access conditions; the detailed arrangements of which have been discussed with individual port authorities. It is expected that the final memorandum of understanding will be signed in July 2010 and will provide a clear basis for the Agency's presence at the ports, whilst providing the assurance that port authorities seek on the proportionality of the Agency's checks at competing ports. Not all ports are

members of the British Ports Association and the Agency has been separately negotiating with these ports to secure agreement to access conditions.

12. The Agency's access to ports is not, however, the only solution to preventing high-risk HGVs from travelling on Britain's roads. Operating from a check site located close to ports can be very effective, particularly when there is only one route in and out of the port, for example at Holyhead. Also, operating from large check sites near major routes in and out of ports could have greater benefits in being able to better deal with high volumes of traffic.

PAC Conclusion (4): Some European Member States do not cooperate with the Agency by sharing data about British operators found to be non-compliant when travelling abroad. Such information would help the Agency to form a more complete view of the risks posed buy these operators. The Agency should investigate the reasons why individual Member States do not provide data on non-compliant British operators and take steps to secure greater cooperation.

13. The Department agrees with the Committee's conclusion. As part of the preparations for the introduction of new EU Regulations requiring Member States to notify the Agency about serious offences committed by British operators in their country, the Agency is seeking to establish how many British vehicles are inspected in other EU Member States and the outcome of those inspections.

14. The information will not only help the Agency to understand the likely impact of the new regulations on its work, but will also establish whether those Member States who do not currently provide information to the Agency are actually inspecting British vehicles. Where the Agency identifies a Member State that does inspect British vehicles but does not pass on the information, the Agency intends to find out why this is happening and to agree with the Member State the actions that can be put in place to rectify the situation.

PAC Conclusion (5): The Agency's risk score system is not accurate enough to be truly effective in helping it to target its inspections on the riskiest operators. The Agency should revise its risk scoring system so that:

(a) it draws on data on vehicle type and condition to give a better indication of the risk posed by operators, and

(b) the scores better reflect the assessed risks to road safety from factors such as overloaded vehicles or defective steering.

15. The Department partially agrees with the Committee's conclusion. The Operator Compliance Risk Score (OCRS) system has proved to be an effective targeting tool, but there are improvements that can be made to make it even more effective.

16. The OCRS system currently draws on data from annual tests and roadside encounters and provides sufficient information on vehicle type and condition to be able to indicate the risk posed by operators. The OCRS scoring mechanism also includes factors that represent a risk to road safety such as overloading and defective steering.

17. This year, the Agency will be amending the Red, Amber and Green bands within the OCRS system and introducing graduated scores for those offences where there is a range of fixed penalties. These changes will reflect a wider assessment of the risk to road safety. Additionally, the Agency plans to conduct a strategic review of OCRS to ensure the scoring mechanism better reflects the level of risk that operators represent and to identify what further feeds of data can assist in making the system more effective. The Agency predicts the changes to the OCRS bands will be completed in July following a three-month consultation with the Trade Associations. It aims to complete the incorporation of graduated scores for offences into the OCRS system by the end of 2010-11 and to have completed the strategic review of OCRS also by the end of 2010-11.

PAC Conclusion (6): The Agency has not always located its checksites in the best places or made full use of them. The agency should review the location of its checksites across Great Britain, based on factors such as road safety risk and commercial traffic flow, including rural routes directed by satellite navigation systems. It should then produce a business case for relocating sites as appropriate so that examiners can stop high risk vehicles at the most effective locations on the road network.

18. The Department partially agrees with the Committee's conclusion. The Agency's enforcement sites, which were originally located to provide the best geographic cover, are currently under review to ensure that their location continues to reflect major traffic flows and risks to road safety. The review is due to be completed by the end of 2010-11.

19. The Agency currently uses a mixture of locations and methods for inspecting vehicles. Around 75 locations are 'static' sites, which contain equipment such as fixed weighbridges, roller brake testers, and some have access to additional amenities such as Automatic Number Plate Recognition cameras and Weigh-in-Motion sensors. These locations afford good facilities for carrying out thorough checks of vehicles and driver records. The Agency has also invested in a fleet of 50 mobile offices, which can be set up in locations such as Motorway Service Areas or large lay-bys. Additionally, stopping vehicles rove and look for high-risk vehicles in locations such as industrial sites, or in areas where the Agency has no other formal check site.

20. The Agency is working with the Highways Agency (HA) to develop a more effective enforcement network, by making use of HA depots for enforcement work. The site at Sandbach on the M6 is being used in this way, resulting in increased Agency effectiveness. Other HA depots at Clatterbridge and Breakspear have been identified as possible sites and pilots are in progress. Additionally, the Agency intends to proceed with plans to develop three new enforcement sites at strategic locations on routes to and from major ports. These sites are at Elmswell, on the A14, intercepting traffic to and from Harwich and Felixstowe, Glenluce on the A75, intercepting traffic to and from Stranraer and Cairnryan, and Chilcomb on the M3 intercepting traffic to and from Portsmouth, Southampton and Poole.

PAC Conclusion (7): The Agency's performance targets assign low priority to operator visits which risks discouraging staff from carrying them out. It has, however, begun to visit persistently non-compliant operators at their premises in an attempt to address the causes of their non-compliance. The Agency should adjust its performance targets so that staff are properly incentivised to undertake operator visits.

21. The Department disagrees with the Committee's conclusion. The Agency conducts routine and targeted checks of operators' premises and systems to check compliance across the fleet and inspect vehicle maintenance management systems. The Agency checks compliance with the working time and drivers' hour's regulations during these visits. It is an Agency requirement, as part of its educational strategy, that all new operators should be visited at their premises by one of its examiners.

22. The Agency also schedules visits to existing operators where evidence suggests compliance is reducing and the risk posed is therefore increasing. Such visits are generated by intelligence gathered about an operator through paperwork and roadside activity or by the Traffic Commissioner. These visits attract an increased performance gain tariff for staff, commensurate with roadside work.

23. The Agency recognises there is a need to reach the right balance between preventative education and enforcement sanctions. It has reviewed its priorities in the light of the HGV Compliance Strategy and whilst roadside targets will remain an important element, area teams will be undertaking more educational work, with particular focus on driver and tachograph offences.

PAC Conclusion (8): Solutions to many of the current problems await the Department's HGV Compliance Strategy. Once finalised, the Department should share its strategy with the National Audit Office so that it can confirm that the strategy tackles the relevant issues and, if appropriate, can report back to us.

24. The Department agrees with the Committee's conclusion. A draft of the HGV Compliance Strategy has been shared with the NAO and the document submitted to Ministers for their endorsement.

PAC Conclusion (9): The Committee is concerned that foreign lorries use our roads and cause accidents her but, unlike British lorries, do not pay any tax. The Department should work with the Treasury to reduce this imbalance and find a way for foreign lorries to pay for their keep on our roads.

25. The Department agrees with the Committee's conclusion. The Coalition Government will work towards the introduction of a new system of HGV road user charging to ensure a fairer arrangement for UK hauliers.

Nineteenth Report

Department of Health (DH)

Improving Dementia Services in England – an Interim Report

1. Dementia covers a range of progressive, terminal brain conditions, which affect an estimated 600,000 people in England and this number is rising rapidly. People with dementia require a complex mix of health and social care with patients regularly moving across organisational boundaries. The effectiveness of care depends on co-ordination and co-operation between the NHS; social services; care homes; and the voluntary sector. Stigma and negative attitudes towards mental illness and old age further exacerbate the problem. Dementia costs £8.2 billion a year in direct health and social care costs but much of this spend is in response to crisis, in the later stages of the disease.

2. In February 2009, the Department of Health launched an ambitious and comprehensive five-year National Dementia Strategy (NDS) aimed at helping people to live well with dementia. The Department estimated that the Strategy would cost £1.9 billion to implement over 10 years, and that this would be funded largely through efficiency savings. National and regional leadership was put in place and initial seed funding of £150 million was allocated to Primary Care Trusts (PCTs) to assist implementation over the first two years.

3. However, in practice, the Department has failed to match its commitments to raise the quality and priority of dementia care with a robust approach to implementation. It has failed to ignite passion, pace and drive or to align leadership, funding, incentives and information to help deliver the Strategy. It also delayed the appointment of a national clinical director, a role that has proved very effective in developing and implementing other national strategies, until January 2010. Furthermore, improvements that the Committee identified in 2007 as urgently needed, some of which could have been adopted straight away, have not been afforded the urgency and priority that the Committee had been led to expect.

4. On the basis of an interim progress report by the Comptroller and Auditor General, the Committee examined the Department on understanding and responding to the scale and urgency of dementia; driving and monitoring change in services for people with dementia; and delivering the Strategy at local level.

PAC Conclusion (1): Although the Department said dementia would be a national priority, it has not afforded it the same status as other national priorities such as cancer and stroke. The Department should give dementia the same priority status as cancer and stroke in its key communications with the NHS including, if relevant, the next NHS operating framework. The Department should also work with Strategic Health Authorities to explore the feasibility of pooling health and social care resources in order to develop local dementia budgets; and require Strategic Health Authorities to agree with each Primary Care Trust a local dementia implementation plan, comprising costed actions and a timetable, by July 2010. The Department should establish a process for monitoring annual progress, similar to that for End of Life Care, and provide a progress report on the first two years to the Committee by October 2011.

5. The Department agrees with the Committee's recommendation. Improving the quality of care for people with dementia and their carers is a priority. The Department will accelerate the pace of improvement through a greater focus on local delivery and local accountability and will empower citizens to hold local organisations to account. The Department is updating the current implementation plan for the *National Dementia Strategy* to ensure that it is focused on those areas that will have the most impact on the lives of people with dementia and their carers. These will be:

- working with GPs to promote early diagnosis and referral;
- care of people in hospital with dementia;
- care of people in care homes with dementia; and
- reduction of the prescribing of anti-psychotic medication to people with dementia.

6. However, focussing on these areas will not detract from continuing work on other areas related to the 17 Strategy objectives. The updated implementation plan will be published in July 2010. Local organisations will be expected to publish how they are delivering on the quality standards set out in the recently revised Operating Framework for 2010-11. The revised Framework makes clear that:

- NHS organisations should be working with partners on implementing the *National Dementia Strategy*;
- people with dementia and their families need information that helps them understand their local services, and the level of quality and outcomes that they can expect; and
- localities should publish how they are implementing the *National Dementia Strategy* to increase local accountability for prioritisation.

7. This focus on greater transparency, and local accountability, will drive momentum for the strategy at local level. The Department will drive up quality standards through a tariff for dementia patients, better regulation of providers, improving commissioning processes to deliver greater efficiencies and through NHS and public health interventions having a greater focus on outcomes for individuals. The Department will also provide better information to people with dementia and their carers, so that they have a good understanding of their local services, how these compare to other services, and the level of quality that they can expect.

8. This process will be supported by a review of the progress made by Primary Care Trusts (PCT) to prioritise support for people with dementia, through a National Audit of Dementia Services (NADS). The audit will highlight what progress different localities are making in key areas. For example: the use of senior clinical leads for dementia in hospitals, establishment of memory services and reducing the use of anti-psychotic drugs. It will also look at expenditure on dementia services encompassing spend by Local Authorities as well as PCTs. The first results are due October 2010. The Department will use this data, alongside data from the locality action plans – agreed by Local Authorities and PCTs on the 31 March 2010 – to focus on where action is required to accelerate implementation of the *Strategy*.

9. The Department is working with key partners to develop a practical tool to enable organisations to self-assess and benchmark their progress towards implementing the strategy at local level. A National Concordat with key organisations, defining their contribution to supporting local implementation of the strategy, will support this. The mechanism to enable pooled budgets between health and social care already exists. There are already many areas where health and social care are working together in this way to deliver services for people with dementia.

PAC Conclusion (2): Dementia is like cancer in the 1950s, still very much a hidden disease. There is a need for a massive campaign to promote openness and debate on this important and challenging issue.

10. The Department agrees with the Committee's conclusion. The Department launched *The Dementia Public Awareness* campaign, on 1 March 2010, in conjunction with the Alzheimer's Society. The campaign addressed the poor public and professional understanding of dementia that can leave people with dementia and their families feeling isolated and discriminated against, and aimed to demonstrate that people can live well with dementia.

11. The Department commissioned MORI to conduct research with the public prior to the campaign to gauge existing levels of awareness and understanding of dementia. A second wave of research at the end of March 2010 provided the basis for evaluating the campaign and assessing any change in perceptions and behaviour resulting from it. The campaign has achieved some early success in terms of recognition, with the proportion saying that they had seen 'any advertising, or publicity or information about dementia recently' rising from 34% (pre-wave) to 65% in the post wave research. A greater proportion now say that: "dementia can happen to anyone" is probably true – up from 52% to 62%. There has been a rise in the proportion agreeing that 'some people with dementia can still take part in normal activities' from 81% to 86%.

12. The Department's information strategy on dementia will continue to focus on transparency and local accountability, designed to help ensure that people with dementia and their carers are fully aware of what local dementia services are available, and how these compare with other services.

13. Dementia is one of the most important issues as the population ages and research is the key to developing new treatments, transforming care and ultimately finding a cure for the various forms of dementia. The Department will be giving increased priority to dementia research and is committed to supporting an increase in the volume of high quality dementia proposals securing funding. The Ministerial Advisory Group on Dementia Research will be advising on practical ways in which to improve the competitiveness of the dementia research community. It will build on the momentum started by the Ministerial Summit on Dementia Research held in July 2009. To maintain pace, the work of the Group is being taken forward by a series of sub-groups, which will report on progress to the second meeting of the main Group in September 2010.

PAC Conclusion (3): The Department does not know how the first £60 million of dementia funding has been spent by Primary Care Trusts. The Department has only recently commissioned an audit of costs of dementia services, which is due to be completed in summer 2010. The Department should provide us with a copy of its audit of costs and details of how the first £60 million of funding has been spent. It should also include in the October 2011 progress report to the Committee the results of reporting from Primary Care Trusts to Strategic Health Authorities on how they spend the further £90 million of dementia funding provided for 2010–11.

14. The Department agrees with the Committee's conclusion. *The National Dementia Strategy* is intended for bottom-up implementation with PCTs and local authorities determining what needs to be done locally and then providing the necessary leadership to drive change and improve services for people with dementia.

15. The Department wants to see greater transparency and local accountability for implementation of the *National Dementia Strategy,* including expenditure on dementia services, so that citizens are able to hold local organisations to account. As is now made clear in the *Operating Framework*, people with dementia and their families need information that helps them understand their local services, and the level of quality and outcomes that they can expect. The *Framework* also emphasises that localities should publish how they are implementing the *National Dementia Strategy* to increase local accountability for prioritisation.

16. £150 million has been made available to PCTs (£60 million in 2009-10 and £90 million in 2010-11) to implement the *Strategy*. However, the totality of spending on dementia-related services is considerably higher. It is estimated that £8.2 billion is spent on health and social care for people with dementia. The Department is commissioning NADS, which will include looking at total expenditure on dementia services encompassing spend by Local Authorities as well as PCTs. The first results are expected to be available by October 2010.

PAC Conclusion (4): The implementation of the Strategy is dependent on achieving £1.9 billion of efficiency savings by increasing care in the community and reducing reliance on care provided in care homes and acute hospitals. The Department should write to all NHS Chief Executives setting out the good practice examples of the various ways in which it expects cost savings and improvements in care to be achieved. This should include an immediate requirement for acute hospitals to have an older people's mental health liaison team in place to ensure that unnecessary admissions are avoided and that discharge to appropriate care is as swift as possible.

17. The Department partially agrees with the Committee's conclusion. The Department has set priority areas for all hospitals to take urgent action, including appointing a senior member of the clinical staff to improve quality of care for people with dementia within the hospital, ensure proper training for all staff, and specialist older people's mental health teams working in hospitals. The Department commissioned the NHS

Confederation to produce the briefing, *Acute awareness: improving hospital care for people with dementia*[8], which was published in March 2010. The Department is now undertaking a project to gather and synthesise existing data on the nature and impact of specialist older people's mental health liaison teams to work in general hospitals and intends to disseminate the key findings.

18. The *National Dementia Strategy* includes a specific objective on improving the quality of care for people with dementia in a general hospital and this continues to be a key priority for the implementation of the *National Dementia Strategy*. The Department wants to see:

- hospitals having a senior clinical member of staff who will be charged with providing leadership for improving the quality of care for people with dementia;
- staff in hospitals having proper training to provide the best quality of care for people with dementia;
- the development of an explicit care pathway for the management and care of people with dementia; and
- specialist older people's mental health liaison teams for older people.

19. The *2010-11 NHS Operating Framework* issued in December 2009 sets out the need for the NHS to plan to achieve efficiency savings and also ensure that 2% of funds are deployed on a non-recurrent basis to support service transformation. Dementia services are one area in which this funding could be used to transform existing service provision and deliver future efficiency savings. This was communicated to the service in a letter dated 1 April 2010 from the Chief Executive of the NHS.

20. The Revision to the *Operating Framework for the NHS in England 2010-11*, published on 21 June 2010 sets out areas subject to immediate change in 2010-11. The document sets out that during the recent sign-off of Strategic Health Authorities (SHA) plans, dementia stood out as not being given sufficient emphasis. As a result, the document now states:

> *"NHS organisations should be working with partners on implementing the National Dementia Strategy. People with dementia and their families need information that helps them understand their local services, and the level of quality and outcomes that they can expect. PCTs and their partners should publish how they are implementing the National Dementia Strategy to increase local accountability for prioritisation. This is to support a move away from central command to local determination and as such PCTs will not be subject to requirements on how or what they publish, neither will there be any national performance requirements put on them."*

21. Improving the care pathway for older people with dementia, including appropriate and timely discharge from hospital is important given that 40% of people admitted to hospital have dementia. SHAs were asked to consider the potential for reducing lengths of stay in hospital by improving the care pathway for older people with dementia. The Department is taking forward work to identify the key interventions for creating efficiencies, which will support the sustainability of the strategy at local level.

PAC Conclusion (5): Early diagnosis of dementia is crucial in providing timely and appropriate care and in preventing more costly hospital or residential care. The Department should work with Primary Care Trusts to ensure they urgently commission good quality and effective memory services. Improvements in diagnosis and care would be further improved by including the study of dementia in undergraduate training and accredited continuing professional development for GPs and health care staff in hospitals.

8 http://www.nhsconfed.org/Publications/Documents/Dementia_report_Acute_awareness.pdf

22. The Department agrees with the Committee's recommendation. The Department is committed to ensuring that people get an earlier diagnosis; better information on the illness and the services available; and receive better support and care from dementia care advisers. The development of memory services across the country continues to be a key priority within the implementation of the *National Dementia Strategy* and will be monitored as part of NADS. The Deputy Regional Directors for Social Care and their dementia teams are providing leadership in highlighting the importance early diagnosis and generating the development of appropriate services. The Department is also taking forward work to roll out a national innovation programme to diffuse best practice on early diagnosis across the regions.

23. In October 2009, the Department held a Memory Assessment Services conference, which provided information on best practice for commissioning and delivering memory assessment services including the economic benefits as well as better outcomes for people with dementia.

24. Training and development of staff is a priority and Skills for Care and Skills for Health have mapped existing accredited education and training that is currently available to support workers working with people with dementia. They have also undertaken a gap analysis to explore areas of learning and development that are not currently available. The Department is establishing a new workforce advisory group, which will meet for the first time on 7 July 2010. The group will take forward the findings and recommendations of the mapping exercise. It is a key responsibility of the new National Clinical Director for Dementia (who will chair the advisory group) to engage with professional bodies and others responsible for education and training to ensure that appropriate coverage is given to learning about dementia and dementia care.

PAC Conclusion (6): There is unacceptable regional variation in access to diagnostic services for dementia and in access to dementia drugs. The Department should build on the work of the new dementia metrics and the quality standards being developed by the National Institute of Health and Clinical Excellence to develop a set of health and social care minimum standards for dementia, which Primary Care Trusts should incorporate in their implementation plans. Strategic Health Authorities should measure progress against these standards.

25. The Department partially agrees with the Committee's conclusion. The Care Quality Commission is revising its current quality ratings system for adult social care and is working closely with the adult social care sector to develop a system that provides people who use services with the information they need to make decisions about their care. This aligns with the Department's work on driving up quality standards in dementia care as better information for people with dementia and their carers will enable individuals to have a good understanding of their local services, how these compare to other services and the level of quality that they can expect. This will enable citizens to hold local organisations to account against quality standards.

26. The National Institute for Health and Clinical Excellence (NICE) will shortly be publishing *Quality Standards for Dementia*. The NHS and Social Care will be expected to adhere to these standards. The Department is working with NICE to ensure proper alignment of the *National Dementia Strategy* objectives and the new NICE quality standards.

27. NICE is currently carrying out a routine review of its technology appraisal guidance on a number of drugs (including Aricept) for the treatment of Alzheimer's disease. NICE's existing guidance recommends three drugs for patients at the moderate stage of the disease only. However, it is essential that whole system costs are factored into the economic appraisal, to determine whether earlier treatment, with specific drugs, may produce system savings. This will clearly relate to the need for good early diagnosis. NICE's Appraisal Committee will meet to consider the evidence in August 2010.

28. NICE's technology appraisal guidance should be seen in the context of the wider clinical guideline on dementia published alongside the original technology appraisal guidance, which was produced jointly with the Social Care Institute for Excellence (SCIE). The NICE / SCIE clinical guideline makes a number of important recommendations relating to memory clinics and other dementia services.

PAC Conclusion (7): Local leadership is still lacking in NHS hospitals, in primary care and in the social care and care home sectors. The Department should ensure every acute hospital has identified a senior clinical leader by 31 March 2010 and work with the new Care Homes Champion to develop dementia 'Champions' across the care home sector. The Department should also identify a similar Champion or Ambassador in the domiciliary care sector to improve providers engagement in the Strategy and improve the quality of care provided.

29. The Department partially agrees with the Committee's conclusion. The Department wants to see identification of senior clinical leads for dementia in hospitals. This was identified in the *Strategy* and the Department will monitor this as part of the planned National Audit of Dementia Services.

30. The Department has appointed Sir Ian Carruthers, as the NHS Champion for Dementia, and Martin Green, Chief Executive of the English Community Care Association (ECCA) as a Dementia Champion for the independent sector, which includes domiciliary care. Jenny Owen has been appointed as the Social Care Champion for Dementia. The Department wants to see the identification of a senior staff member in care homes to lead on the improvement of the quality of care. The role and leadership of the new National Clinical Director for Dementia, Professor Alistair Burns, will be vital in encouraging the changes needed in the NHS, Social Care and the independent sector.

31. The *Dementia Strategy* was co-produced with the Association of Directors of Adult Social Services, and the Department continues to work with them. The Department is also working in partnership with the domiciliary care sector and its representatives. For example: the United Kingdom Home Care Association, on supporting the implementation of the strategy, especially in relation to objective six on community-based support.

PAC Conclusion (8): Most people with dementia receive their day-to-day care from domiciliary carers or care home staff, who have little understanding of dementia, which therefore puts at risk the quality of care and safety of some of the most vulnerable people in society. After six years of debate and discussion, plans to introduce registration of social care staff, many of whom are without qualifications, appears to have been abandoned. As a result these staff will remain unregulated for some time to come. As the Department has now estimated what proportion of the social care workforce is without any qualification it should require PCTs and local authorities to use their commissioning powers to drive improvements in training and qualification rates by only letting/renewing contracts with providers who have a robust approach to training, or who employ suitably trained staff.

32. The Department partially agrees with the Committee's conclusion. The Department is committed to ensuring the highest quality of social work in England. Plans to introduce the registration of domiciliary care workers were well advanced in Summer 2009, when concerns about the General Social Care Council's (GSCC) conduct function emerged. Subsequent events and an investigation by the Council for Healthcare Regulatory Excellence established significant failings in the organisation, which posed a significant risk to public protection. This prompted the Department to suspend work on the opening of the register until there was confidence that the GSCC would be able to deliver its existing functions efficiently and take on a significant increase in the volume of registrants.

33. The report by the Council for Healthcare Regulatory Excellence into the conduct functions of the GSCC, published in November 2009, also recommended that:

> *"the Government reviews the risks in relation to the work and supervision of domiciliary care workers and their managers and reconsiders if inclusion in the GSCC's statutory register is proportionate and targeted. Other approaches such as a statutory licensing scheme or an employer-led approach based on codes of conduct and practice and inductions standards may be more appropriate."*

34. Registration of staff is not the only way to secure quality services – the Care Quality Commission registers and inspects services to ensure that standards are met. PCTs are responsible for commissioning health services for people with dementia and local authorities have the responsibility for commissioning most corresponding social care. The Department published the *National Dementia Strategy Joint Commissioning Strategy* in June 2009, which makes clear and robust recommendations that an integral responsibility of commissioning organisations is to ensure a well trained and supported workforce. The Joint Commissioning Framework states that people with dementia and their carers should be able to expect services and support from staff who are knowledgeable about dementia and who have skills to work effectively with individuals.

35. As members of the workforce, commissioners are expected to understand about dementia, to know what high-quality services look like and what outcomes they can reasonably expect from services. An informed and effective workforce should be present in specialist as well as universal services. The level of skill and expertise should be proportionate to the level of contact staff have with people with dementia. It is the provider's responsibility to train and educate their staff, however the commissioner can work with providers, particularly small providers, to help them commission and coordinate training and education services. The guidance explains that commissioners should work with county workforce groups within SHAs, and at PCT and local authority level to develop a coherent and cohesive whole-system strategy for workforce development, education and training.

36. Through the Dementia Information Portal, a trusted source of information for commissioners and providers, the Department is providing evidenced case examples of workforce training. The Department will continue to work with statutory commissioning organisations to improve commissioning processes including how best to ensure robust contracting arrangements, which reflect the importance of training.

PAC Conclusion (9): There is inappropriate and excessive prescribing of anti-psychotic drugs for people with dementia, particularly those living in care homes, which has contributed to up to 1,800 additional deaths each year. The Department should establish as a clinical governance priority the requirement that every Primary Care Trust should set as a local performance target, the need to reduce such prescribing by two-thirds within two years.

37. The Department agrees with the Committee's conclusion. The Department is taking forward all the recommendations from Professor Banerjee's report on *The Prescription of Anti-Psychotic Drugs for People with Dementia*.[9] Professor Alistair Burns, the new National Clinical Director for Dementia, is leading the work to implement the report's recommendations.

38. As a priority, the Department is working with the NHS Information Centre to develop an audit of the prescribing of anti-psychotics for people with dementia. The audit will be aimed at supporting local areas to ensure appropriate prescribing with a view to achieving overall a two-thirds reduction in the use of anti-psychotic drugs over a period of two years from establishing a baseline position. The Department is investigating if the audit could be carried out retrospectively to give the position pre-publication of the report. The first audit should deliver results by October 2010. This data will enable PCTs to determine locally the targets they need to set depending on their current position in reducing the use of anti-psychotic drugs for people with dementia. The Department is also exploring the development of guidance on prescribing and is investigating the economic evidence for reducing the use of anti-psychotics.

39. The Department is setting up a stakeholder reference group to advise on the project, with the first meeting taking place in July 2010.

9 http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_108302.pdf

Twentieth Report

Department for Work and Pensions (DWP)

Management of Benefit Overpayment Debt

1. The Department for Work and Pensions (the Department) has been successful in improving the effectiveness of its debt identification, referral and recovery procedures, increasing cash recoveries from £180 million in 2005–06 to £281 million in 2008–09. However, evidence proves that the Department needs to significantly improve how it makes benefit payments. The total amount of money owed to the Department as the result of benefit overpayments is now £1.85 billion and is rising as recoveries are not keeping pace with the increase in referrals. As the rate at which debt can be recovered is limited by the financial circumstances of many of the Department's customers, the current economic downturn may place further pressure on the debt stock.

2. Helping customers avoid getting into debt is important for both the Department and its customers in managing their finances, and the increasing total level of debt reflects the difficulty of recovering money once overpayments have occurred. Overpayments arising from Income Support accounted for over 70% of all debts at 31 March 2008. It is therefore critical that the Department improves its debt prevention procedures and intervenes more directly to check that the circumstances of customers have not changed. It should also increase its knowledge of customers, such as by risk profiling.

3. In 2007–08, some £9.3 million of small overpayments below £65 were written off because the Department considered them too small to justify the cost of recovery action. However, the Department does not distinguish between different types of debtor or different recovery routes in assessing whether the costs of recovery are likely to outweigh the benefits. Moreover, the Department does not have a reliable means of verifying what level of repayment its debtors can afford and this process is open to abuse. It has begun to assess the feasibility of selling off some or all of its debt, but would need to safeguard the welfare of vulnerable customers in any future sale. The Department has been slow to improve the quality of its management information. It needs to benchmark performance more actively with the private sector and assess the relative cost effectiveness of different recovery processes.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department on the action it was taking to tackle overpayment and stem the rising trend in benefit debt; improve its knowledge of its client base; and set realistic targets to improve debt collection and improve write-off.

PAC Conclusion (1): Benefit debt has risen from £1.67 billion in 2006-07 to £1.85 billion in 2008-09. The Department attributes this increase to improvements in its processes for identifying and referring overpayments for recovery. Most debt arises when people's circumstances change, such as when they get a job, which reduces their entitlement to benefits. Starting with Income Support, the Department should urgently pilot new interventions such as texting customers, messaging, phone contact and web-based advice to remind them of the need to inform the Department of any changes in circumstance, which may affect entitlement.

5. The Department agrees with the Committee's recommendation. The Department is looking at the effectiveness of SMS text messaging, as a way of communicating with customers, to remind them to report changes, in their circumstances, on time. The results of a small pilot, with income support customers, which ran during February and March 2010, are currently being evaluated. The Department will consider conducting further tests, including larger scale pilots and targeting customers on other benefits, once the evaluation is complete. Additionally, a wider messaging strategy is being developed, which considers how new communication tools, such as email and social media, can be used to effect better communication with customers.

6. In 2010, Jobcentre Plus staff will begin contacting customers by telephone to discuss their benefit claims, ensuring they still accurately reflect their circumstances. The calls will be selected using a risk profile, which identifies income support customers, who are likely to have experienced a change, and who have not been in touch with the Department. This project will help to identify potential overpayments sooner, reducing the level of debt incurred by the customer.

7. The Department provides web-based advice on the types of changes that affect benefits by way of the Direct Gov website. This includes a link to an on-line form for reporting changes of circumstance. The Department provides clear communications to customers about the consequences of not accurately representing their circumstances via the Department's anti-fraud advertising campaign. The Department ran a pilot campaign in the London Borough of Waltham Forest aimed at working-age Housing Benefit customers to test whether publicity can encourage customers to report changes on time. The pilot resulted in a significant increase in customers' awareness about the need to report changes of circumstances.

PAC Conclusion (2): Around 70% of benefit error arises from the payment of Income Support, which has a high volume of large overpayments and a limited level of post-payment review checks. As a priority, the Department needs to review its procedures for validating and reviewing Income Support claims, and should consider introducing a three-tiered investigation programme, whereby a proportion is selected for desk review, a proportion for a local visit and a proportion for a delayed visit, say, after three or six months. The Department should also, as a matter of urgency, identify which other benefits are most susceptible to error and overpayment and put in place measures to resolve recurring problems.

8. The Department disagrees with the Committee's recommendation. Jobcentre Plus has a *Quality Checking Framework* in place for its main benefits, including income support. Under the *Framework*, new claims and changes in circumstance are selected for post-payment checks by applying risk-based criteria. The criteria can be found in the *Framework*, as they are known to be a cause of a significant proportion of official error. For example: other benefits recorded in the claim, other income recorded in the claim, clerical components present and Severe Disability Premium awarded.

9. The framework checks, which are carried out on these claims aim to ensure that the initial award is correct. It identifies and corrects any error that may have occurred, thereby reducing the size of any overpayment. The framework also helps staff and managers to identify areas for improvement or individual training needs, and provides Management Information to improve the overall quality of benefit processes.

10. Further checks are conducted during the lifetime of a claim as a result of system-generated prompts. These prompts are set by staff where potential changes in circumstance can be predicted, or where the risk of error occurring is greatest. Cases can also be selected for a check when staff amend high-risk aspects of the claim. For example: capital, part-time earnings or where there is a change of address. Additionally, Jobcentre Plus conducts around 300,000 home visits each year when evidence exists to suggest that there has been an undeclared change in circumstances, or where the claim has been selected for a review based upon high-risk criteria.

11. The introduction of improved error detection methods means that the Department is identifying an increasing number of large value overpayments. The sharing and matching of financial data with other Government Departments and the private sector has helped the Department to stop some traditionally more difficult to detect frauds and undeclared circumstances. Regular application of these processes should prevent such large overpayments accruing in the future. The Department believes that they represent a robust mechanism to reduce the value of loss in the long term.

PAC Conclusion (3): Nearly half the debt, some £900 million is owed by debtors, with multiple debts. Over 100,000 customers have four debts or more and a third of all debtors owe £10,000 or more. The Department has introduced new initiatives such as encouraging debtors to pay off debts in lump sums, has set up a Large Debtors Unit and is working closely with HM Revenue and Customs to focus attention on claimants with the largest debts. The Department should set targets to reduce the debt owed by customers with multiple and high value debts, monitor its performance and report annually on its success.

12. The Department partially agrees with the Committee's recommendation. The Department considers that setting immediate targets for specific debt types may not be appropriate at this time, although it may be appropriate at a later date. The Department sets targets for recovery each year. This has risen from £282 million in 2009-10 to £375 million for 2010-11, an increase of over 30%. The Department set up a Large Debtors Unit (LBU) in 2009 and is monitoring its effectiveness. Early reports are encouraging, with approximate £2.3 million recovered by the unit up to 31 March 2010. The full impact this has on the debt stock needs to be evaluated before considering implementing additional targets, and what specific targets might be appropriate.

PAC Conclusion (4): The Department has not analysed its customers to identify those groups who are at greatest risk of overpayments which result in them owing money back to the Department. As recovering debt is both slow and difficult, preventing customers getting into debt in the first place is key to reducing the level of debt in future. The Department should develop a means of analysing its customers by risk to improve the effectiveness of its debt prevention work and so reduce the amount of error entering the system.

13. The Department disagrees with the Committee's conclusion. Risk factors are used to identify claims, which are likely to incur an overpayment in order to apply a greater level of targeted checking. These risk factors are informed by analysis of cases where error has occurred and historic information gathered via the fraud and error measurement process. They identify case characteristics, which are most likely to present the highest risk of fraud and error. The current risk score used to target case checking activity takes account of risk factors including: the age of the youngest child, presence of capital, receipt of Housing Benefit, presence of other income and method of payment.

14. The Department is continuing to explore new and innovative techniques to improve the use of risk assessment and will look to learn best practices from the private sector. Departmental analysts continue to look at existing risk scores to improve the way in which they target the riskiest cases.

PAC Conclusion (5): The absence of a government-wide register of debts and debtors results in duplication of effort across central and local government. The Committee recognises that creating such a register would be an expensive and difficult undertaking. However, the Department should take the lead, working with the Treasury, other departments and local authorities, in identifying how it could share information and collaborate more effectively with other parts of Government in managing and recovering debt.

15. The Department partially agrees with the Committee's recommendation. There is a programme of work with HM Revenue and Customs (HMRC) to explore how the two Departments can work more effectively together to manage debt. For example, a joint customer tracing facility has been piloted. Consideration of any expansion to the programme's remit will be given once the opportunities for joint working are understood and the lessons have been learned in bringing organisations with very different work practices and IT systems together.

PAC Conclusion (6): The Department does not have a target for repayment from 'off-benefit' debtors—those no longer claiming benefits—and the repayment rate has been low, with just 24% making payments for the year ending 30 September 2008. As part of its implementation of the Combined Single Work Queue in 2010, the Department should set itself targets to manage overpayments more effectively for those customers who regularly move on and off benefit. It should also benchmark its performance against other organisations engaged in debt recovery.

16. The Department partially agrees with the Committee's recommendation. The Department has carried out limited benchmarking against other organisations, although there are none directly comparable, which limits the scope for full benchmarking to take place. The Department accepts that it should consider a target for 'off-benefit' debt recovery, and it will also explore options to maximise recovery from off-benefit customers. Different options for a target will be considered and trialled in 2011-12.

PAC Conclusion (7): The Department wrote off £9.2 million in debts from small overpayments in 2007-08 as a result of its write-off policy for debts below £65. The Department should keep this threshold under regular review and should identify an appropriate write-off level for each type of overpayment, taking into account the cost and likelihood of recovery.

17. The Department agrees with the Committee's recommendation. The principle of not seeking recovery of overpayments, where the cost of calculation and recovery exceeds the value of money recovered, is fundamental to an efficient and cost effective debt management organisation.

18. As the Department refines its processes, and in particular employs scoring and segmentation principles to the debt stock, it is likely that the cost of calculation and recovery of an overpayment will change. It is therefore important that this figure is regularly reviewed to ensure continued value for money within debt management operations. The Department will consider whether debt segmentation allows for the use of differing small overpayment limits for different debts based on complexity and likelihood of recovery.

PAC Conclusion (8): The Department has not fully explored the option of selling off all or part of its uncollectible debt to a third party. The Department must also provide adequate safeguards to protect vulnerable individuals from over-aggressive recovery actions from third parties acting on its behalf.

19. The Department agrees with the Committee's recommendation and has undertaken fact-finding missions with industry to explore the appetite for purchase of some Departmental debt. Early findings show that there is a market for the Department's debt, and that it should consider embedding this as part of its process. If it is decided that the Department should sell some debts, that decision will be taken on an individual customer basis supported by customer segmentation, propensity to pay and a cost benefit analysis. An integral part of any price negotiation or cost benefit analysis will be the safeguarding of vulnerable customers.

PAC Conclusion (9): The Department's ongoing review of the way it conducts its business covers write-off policy, the feasibility of selling off debt to another organisation and the possibility of incentivising people, particularly those who are 'off-benefit', to pay off their debt in one go. To improve its intelligence and management of overpayments, the Department should extend the review to include: benchmarking with public and private sector organisations; risk profiling; and analysis of the regional spread of indebtedness and its causes.

20. The Department partially agrees with the Committee's recommendation. The Department is keen to improve the intelligence it holds on both debts and debtors and sees this as key to improving the management of its debt stock. However, the Department believes that the most effective improvement at this time would be

to explore access to data held by HMRC, and by the credit reference industry and to then utilise this to score and segment the debt stock. This additional data would enable the Department to identify a customer's ability and propensity to pay, consider any restrictions applicable to individuals and apply the best value for money debt recovery solution to each case, including write-off where appropriate.

21. The Department has engaged with an external provider to demonstrate the value added by debtor scoring. Following on from this, the Department has issued an invitation to tender to engage a supplier to pilot debtor scoring and segmentation. Initial findings from the pilot are expected by the end of September 2010.

Twenty First Report

Department for Communities and Local Government (DCLG)

The Decent Homes Programme

1. Under the Decent Homes Programme, over a million homes have been improved since 2001. The living standards of vulnerable households will have been greatly improved by the installation of, for example, 810,000 new kitchens, 610,000 new bathrooms and 1,140,000 new central heating systems. There have also been wider benefits such as more tenant involvement in housing decisions and jobs created in deprived areas.

2. The Committee welcome the improvements made and the substantial progress towards the original target of all social housing being of a decent standard by December 2010. However, despite this progress, the target will not be met. By the Department for Communities and Local Government's (the Department) own estimates, 305,000 homes will still be non-decent at that date and the last of these will not be decent until 2018-19. The Department needs to do more to ensure that landlords can complete this outstanding work and that properties are not allowed to fall back into disrepair.

3. Full accountability for public money is not optional and the Department needs to improve its financial control over this Programme. It is still not clear how much the Department itself has actually spent on the Programme and the Committee is not convinced that the Department has secured best value from the funds given to Arms Length Management Organisations (ALMOs). Before asking local authorities and Registered Social Landlords to bring their social housing stock up to a reasonable standard, the Department should have prepared a proper estimate of how much it would cost them. According to the best information available to the Department, it will have cost local authorities and Registered Social Landlords approximately £37 billion by 2010-11. The Department has also not done enough to identify and share good practice with social landlords.

4. The Department lacks some basic management information on the Programme, such as reliable statistics on the number of homes made decent or not. The Department needs to address its information deficiencies in order to evaluate properly the impact of the Programme. It should also ensure that it builds in adequate arrangements for monitoring and evaluation from the start on any other programmes. The Department also needs to improve its evaluation of the private sector element of the Programme. It does not know how much local authorities have spent on this element, and it will need to review the performance of individual authorities if good practice is to be identified and disseminated.

5. On the basis of a report by the Comptroller and Auditor General, the Committee examined the extent to which the Department and the Homes and Communities Agency (HCA) are effective in overseeing the Decent Homes Programme.

PAC Conclusion (1): There has been substantial progress towards the objective that all social housing should be of a decent standard by December 2010. Over a million homes have been improved since 2001 and there have been wider benefits such as more tenant involvement in housing decisions and jobs created in deprived areas. However, some elements of the Department's financial control were weak and the Department did not exercise sufficient oversight of the Decent Homes Programme's devolved delivery. Our recommendations reflect the need for the Department to get a stronger grip of these issues in future.

6. The Department partially agrees with the Committee's conclusion. The Decent Homes Programme (DHP) has achieved a widespread and significant level of improvement to social housing and has a range of wider benefits.

7. The Department has taken steps to secure value for money (vfm) before allocating resources to landlords. The only way such an ambitious programme can be delivered was by allowing social landlords the opportunity to take ownership and use their own – and their tenants' – energy and enthusiasm to drive delivery. The Department has worked to ensure that DHP has delivered vfm at a local level, for example, by establishing capital works procurement consortia. The Department has exercised tight controls through the bidding and assessment processes before releasing any funding. During the programme delivery, rather than create new structures for monitoring financial processes and vfm the Department chose to rely on existing ones; local authority external audit processes and Housing Inspections by the Audit Commission.

8. The Department has recently made some changes to improve its capability to manage new programmes and projects in the future and this would include a future DHP. It has created a Programme Team, which will be deployed to work on Ministers' strategic priorities, working on cross-departmental initiatives and providing extra resource to policy teams to help on new projects. The team is supported by the newly created *Project and Programme Management Centre of Excellence*, which has been set up to provide advice and guidance to the whole Department on how to embed project and programme management principles in its standard ways of working. These changes will help to ensure that all Projects and Programmes are set up and run in a consistent way and in line with best practice and to a level that is proportionate to the needs of the business.

PAC Conclusion (2): An estimated 305,000 social sector homes will still be non-decent at December 2010, and work on these will not be completed until 2018-19. Although the Department has stated its commitment to fund the remainder of the Programme, there is a risk that such funding will not be forthcoming, given likely pressures on future public spending. The Department should prepare a contingency plan for the Programme's completion, with options and priorities clearly identified should funding not be available.

9. The Department agrees with the Committee's recommendation. The Department is aware of the risks of funding not being available to complete the Programme in the current economic circumstances. The Department is working on options to address the remaining backlog. However, funding decisions will have to be made in the context of the spending review.

10. The Department will work closely with local councils to ensure that councils with the most significant backlogs have plans in place to optimise the use of resources available and develop options to tackle the remainder of their non-decent stock.

PAC Conclusion (3): If the Decent Homes Programme is to achieve value for money in the long term, local authorities need clear plans in place to prevent the build up of another maintenance backlog. The Department intends that each local authority will fund maintenance themselves in future. The Department will be announcing details of its proposals imminently, and it is vital that it then acts quickly to finalise the new funding arrangements with individual local authorities, based on reliable assessments of likely costs and revenues.

11. The Department agrees with the Committee's conclusion. Reforms to council housing financing have been proposed that would enable local authorities to improve the management of their homes and services to tenants, to maintain their stock at the Decent Homes standard, and to secure greater efficiencies through being able to plan ahead with greater confidence. The Department is currently working on a consultation: *Council Housing Finance Reform*.

PAC Conclusion (4): It is unsatisfactory that the Department did not identify the likely cost of the Decent Homes Programme to the social housing sector at its start. The £19 billion estimate it did prepare was not 'fit for purpose' as it omitted the cost of improving housing that would fall below standard as the Programme progressed, the cost of inflation and the costs to Registered Social Landlords. The Department should, for future programmes, provide more robust estimates of the likely costs before starting.

12. The Department agrees with the Committee's recommendation. The £19 billion estimate was the cost of the backlog of repairs and improvements needed in council housing as at 1997 and was never intended to be or used as an estimate for the likely cost of the Programme. The implementation of the DHP itself set in train more detailed work for each authority to better understand the costs it faced in addressing its capital maintenance needs, including achieving the Decent Homes standard.

13. The Department has made a forecast estimate of the likely total capital investment in social housing between 2001 and 2010 (£37 billion). However, these estimates go beyond the work strictly needed to achieve the Decent Homes standard as they include other capital investment needed to sustain the social housing stock. It is not possible to accurately forecast discrete decent homes costs because it is impossible to predict the variety of local delivery challenges and decisions that affect costs.

14. Further, the Department has estimates of the funding put into its directly funded programmes: Arms Length Management Organisations (ALMOs), Gap Funding for transfer to housing associations and Local Authority Supported Capital Expenditure (LASCE), as well as major repairs funding through the Housing Revenue Account subsidy system. The Department has continually improved and refined its estimates for the likely future costs to the Government of the Programme, as time has progressed. However, as decisions about what work is necessary to complete the Programme, by social landlords and their tenants, the actual expenditure may vary, depending on the additional resources that landlords put into the Programme themselves.

15. The Department accepts that future Programmes should provide robust estimates of the likely costs before starting and has taken steps to help to ensure that all Projects and Programmes are set up and run in a consistent way and in line with best practice and to a level that is proportionate to the needs of the business.

PAC Conclusion (5): It is not clear how much the Department has given to the social housing sector to fund the Programme. Decent Homes funding streams and costs are not separately identified from other money spent on housing and the Department can only estimate how much has been used on Decent Homes. In future, when setting up major programmes, the Department should first be clear on what costs it is letting itself in for, and then put in place arrangements that enable the costs it then incurs to be accurately identified.

16. The Department disagrees with the Committee's recommendation. The Department is clear about the money it has spent on funding both specifically for the current Decent Homes Programme (between 2000-01 and 2008-09 ALMO supported capital expenditure totalled £4.4 billion and other supported capital expenditure totalled £3.4 billion and gap funding for Registered Social Landlords totalled £0.25 billion) and for the wider capital investment in council housing (between 2000-01 and 2008-09 the Major Repairs Allowance totalled £11.1 billion).

17. Decent Homes funding is not a discrete grant for an investment programme. It is a stream of capital funding, and levers in other resources from local authorities and the private sector to meet wider objectives, including health gains, efficiency savings, energy efficiency, job opportunities and the empowerment of tenants. Up to the end of March 2009, for local authorities there were total Departmental inputs of £18.8 billion and total local authority outputs of £23.3 billion. In the same period for housing associations, there were

total Departmental inputs of £0.25 billion and total outputs of £6.1 billion. The Department has recently made changes to improve its capability to manage programmes and projects.

PAC Conclusion (6): Arms Length Management Organisations (ALMOs) have spent more on improvements per property than local authorities that retained their stock. The Department has not gone back to examine whether ALMOs were provided with more funding than was necessary. The Department and the Homes and Communities Agency should go back to those ALMOs that have completed their work to identify why they spent more per property and assess whether any future funding needs to be reduced.

18. The Department disagrees with the Committee's recommendation. Local authorities established an ALMO because the condition of their stock meant it had higher investment needs, that the council could not afford to fund itself, as identified during the options appraisal process. ALMOs that have finished their spending programmes will not receive any additional capital to maintain their stock at the Decent Homes level in future.

19. For ALMOs, which still need on-going investment programmes or those not yet started, the Department will look again at their investment needs over the next few years. The level of investment, through an ALMO, is carefully negotiated at the bidding stage to ensure that the funding is reasonable and represents vfm. However, in the current economic climate, it is appropriate to establish the scope for driving down costs needed to achieve the Decent Homes standard. The Department is in the process of discussing these issues with these ALMOs in preparation in the spending review.

PAC Conclusion (7): The Department has done little to compare unit costs of different approaches to carrying out work to improve the standard of homes or to share this information with landlords. The Department should, as part of its current evaluation of the Decent Homes programme, identify the most cost effective approaches and then disseminate good practice.

20. The Department partially agrees with the Committee's recommendation. There were a number of mechanisms to identify good practice. These were: the published Audit Commission reports on good and poor practice in ALMOs; ALMOs passing good practice around their own network; and the National Change Agent for Housing (NCA), which has successfully promoted efficient procurement, for example through supply chain management and buying clubs, with over 120 organisations in NCA backed consortia and projected total savings to £590 million.

21. However, it is very difficult to compare unit costs because of the number of variables involved. There are a wide range of housing types, historical patterns of investment and maintenance, and locally determined decisions about what works will be completed on a property and to what standard above the minimum. This means that cost effective approaches necessarily have to be tailored to local circumstances. The Department expects that evaluation research findings will assist authorities struggling to deliver their DHP to improve their performance.

22. Any future funding will be dependent on decision in the Spending Review and in that context the Department is considering how to assess future investment needs and how to promote and secure vfm from any further investment.

PAC Conclusion (8): It is unacceptable that the Department lacks basic information, such as the total number of homes made decent. The Department should, in the first instance, make sure that information on monitoring returns is accurate, and that the numbers of homes made decent can be separately identified from those where tenants refuse work or where homes are scheduled for demolition. For future programmes, it should ensure that it builds in adequate arrangements for the collection of robust monitoring data from the very start.

23. The Department partially agrees with the Committee's recommendation. The Department does have data on the net number of homes that have been made decent: 1.1 million at the end of March 2009. It is a challenge to say what the gross numbers made decent are for the following reasons: local authorities have difficulties saying how many homes become non decent in a year; the way in which landlords manage programmes (taking a consecutive rollout of Decent Homes elements rather than a whole house approach) and the way they tackle emerging non-decency issues. The Department does not ask housing associations for this data.

24. The Department has asked local authorities about the levels of tenant refusals and demolitions in the April 2010 returns and this data should be publicly available at the end of the calendar year. The Department is working with the HCA to improve the quality of the data from local authorities without significantly adding to their reporting burdens.

25. The Department leads the Government's policy on decentralisation and is keen to increase the freedoms of and controls exercised by local councils. The Department has worked hard to reduce reporting burdens on local authorities and would not want to place additional burdens on housing associations as private companies. It is within this framework that the Department will take decisions about what constitutes reasonable monitoring data for future investment programmes.

PAC Conclusion (9): The Department has only provided extra funding for Decent Homes to those local authorities which have set up ALMOs, used the Private Finance Initiative or transferred their housing stock. Local authorities that wished to retain day-to-day management of the housing stock had to fund improvements from their own resources. As part of its current evaluation of the Decent Homes programme, the Department should examine whether the policy decision not to provide additional funding to some local authorities has had a negative impact on value for money, for example, if lack of funding led to cheap materials being used that consequently needed to be replaced earlier.

26. The Department disagrees with the Committee's recommendation. When the Department decided, in 2000, not to directly fund councils, it was because it considered better vfm would be achieved by separating housing management from the council so it could focus on its strategic housing role. Landlords chose to retain the management of their housing stock where they considered they had sufficient resources to deliver Decent Homes themselves without additional funding. The ongoing costs of maintaining Decent Homes is being considered in the consultation on *Council Housing Finance Reform*.

PAC Conclusion (10): The Department has very little information on whether the funds provided for improving private sector homes have been spent well. It does not separately track this spending and has done little to monitor individual local authority performance. The Department should assess the impact of the funding it provides through local authorities, in order to identify and disseminate good practice.

27. The Department disagrees with the Committee's recommendation. This programme is a relatively small part of the overall funding available for Decent Homes and is a discretionary programme of local authorities for which they are directly accountable. The Department acknowledges that increased devolution of budgets and the removal of ring fencing inevitably reduced the information collected centrally. However, the Department believes the benefits of removing these burdens outweighs the loss of information.

Twenty Second Report

Department of Energy and Climate Change (DECC)

The sale of the Government's interest in British Energy

1. In January 2009, the Government sold its 36% interest in British Energy, as part of EDF's purchase of the Company. The sale had potentially important implications for future energy security as British Energy, though not financially strong enough to invest in new nuclear power stations itself, owned land viewed by industry as being in the most suitable places for them. The Government had identified new nuclear power stations as having an important contribution, to make to future energy security, when existing power stations close, and it therefore wanted to open up British Energy's sites to a new owner.

2. The Department's primary objective was to ensure nuclear operators would be able to build and operate new nuclear power stations with no public subsidy. The Department did not, however, secure a binding commitment from EDF to build new nuclear power stations. It also failed to establish whether EDF has previously built any nuclear power stations without public subsidy. The Committee was not convinced that the Department's reliance on a rapid acceleration in renewable energy, to fill any gaps in future energy supplies, is adequate. However, the Committee notes that the Department is working with the Treasury to determine whether the current configuration of the UK energy market is fit for purpose for the longer term.

3. The Government hired investment bankers UBS at a cost of £4 million to advise on sale tactics, assist with negotiations and provide valuations of British Energy. The Committee found it unacceptable that the Shareholder Executive considered it necessary to spend so much on external advice when it is supposed to possess expertise in these areas. However, the Government was fortunate in selling its interest in British Energy, when energy prices were at a peak, and this was reflected in the price. The £4.4 billion sale proceeds were allocated to the Nuclear Liabilities Fund, to put towards the future cost of decommissioning British Energy's existing power stations. As required by the Treasury, proceeds were invested in gilts. The Committee concluded that there are still weaknesses in the monitoring and management of the risks relating to British Energy's liabilities.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department of Energy and Climate Change (the Department), which was responsible for the sale objectives, and the Shareholder Executive. The Shareholder Executive works with Departments to improve the Government's capabilities and performance as a shareholder, and managed the sale of the Government's interest on the Department's behalf.

PAC Conclusion (1): The Department received a good price as it sold the Government's interest in British Energy when energy prices were at a peak. The sale increased the value of the Nuclear Liabilities Fund to £8.3 billion, more than double the estimated cost of decommissioning British Energy's existing power stations, which the Fund is responsible for meeting. However, there were some weaknesses, which the following recommendations are designed to address.

5. The Department agrees with the Committee's recommendation. The sale achieved all the Government's objectives for ensuring that potential sites for new nuclear power stations are made available to potential operators as well as achieving a good price. However, the Department acknowledges that the Committee has identified a number of weaknesses in the process. The Department aims to ensure that the market framework can deliver the new generating capacity needed and is working with the Treasury to achieve this. Similarly the Department will take account of the lessons learned in the sale of the Government's interest in British Energy when planning future sales.

PAC Conclusion (2): The Department has no guarantee that EDF will build new nuclear power stations without public subsidy, which could have potentially serious implications for future energy security. The Department should, as a matter of urgency, complete and publish the result of its work with the Treasury to determine whether the market as it is currently configured will deliver the new generating capacity needed to avoid an energy shortage. It should also develop contingency plans showing how energy demands will be met if EDF does not proceed with its plans to build new nuclear power stations. The Committee intends to return to this subject in due course to examine progress.

6. The Department agrees with the Committee's conclusion. The Department believed that the sale of British Energy to EDF would provide the best practical way of maximising the likelihood that commercial investment in a new nuclear build programme would proceed. It did not consider guarantees from EDF on building new power stations as either appropriate or practicable. However, consideration was given to encouraging other players into the market. Agreement on the sale of land, following the acquisition, has resulted in two other parties acquiring sites and putting forward development proposals.

7. The Department's Office for Nuclear Development (OND) has been working to identify and remove barriers to new build and addressing a range of issues such as planning, reactor design, EU Justification requirements, and waste and decommissioning funding. However, decisions on whether to invest in new nuclear infrastructure are for the developers and if no individual companies or consortia were willing to build new nuclear stations, then the Department would do more to bring forward other forms of electricity generation.

8. The Department and Treasury *Energy Market Assessment* set out its initial findings, alongside Budget 2010, including a preliminary view that the current electricity market arrangements would be unlikely to meet the Department's energy goals in the long-term. This includes sufficient investment in low carbon generation. The Department is assessing options for improving the sector's ability to deliver the UK's long-term objectives as part of its *Electricity Market Reform* programme. In addition, the Department will give an *Annual Energy Statement* to Parliament to set strategic energy policy and guide investment.

PAC Conclusion (3): The Department does not know how much nuclear generating capacity will be required to meet future energy needs. The Department should develop a more systematic approach to assessing how and when new generating capacity will be delivered, and consult with Infrastructure UK on its approach.

9. The Department agrees with the Committee's conclusion. The draft National Policy Statements (published in November 2009) said that in principle, new nuclear power should be free to contribute as much as possible towards meeting the need for 25 Gigawatts (GW) of new non-renewable capacity within the strategic framework set by the Government. The precise mix will depend on specific decisions made by energy companies operating within an effective regulatory framework, with strategic Government interventions. If necessary, the capacity need figure will be updated for the final version of the *Nuclear National Policy Statement*.

10. The Department has published modelling on future electricity generation capacity – for example: in *Energy Markets Outlook* and for the *Low Carbon Transition Plan*. Additionally, National Grid collects data based on Transmission Entry Capacity (TEC) agreements being signed for new generation capacity, and publishes this in its Seven Year Statement. The Department is working closely with Infrastructure UK on the *Energy Market Assessment*, which was published at Budget 2010. This confirmed that electricity market reforms are needed to ensure clean and affordable supplies beyond 2020.

PAC Conclusion (4): The Shareholder Executive and the Department demonstrated scant regard for the potentially adverse impacts of the sale on competition in electricity markets. The Department should closely monitor the operation of the electricity market to determine whether the sale contributes to future price increases, and should be prepared to intervene should this risk materialise. In future sales, departments should set out how they are addressing the risk of adverse impacts on competition from selling Government shareholdings.

11. The Department partially agrees with the Committee's conclusion. However, it is the responsibility of the independent competition authorities to scrutinise the implications of mergers, for the development of effective competition in the markets concerned – in this case, the EU Commission, pursuant to EC Regulation 139/2004/EC. The Commission conducted an inquiry, consulting Ofgem as part of that enquiry, and as anticipated by the Department, foresaw possible adverse competition effects and therefore sought and received undertakings from EDF to remedy such concerns. The Department also closely monitors the operation of the electricity market.

PAC Conclusion (5): Treasury guidelines required all the sale proceeds to be invested in the National Loans Fund, which carries a lower risk of capital losses than equity investments but, in the longer term, may offer lower returns. The Treasury should carry out a cost-benefit analysis of the investment policy it has set for the Nuclear Liabilities Fund to assess whether a more balanced investment portfolio would be likely to provide a better balance of risk and return.

12. The Treasury disagrees with the Committee's conclusion. The Nuclear Liabilities Fund (NLF) is classified to the public sector. DECC guarantees its financial position. Therefore, any investment losses are ultimately borne by the taxpayer.

13. Together, public sector organisations handle very large flows of funds. *Managing Public Money* requires that these transactions should be handled in a way that is efficient and safe for the Exchequer as a whole. At the end of each working day, the Exchequer must either borrow from the money market or place funds on deposit with the money market, depending on the net position reached after balancing outflows to finance expenditure, against inflows from taxes and other sources. In order to minimise borrowing, Government holdings are aggregated in the Exchequer overnight each day. Therefore, the Government's investment policy for the NLF is for it to maximise its holdings in public sector accounts in order to minimise Government borrowing.

14. The policy of minimising Government borrowing generates a guaranteed return equal to the saved cost of borrowing. This return is earned without assuming any credit, investment or currency risk. It also allows this guaranteed return to be earned, without incurring the costs of employing investment consultants to try to pick winners and of administering potentially complex investment portfolios. It is possible for other investments to produce a higher return by taking on higher risk, by increasing the fiscal deficit to buy the investments and by taking on additional administration costs. However, an extra return is by no means certain and there is always a possibility that the extra risk assumed could go against the taxpayer and lead to taxpayers' funds being lost on speculative investments.

15. To illustrate this risk, whilst investment in equities will often outperform gilts, this is by no means always the case. For example: over the last ten years, the return for the Exchequer, from using public funds to minimise borrowing, would have been greater than that available from investing in the FTSE 100. Of course, in other periods, this may not be the case.

16. For these reasons, investment in private sector assets, such as stocks and shares, is not considered good value for money. Nor is it considered an appropriate activity for public sector bodies, as taking a view on stock market performance is more properly the domain of private sector investors. This approach means that the NLF's surplus is invested in the whole economy, by reducing the level of Government borrowing. The

Exchequer, funded by taxpayers, will stand behind the NLF as it draws down funds to meet its liabilities and, via the guarantee from the Department's Secretary of State, acts as provider of last resort should the amount provide inadequate.

17. This is a more secure funding arrangement than any that an investment house could provide through investment in equities, and moreover avoids paying fees for such a service. During the period that the fund is being built up, it is only right for taxpayers to have a matching benefit in the shape of demands on their funds now. The Treasury is however considering whether the NLF could receive improved returns on the funds it currently holds in the National Loans Fund by committing to invest over longer terms. A final decision will be dependent on legal, commercial and operational issues being considered and addressed.

PAC Conclusion (6): The failure by the Department and the Shareholder Executive to carry out a timely risk assessment indicates a systemic weakness in their approach to monitoring and managing risk, a weakness that persists despite recommendations in this Committee's three previous reports on British Energy that risk management should be strengthened. The Department should carry out systematic and timely risk assessments in sales of strategically important assets, particularly where there are residual liabilities that could fall to taxpayers. It should also set out each year in its Annual Report how it has monitored British Energy, and the results. In future asset sales emerging from the Operational Efficiency Programme, Departments should allocate clear responsibilities for managing all the risks associated with these sales.

18. The Department agrees with the Committee's conclusion, and agrees that systematic and timely risk assessments should be carried out for sales of strategically important assets. The Shareholder Executive and the Department have put in place monitoring arrangements, which allocate responsibilities for managing the residual risks associated with British Energy's operations. The controls put in place at the time of British Energy's restructuring largely remain in place. Regular monitoring meetings take place between the Shareholder Executive and EDF on the financial performance of British Energy.

19. The potential liabilities to the public have been substantially reduced, since the sale, as the proceeds to the Government have been paid into the Nuclear Liabilities Fund (NLF). Since the sale took place, at the peak of energy prices, it crystallised the value of the British Energy cash sweep at a high level. While there are inevitable uncertainties as to the level of decommissioning liabilities into the future – since these would stretch into the next century – the Fund's assets are now secured.

20. The Department's Annual Report sets out the current estimates of the assets available to the NLF to meet its liabilities, together with British Energy's estimates for decommissioning liabilities. The estimate for liabilities is subject to review by the Nuclear Decommissioning Authority (NDA).

PAC Conclusion (7): The Shareholder Executive is supposed to bring its own financial and commercial expertise to bear on deals of this type, but it still considered it necessary to hire UBS at a cost of £4 million to assist with negotiations and the valuation of British Energy. In future sales, the Shareholder Executive should seek to make full use of the skills it already possesses and avoid placing undue reliance on costly external advisors.

21. The Department partially agrees with the Committee's conclusion. The role of the Shareholder Executive is to ensure that Government is an effective and intelligent shareholder, and acts as an effective client, where there are transactions, in order to secure the best value for the taxpayers' investments. It does bring its own financial and commercial expertise to bear, in order to avoid undue reliance on external advisors.

22. The sale of the Government's interest in British Energy required multi-disciplinary and multi-country expertise and advice, which was beyond the scope of the Shareholder Executive's internal resources. It would not be cost effective to employ full time specialists permanently inside the Shareholder Executive to effect all eventualities required in sales as complex as British Energy, and consequently the Government needs the

ability to appoint advisers, just in the same way that private companies do. At the same time, the Department does agree that the use of such external advisors should be limited as far as is practical.

23. For this sale, the Shareholder Executive appointed an investment banker with experience of acquisitions and mergers, in the energy sector, to lead the team managing the Government's interest in the sale. The team was fully occupied in advising the Department and the Treasury on determining the tactics adopted during the process. It would not have been possible for the Shareholder Executive to carry out all the financial analysis required during the sale without the use of external advisors.

PAC Conclusion (8): The Shareholder Executive approved a £4 million success fee for financial advice that significantly under-estimated what EDF was willing to pay for British Energy and did not reflect the judgement of the other main shareholders. Departments should require financial advisors to take into account the views of the other main shareholders and the value to the buyer. In future sales, departments should also ask prospective advisors to propose alternative fee structures, such as separate prices that reward more directly the work done, rather than opting for a blanket success fee that may not, in practice, reflect their performance.

24. The Department agrees with the Committee's conclusion. Prospective advisors should be asked to propose alternative fee structures that more directly reward the work done. While success fees are a useful way of incentivising advisors to help Government Departments achieve their objectives, alternative fee structures have their place. The Shareholder Executive seeks to achieve a balance between success fees for a sale and the achievement of other objectives.

25. The success fee for financial advice was based on completion of the sale. The sale was only acceptable to the Government because it met the full range of the Government's objectives. This involved a range of work that went far beyond the provision of a fairness opinion. The external financial advisers played a key role in the whole of the sale process, in particular, in developing the Nuclear Power Note, which was crucial in achieving the sale. Additionally, the fairness opinion obtained was not used as a mechanism to get the best possible price. Since the Government did not hold a majority, the Board of British Energy ran the sale process. The Government made it clear that bidders would have to satisfy the Board in terms of price, while meeting the Government's wider objectives. A good price was obtained by selling at the peak of energy prices.

Twenty Third Report

Ministry of Defence (MOD)

Major Projects report 2009

1. The Major Projects Report 2009 is the latest in a long running series of reports examining the record of the Ministry of Defence (the Department) in meeting cost, time and performance targets for its top military equipment projects, which are expected to cost more than £60 billion.

2. Intentional decisions to delay some projects have increased total procurement costs and represent economies of the short term, and overall are poor value for money on the specific projects affected. The decisions were taken by the Department as part of a wider package to try to make the defence programme affordable over the next few years. They account for two thirds of the £1 billion of cost increases on projects in the last year. Crucially, it means the Armed Forces will not get the operational benefits of new capabilities as quickly as expected and some equipments will only be delivered in reduced numbers.

3. The decisions to delay projects, change requirements and reduce the numbers of equipments being procured adversely affect the Department's ability to secure value for money from its commercial partners. Yet the Department continues to do so. The Department is in the strongest negotiating position with industry before it places a contract. Slowing projects down once started almost inevitably increases their costs and takes pressure off contractors to become more efficient.

4. After years of reporting on the poor performance of individual projects, the Committee notes that there are some tentative signs that project teams are better managing the costs over which they have control. In practice, the programming decisions taken to deliberately slip projects make it difficult to assess the performance of individual projects and the Committee will be looking for evidence that the improvements can be sustained in future years.

5. On the basis of the annual report from the Comptroller and Auditor General, the Committee examined whether the Department's governance and budgeting arrangements were fit for purpose and whether it understood the serious implications of re-prioritising projects after committing to them.

PAC Conclusion (1): The defence budget is unaffordable by between £6 billion and £36 billion. The deficit is a reflection of shortcomings in the Department's governance and budgeting arrangements. The implications of the failings are not just about increasing costs and poor value for money on individual projects but, vitally, mean the Armed Forces will not get the operational benefits of new capabilities as quickly as expected and some equipments will only be delivered in reduced numbers. The Defence Green Paper and the Strategy for Acquisition Reform, both published in February 2010, are a start at addressing the issues but do not tackle the fundamental unaffordability of the defence budget. Looking forward, the Department will undoubtedly need to take difficult decisions, including possibly canceling projects.

6. The Department partially agrees with the Committee's conclusion. The Department accepts that the root of many of its problems in recent years has been growing evidence that the programme is unaffordable, compounded by the deteriorating fiscal position, which affects the whole of public expenditure. There is room for debate about the scale of the affordability challenge, which depends entirely on the assumptions made about future levels of funding for Defence. For example: the £36 billion figure is the cumulative shortfall between budget and projected programme costs over ten years, on the assumption that in each of these years the budget allocated to the Department will remain constant in cash terms (ie: there will be a real terms reduction of 7.6%).

7. The Government is determined to use the *Strategic Defence and Security Review*, which is now going on and will contribute to the review of all Government spending, to bring the Defence programme into balance with a both a realistic, and suitably ambitious, assessment of the UK's Defence requirements, and with the resources likely to be available. The Government agrees that this is likely to involve difficult decisions about priorities. The Government is also committed to pursue an active programme of acquisition reform, and will act on its predecessor's undertaking to provide a ten-year indicative planning horizon for expenditure on Defence Equipment and Support. Such a planning horizon will provide a clearer basis for planning the future Equipment Programme.

PAC Conclusion (2): HM Treasury did not act sufficiently quickly to challenge the growing unaffordability of the defence budget. The Treasury should seek greater assurance over the affordability of new projects in the context of the overall defence budget. The Treasury should also work with the Department to agree how the expertise available in both organisations can be harnessed to work together to ensure future defence equipment plans are constructed and managed on a realistic basis.

8. The Treasury partially agrees with the Committee's conclusion and will work with the Department to ensure that defence equipment plans are constructed and managed on a realistic basis. In it's response to Bernard Gray's report *Review of Acquisition for the Secretary of State for Defence (October 2009)*, the Department acknowledged the need to show that it can afford its equipment and support plans, as well as demonstrating much lower levels of cost growth and delay across its equipment programme. The Treasury will continue to work with the Department to attain this.

PAC Conclusion (3): In future, the Department and HM Treasury will agree a ten year planning horizon for the Equipment Plan. This is a step in the right direction but by itself will not be enough. The Department must learn from past experience to ensure its future equipment planning reflects the risk that cost increases in other, less flexible elements of the defence budget such as pay, pensions and PFI deals may 'squeeze' the funding available for equipment.

9. The Department partially agrees with the Committee's conclusion. A ten-year indicative planning horizon will help the planning and management of the equipment programme, by providing a greater degree of clarity about the resources likely to be available in the later years. Without such an indication, there is a greater risk of over-optimism about how much can be afforded in the years beyond the immediate Spending Review period. However, the Department accepts that this will not in itself be enough, and is investing significant effort in improving cost estimation skills and practice.

PAC Conclusion (4): The Department hasn't done enough to understand what effect changes in the availability of funding, cost growth on existing projects, or urgent new demands may have on the future equipment budget. The Department should analyse the effects of changes in funding assumptions and combine this with an analysis of its past track record to ensure there is sufficient contingency in the Equipment Plan to deal with possible cost growth and meet emerging operational needs.

10. The Department agrees with the Committee's conclusion. The Department's Permanent Secretary has established a new sub-committee of the Defence Board. They are charged with ensuring that the equipment programme is aligned with strategy, is affordable and realistic. It has also introduced stronger central management of the equipment programme. In particular, there are now stronger controls over the entry of new projects into the equipment programme and over changes in performance, cost and timing of individual projects. Additionally, through Capability Programme Boards, the implications of wider Defence Lines of Development are captured in the development and subsequent costing of Planning Round options.

PAC Conclusion (5): The Department does not have good information on the overall costs and risks of its programmes. The Department should develop common measures of risk across its top fifty projects, which should include assessments of its commercial skills, the maturity of new technology, and knowledge of the systems used to integrate equipments. Taking into account other key variables (such as defence sector inflation and exposure to exchange rates) these assessments should then be aggregated so that the Department can take a balanced view on the scale of the risks to the delivery of military capability in its portfolio of equipment projects.

11. The Department agrees with the Committee's conclusion. The Department has worked to develop robust costings, and a common view of risks across its top fifty projects. The effects of this improved management of risk can be seen in project performance. For example: costs under direct control of project teams have shown a net decrease of £85 million. These improvements have been re-enforced by the *Strategy for Acquisition Reform*, which has set out additional measures to improve the robustness of initial project cost estimation. For example: the Cost Assurance and Analysis Service now validate three-point estimates for all major projects and are working to improve further the standard of Cost Management Through Life.

PAC Conclusion (6): Delaying projects once they have started increases costs, postpones the delivery of military capability and puts the Department at a disadvantage as it tries to secure value from its commercial partners. In future the Department must ensure that decisions to accelerate or slow down projects, or change the numbers or capabilities of equipments, are supported by quantified operational and financial analyses to enable the full costs and benefits to be identified and compared on a like-for-like basis.

12. The Department agrees with the Committee's conclusion. There is an inevitable tension between balancing the near term budget and the capability and financial penalties associated with delaying programmes in so doing. Several decisions in recent years to delay or de-scope programmes have been taken not in ignorance of the operational and longer-term financial implications, but because at the time there seemed no more acceptable or feasible way of keeping within budget. The intention is that following the *Strategic Defence and Security Review*, the Departmental programme will be in better balance over a 10 year planning horizon and, therefore, the need for near term savings – including delaying equipment programmes – should be much reduced.

Twenty Fourth Report

HM Revenue and Customs (HMRC)

Handling Telephone Enquiries

1. Every year, millions of people telephone HM Revenue and Customs (the Department) to seek help or information about their tax affairs or entitlement to tax credits and benefits. The Department's telephone services are likely to become increasingly important as it encourages people to use cheaper forms of contact, such as telephone and online services, and make less use of face-to-face and postal contact.

2. The Department's performance in responding to calls has been poor. In 2008–09, the Department answered only 57% of the 103 million calls to its main help lines, compared to an industry standard of 95% – callers waited on average two minutes, and nearly four minutes in peak periods to speak to an adviser. The Committee recognises that the Department is taking steps to improve its performance, but considers that it should be more ambitious. The Department has set a target to answer more than 90% of calls by March 2012. It could do more to reduce the confusion caused by having 139 telephone numbers and to reduce the costs of calling the Department. 6.8 million calls failed the Department's accuracy checks in 2008–09, because advisers did not follow the Department's guidance and procedures.

3. The Department could be far more efficient in using contact centre staff time, in particular by eliminating the 11% of time that is spent by advisers waiting for calls and in reducing levels of sickness absence. It could also match staffing levels more closely to levels of demand, as the number of calls fluctuates significantly around key statutory deadlines during the year. There are also significant opportunities to reduce costs and improve its responsiveness by reducing the number of unnecessary calls.

4. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Department on how easy it is for customers to contact the Department by telephone and obtain correct advice, and the efficiency of its telephone operations.

PAC Conclusion (1): Although the Department has achieved recent improvements in answering telephone calls, its performance remains well below industry best practice standards. Its target to achieve, by March 2012, a standard of answering 90% of calls also falls short of best practice. It should commit to achieving by March 2012 the industry best practice standard of answering at least 95% of calls.

5. The Department disagrees with the Committee's recommendation. The industry standard is to answer 90% of call attempts. The significant peaks and troughs in demand for the Department's services make it difficult for the Department to reach best practice of 95% without a significant increase in resources. Above 90%, the marginal cost of each percentage point improvement would be significant and inefficiency would increase, with advisers spending more time waiting for calls. The Department believes that its aspiration to answer 90% of call attempts, as soon as possible, represents the right balance between ensuring value for money and providing an appropriate customer experience. However, achieving this aspiration will depend on the balance of priorities across the whole of the Department's business and the resource levels available to achieve these.

6. The Department recognises that it needs to significantly improve performance as quickly as possible and made good progress in doing so by managing down demand, reducing redials and better matching supply to demand; thus answering 76% of the 80 million calls in 2009-10 compared to 57% of the 103 million calls in 2008-09. In the early part of 2010-11, performance has fallen back, due to the combined effect of the transitional impact of online VAT mandation and the New NPS PAYE System. This created more demand for the Department's services and longer call handling times associated with these issues, and an increased focus on error and fraud. There is also a significantly smaller adviser base as the Department has prioritised tax and revenue collection activity, transferring two Contact Centres to assist with compliance and debt management activity at the beginning of the year.

PAC Conclusion (2): People have to wait too long to speak to an adviser when they call, creating frustration and unnecessary costs for callers. Callers have to wait on average two minutes, and nearly four minutes during peak periods, before they speak to an adviser, compared to the public sector benchmark of up to one minute. The Department should introduce an additional target for achieving this benchmark by 2012.

7. The Department partially agrees with the Committee's recommendation. It recognises that current waiting times need improvement to deliver a better customer experience and it has recently made good progress in achieving this objective. The average queue length in 2009-10 was down to 1 minute 35 seconds compared to 1 minute 57 seconds in 2008-09 – an improvement of 19%. In 2009-10, 71% of customers were answered within one minute. The vast majority of those, who had to wait longer, rang at the times of year when the Department has a very high volume of calls – for example: in January, in the run up to the Self Assessment filing deadline, and in July, in the run up to the Tax Credits renewals deadline. The Department uses queue length as one of its key performance benchmarks and is targeting a significant improvement in this measure.

8. The Department recognises that the longer a customer has to wait, then, the higher the costs to the customer. Queue lengths are therefore capped in order to avoid an unreasonable cost to the customer. The capped length is determined according to adviser availability, how busy the line is, and the typical length of call on any individual line. In capping queues, the Department aims to balance the wishes of customers who are prepared to wait a reasonable period of time to have their query answered, against the inconvenience of doing so, and the cost of the call.

9. The Department recognises that answering calls within a minute, on average, would be desirable. It needs to balance this aspiration against the resources available, and the value for money considerations. The extra resources required to answer all the calls, made in the Department's large contact peaks within a minute, would be considerable.

PAC Conclusion (3): The Department uses 139 telephone numbers. It plans to reduce this number, but it could do more by reducing the costs of contacting the Department by telephone. The Department plans to reduce the telephone numbers it uses for Income Tax in 2010, and has committed in principle to moving any new services to price-capped '03' numbers. It should review and rationalise the remaining helplines, text-phone numbers and order-line numbers, and decide which helplines should be free to call. It should also move new and existing services to '03' numbers unless there is an overriding case for not doing so, such as significant extra costs for customers or the Department.

10. The Department partially agrees with the Committee's recommendation. The Department deals with a wide range of subjects and it is important that it routes incoming calls to advisers, with the appropriate skills and knowledge. Different business lines are therefore allocated their own phone numbers. This means that there will always be a range of numbers. A single number would require an initial triage and redirection by the Department's advisers or an extra layer or messaging in the Department's automatic messaging system. Either route would lead to longer calls and greater frustration for the Department's customers.

11. Seventy of the 139 lines arise from the historical need for each Income Tax Area to have its own Helpline number. Recent changes to the Department's IT systems mean that it can eliminate at least 65 of these numbers and allocate a single national number for all employees calling on PAYE issues. The precise timetable for this transition will be finalised by October 2010. The transition timetable will need to take account of the Department's IT enterprise release cycle – the Department's forms and letters are replaced on a cyclical basis. Customers calling the old legacy numbers, during the transition period, will be routed to the new single number via the Department's virtual network.

12. The Department recognises that call charges can be a major issue for customers and is currently reviewing its numbering strategy, which will be completed in the current financial year. It will consider short-term options for change, including offering call backs, improving the information provided about call charges, and measures to ensure vulnerable customers have access to phones to make free of charge calls. It will also consider long-term changes such as moving to 0300 or 0800 numbers for some helplines. The review will need to carefully balance the cost to the Department, and the likely impact on service levels, against the costs to different groups of customers on different telephone tariffs.

PAC Conclusion (4): The Department is piloting a call-back service for more vulnerable customers on the Child Benefit helpline. The pilot does not cover Tax Credits helplines, although many claimants, being on low incomes, might benefit most from such a service. The Department should extend its piloting of call-back technology to include Tax Credits phone lines, so that decisions about providing such a service are informed by a fuller understanding of the benefits to those most likely to use it.

13. The Department disagrees with the Committee's recommendation. The Department's numbering strategy review will consider whether the Department should offer call-backs. If it does, the Department will decide which customers should be offered a call-back, on which lines of business, and whether the device they are calling from requires a different approach. The Department does not believe it is necessary to extend its child benefit pilot to its Tax Credit lines to gather further information on the benefits of call backs – the Department has sufficient information in this area.

14. Call-backs are one way in which the Department might be able to reduce the costs of calling for customers. However, this option needs to be considered alongside other options to ensure the best balance between customer costs, the Department's costs, and accessibility for customers.

15. Introducing a call back facility would raise a number of challenges for the Department. Around 20% of calls last for less than two minutes, and another 20% last less than three minutes. Offering and making a call back, which typically takes more than three minutes to transact, would therefore increase the time it takes advisers to handle calls. This would lower call handling capacity, meaning fewer customers could get through when they call. The Department therefore needs to understand the impact that call-backs would have on its performance, and balance the benefit of lower call costs for customers with a reduced ability to get through to the Contact Centres.

PAC Conclusion (5): The Department does not know how often it gives incorrect advice by telephone, or its likely effect on peoples' tax assessments, credits and benefits. 6.8 million calls failed the Department's internal accuracy standard in 2008–09 but the test used does not distinguish between failure to follow Departmental guidance and procedures and failure to provide correct advice. The Department should reduce the number of calls that fail its accuracy standards. It should also identify how often incorrect advice is actually given, its consequences and how to prevent this happening.

16. The Department agrees with the Committee's recommendation. In 2009-10, the Department made significant progress in improving the quality of its advice. There are three main elements to the quality process:

- correct authentication of the customer;
- the correctness of the advice given; and
- the correctness of the follow up action taken.

17. In 2008-09, the overall quality score was 92%. In 2009-10, this had improved to 96% and on the correctness of advice given, this improved from 89% to 94% over the same period. The Department recognises that it can further improve its quality process by ensuring that less experienced advisers, or those who have lower quality scores, are checked more frequently and given more coaching and support.

18. The Department will be redesigning the quality process to clearly distinguish between failure to follow Departmental guidance and procedures, and failure to provide correct advice, with much greater emphasis on the latter. This will include developing an even better understanding of material impacts of quality failures on assessment of tax, benefits or credits. The Department will focus its coaching and support on eliminating this type of error.

PAC Conclusion (6): The Department could make far more efficient use of contact centre staff time and thereby improve the service it provides. Staff spent only 38% of their time handling calls or on follow-up work compared to the industry best practice benchmark of 60%. The Department should match staffing levels more closely to the fluctuating levels of demand throughout the year. While the Department has achieved some success in reducing sickness absence, it should reduce this further to at least match the average level achieved in the private sector of 4%.

19. The Department partially agrees with the Committee's recommendation. It recognises the need to make more efficient use of Contact Centre staff, match staffing levels to the fluctuating levels of demand, and reduce sickness absence. It has made significant progress in all three areas in 2009-10. Contact Centre staff utilisation has increased by 12%. 450 Contact Centre advisers were loaned to other parts of the Department in the traditional demand troughs and sickness levels have been cut by almost 30% since 2005-06.

20. Staff utilisation, which in 2008-09 was broadly in line with other Central Government Agencies, is below industry best practice. This was due to higher than average leave entitlement than the private sector, the technical content of the work, which requires more training and investment time, and higher levels of sickness absence.

21. The Department has a series of plans to better match staff supply to customer demand. These include controlling demand increases, reducing avoidable contact, more effectively managing peaks and more flexible use of staff, both within Contact Centres and across the wider Department. The Department aspires to match the average sickness absence level in the private sector. The current target is to continuously reduce Contact Centre adviser sickness absence by at least 10% a year, a target the Department exceeded in 2009-10, with an 11% reduction. This has brought the Department's sickness absence down to 6%, much closer to the private sector average of 4%.

PAC Conclusion (7): The Department is not doing enough to realise savings from reducing avoidable calls. The Department estimates that 35% of calls received are avoidable and plans to make savings by reducing these by 50% by March 2011, but it does not have a good understanding of why people call unnecessarily in the first place. The Department should obtain more accurate information on why people call and the extent of calls, which are avoidable. It should produce a robust assessment of the reduction in avoidable calls it will achieve by March 2011 and the associated cost savings.

22. The Department agrees with the Committee's recommendation. It has developed a Call Classification tool to capture information about why customers call. Using this data, Contact Centre staff are now working with colleagues across the Department to eliminate the causes of low value contact that the tool has identified. This work will improve the experience of customers, who will no longer need to make unnecessary calls, resulting in improved operational efficiency.

23. Customer calls are categorised by type. The categories are linked to a Value Irritant Model (VIM), which assess the calls as either:

- Low value for the customer – Low value for the business;
- Low value for the customer – High value for the business;
- High value for the customer – Low value for the business; and
- High value for the customer – High value for the business.

24. Call data is collated, classified (which includes identifying avoidable calls) and linked to business owners. The costs of handling the calls are highlighted and used to prioritise improvements. Weekly data reports show key areas for consideration and trends. Contact Centre advisers also provide additional information in Postcard format and at team meetings to provide a lower level of root cause data to support the call classification tool data. Key issues highlighted by advisers and call classification are approved for further action through approval routes, which form part of the governance for the Department's demand management strategies. Classification data will help the Department produce a robust assessment of the reduction in avoidable calls it will achieve by March 2011, and the associated cost savings.

Twenty Fifth Report

Foreign and Commonwealth Office (FCO)

Adapting the Foreign and Commonwealth Office's global estate to the modern world

1. The Foreign and Commonwealth Office (the Department) has over 4,000 buildings across its global estate, in 279 different locations. The estate is a mix of properties including embassy, High Commission and Consular offices, Ambassadorial residences, prestige and historical buildings and staff accommodation. The estate is valued at £1.6 billion and capital and revenue expenditure in 2008–09 totalled £269 million. 13,000 of the Department's staff work in its offices overseas.

2. The many functions of the Department's properties overseas mean they are not easily comparable to typical government buildings in the UK. No two locations are the same and difficulties created by security, terrorism, turbulent markets and exchange rate fluctuations all affect the Department's ability to control costs and make best use of its estate. The Committee welcomed the improvements the Department has made in managing its estate more effectively, including the recent appointment of an estates specialist as Estates Director and the development of a new estate strategy.

3. However, the Department has a poor understanding of its estate and the information it holds on its properties is basic, incomplete, out of date and inaccurate. Additionally, the Department does not collect data, such as the cost and amount of space per person, recommended by the Office of Government Commerce (OGC) for the effective management of government offices in the UK. The Department has unused space in its offices even in locations where other UK government organisations are based in separate premises. Other organisations are often deterred from co-locating with the Department, because of the security measures necessary in embassies, as well as the high charges that they must pay to use the Department's buildings.

4. The Department now needs a better-managed estate, with improved data, to enhance understanding of the estate, and its new strategy to be implemented effectively at each location. The Department needs to achieve better outcomes—lower costs, better use of its space and improved project management, as a number of projects have been delivered late and over budget. The Department made a commitment to the Committee that it would be able to report a much-improved picture within 18 months as a result of the extra focus and attention that it intends to place on its estate.

5. On the basis of a Report by the Comptroller and Auditor General, the Committee took evidence from the Department on the management of its global estate.

PAC Conclusion (1): The Department has made a number of improvements to help it manage its estate more effectively, including the appointment of an estates specialist and the development of a new strategy for its estate. In making recommendations on the areas of weakness the Committee found in the Department's management of its estate, it nonetheless recognises this work and the difficulties that the Department faces.

6. The Department agrees with the Committee's conclusion and welcomes its recognition of both the improvements the Department has put in place and the difficulties the Department faces in operating a complex overseas estate.

PAC Conclusion (2): The Department is developing a new estate strategy but has limited resources for its implementation. The Department should draw up a realistic and affordable plan of implementation, showing clearly what it will cost to deliver. The plan should also include milestones for the delivery of real improvement and should prioritise its actions to match the funds available.

7. The Department agrees with the Committee's conclusion. The Department's global estates strategy was approved by the FCO Board in April 2010 and has been sent to the Committee. Given the global nature of the estate and the differing circumstances, the Department intends that the implementation plan will include the phased introduction of asset management plans covering the following eight geographical regions:

- the United Kingdom;
- Asia-Pacific (the Far East and South-East Asia);
- the Americas and the Overseas Territories;
- Europe;
- Middle East and North Africa;
- Russia, South Caucasus and Central Asia;
- Africa; and
- South Asia and Afghanistan.

8. Additionally, the Department has re-prioritised spending in the 2010-11 financial year to improve building compliance, with a focus on the highest health and safety priorities overseas. The FCO Board issued a revised statement of Departmental policy on health and safety in April 2010 and has made it clear that property-related spending, which enables the Department to meets its duty of care to staff and visitors, will be prioritised.

PAC Conclusion (3): Staff overseas who will implement the strategy are not estates specialists. The appointment of a qualified chartered surveyor as Estates Director is an encouraging step in improving the professionalism with which it manages its estate. For the strategy to be implemented effectively, the Department must provide professional support to its staff overseas so they can drive through the changes required. It should identify what support they need and how the relevant skills can best be provided.

9. The Department agrees with the Committee's conclusion and welcomes the Committee's endorsement of its strategy to bring more professionalism into the estate management function. The Department agrees that the majority of overseas posts do not have the specialist capacity to take large-scale or long-term estates decisions. In addition to the appointment of a property professional as Head of Estates and Security Directorate in 2009, the Department is recruiting two new senior external positions in 2010: a Head of Asset Management and a Head of Programme Delivery, who will be charged with implementing the changes.

10. The expansion of centrally-commissioned professional facilities management arrangements, for certain overseas posts, will continue to be a key tool for the Department to drive down estates costs and achieve efficiency savings. For the UK and 14 of the Department's northwest European posts, a contract is in place with an external facilities management provider. The Department intends that this arrangement will expand further in Europe and be introduced in the Asia-Pacific region and in India by the end of 2010.

11. Staff overseas can draw on a range of professional estates skills provided by FCO Services, a trading fund of the Department. FCO Services provides estates support in the region through a network of Technical Works Officers and associated teams, supported by project management and property specialists in London. The service level agreements between FCO Services and the Department's Estates and Security Directorate, and geographical directorates, are under review. They will be simplified to drive down costs and provide more focus on the needs of posts. Additionally, the Department will establish professionally qualified regional asset management positions based overseas, to complement the FM and FCO Services arrangements.

PAC Conclusion (4): The Department collates some management information on its estate, but does so inconsistently. Its new Estates Director currently does not have the information he needs to do his job. The Department must improve the quality of data on its estate by enforcing the accurate and prompt input of data on all properties into its Pyramid estate database.

12. The Department agrees with the Committee's conclusion. The Department needs to improve both the quality and consistency of its property management information in order to ensure efficient management of its overseas estate. The Department is currently reviewing the requirements on its overseas posts to input data on Pyramid property database, and is providing a programme of training, in 2010-11, for overseas staff in the use of the system.

13. The Department will initiate a project in 2010-11 to review where all its estates management information is held, including: data collected during the rollout of facilities management overseas; sustainable operations data on the overseas network; and data held at posts overseas. A key aim of the project will be to ensure a consistent approach and to set out how estates management information can be aligned with financial information to ensure better decision-making.

PAC Conclusion (5): The Department has unused space in many of its buildings but does not collect basic information on space and cost per person. The Department needs to collect and analyse data on all its properties along the lines of that required by the OGC for UK based government properties. It should seek to increase the efficiency with which it uses its offices by setting local targets for use of space, taking into account the particular business needs of the Department in each location and the nature of the building occupied.

14. The Department agrees with the Committee's conclusion. The Department will increase the efficiency in the use of standard office space in the global estate, to eliminate unused space, and ensure that it collects information on key indicators, such as average space per person. The Department will undertake a comparison of the mandatory data sets required by the Office of Government Commerce (OGC) for central government properties in the UK, and those required by the Department for properties overseas, to establish where the Department's system differs.

15. Through discussion in its Estates Committee (the main governance body for major project investment decisions), and better internal liaison between its Estates and Security Directorate and its geographical directorates, the Department will identify overseas locations where the estate can be changed to ensure a smaller, more efficient footprint, concentrating on projects, which deliver significant savings and operational benefit. The Department disagrees that setting local targets for the use of space will work well everywhere. In some cases, the cost of change will be prohibitive, especially if estates change involves technical security work to be done within the mission.

PAC Conclusion (6): The Department is not taking sufficient account of particular difficulties when undertaking construction projects overseas. It is not making enough allowance for fluctuating exchange rates, security requirements and the challenging nature of certain locations when planning projects. Two-thirds of projects examined by the National Audit Office were late and the Department continues to make expensive mistakes, such as on the new Embassy in Damascus, Syria. The Department should implement rigorous risk assessment when planning such projects so that it sets more realistic timetables and budgets. It should also make more systematic use of post project reviews to learn lessons for the future.

16. The Department agrees with the Committee's conclusion and the need to improve delivery of construction projects overseas. The Department's Estates Committee has been charged with exercising greater rigour in the area of risk assessment. It now reviews on a regular basis all active projects to check that they are on

schedule and on budget, and has promulgated new terms of reference for Senior Responsible Owners and Project Sponsors. The Estates Committee will carry out an assessment of post-project reviews in September 2010. The Department has improved the format of how budgetary information is presented to the Estates Committee to ensure proper oversight of budgets and deadlines.

17. The new Head of Programme Delivery will have a key responsibility to drive forward improvements in this area. In preparation for their appointment, the Department's Estates and Security Directorate has adopted a programme office approach to project delivery, bringing in two short-term specialists from the private sector (the Department's strategic construction partner) and from FCO Services. Their role will include:

- collecting, coordinating, analyzing and distributing management information about the capital programme;
- ensuring that risks are properly assessed; and
- establishing consistent practices and standards of project planning, reporting and control.

PAC Conclusion (7): It is a poor use of public money when the Department has unused space in many of its offices while other UK government organisations overseas are paying for office space in the same city. The Department should actively promote the use of spare space in its offices to other UK government organisations. The Treasury should require other government organisations that are considering opening new offices overseas to submit a business case showing the costs and benefits to the taxpayer of locating elsewhere compared with the costs and benefits of sharing with the Department.

PAC Conclusion (8): Reflecting Treasury requirements, the Department charges other users of its estate full costs even when space would otherwise remain empty. This deters other potential users, some of who find it prohibitively expensive to use the Department's office accommodation. Through its Shared Services Group, the Treasury should develop a method of charging that passes on to other UK government organisations a fairer reflection of the actual cost to the Department of accommodating them, while protecting as far as possible the contribution that they make to the Department's fixed costs.

18. The Department agrees with the Committee's recommendations. The Department agrees that co-location of government operations overseas is an important goal, which can deliver efficiencies and operational benefits. The Department has intensified its efforts to find workable solutions. After the Departmental Board discussions, officials have been working with the Treasury and other Government Departments to improve the method of charging to ensure a fairer reflection of the actual cost to the Department to provide an overseas platform for the Government. Having completed its initial consultations with stakeholders, the Department has selected a preferred option for the new charging framework and will consult with Government Departments during summer 2010.

19. The proposed revised charging framework will be based on a fair and proportionate share of relevant fixed costs of occupying property overseas, such as rent and utilities. The Department's initial discussions have shown that it provides a more attractive offer to other Government bodies, compared to the existing system, in cases where co-location is being considered. The Treasury has supported this review of charging and believes a new framework can optimise the use of space while providing the right incentives on all Departments overseas to maximise value for money for the taxpayer. These changes will remain fully compliant with the guidance in *Managing Public Money*.

Twenty Sixth Report

Department of Health (DH)

Progress in improving stroke care

1. Stroke is one of the top three causes of death and the largest cause of adult disability in England, costing the NHS at least £3 billion a year in direct care costs, with wider economic costs of around £8 billion. The Committee of Public Accounts' first report in July 2006 on this important subject[10] highlighted serious shortcomings across the whole stroke care pathway, concluding that the human and economic costs of stroke could be reduced by re-organising services and using existing capacity more wisely.

2. The Committee welcomed the demonstrable improvements in stroke care, which the Department of Health (the Department) has achieved since their first report. The Department and NHS have increased the priority given to stroke, particularly the speed of the acute hospital response. The Committee also congratulated the Department on the excellent Stroke – Act F.A.S.T. media campaign and the impact this has had on raising staff and public awareness.

3. However, improvements in hospital care are not yet matched by progress in delivering more effective support once stroke survivors leave hospital. Many patients, discharged from hospital, continue to struggle to obtain follow-up care and access to community rehabilitation services. There is also a risk that the current level of services will not be sustained, once the funding provided by the Department to help implement the strategy, ends next year. A number of systemic problems, restricting further development of stroke services, such as a lack of effective joint working between health and social care, and limitations in out-of-hours hospital care, were found by the Committee.

4. On a basis of a Report by the Comptroller and Auditor General, the Committee examined the Department on how to sustain and improve still further the standards of services for all stroke patients across the whole stroke care pathway and what lessons could be learnt from its experience in developing and implementing the stroke strategy.

PAC Conclusion (1): In response to the shortcomings outlined in our 2006 report, Reducing Brain Damage: Faster access to better stroke care, the Department has achieved some commendable improvements in stroke care. The Committee welcomes the higher priority that is now being given to stroke care, including the greater awareness of the importance of a fast response. A key development has been the Department's campaign, Stroke — Act F.A.S.T., which has improved public awareness of stroke and the responsiveness of ambulance and hospital staff.

5. The Department agrees with the Committee's conclusion. In the past, stroke had a low priority within the health service, often being seen as a disease with no effective treatment. The Department is aware that this is not the case. There is significant evidence to demonstrate the benefits of high quality stroke care for all patients who experience a stroke. The Department is currently considering the development of a measure against which the NHS will be judged on how well it is improving outcomes for people who have had a stroke.

6. Analysis of the award-winning Act F.A.S.T. campaign has shown it to be very successful at raising awareness of stroke symptoms, and of stroke as a medical emergency, resulting in a 55.5% uplift in stroke-related 999 calls and more people with suspected stroke getting to hospital faster for expert assessment. The campaign also raised the profile of stroke among the public and healthcare staff, with more people now correctly identifying it as the leading cause of disability in England.

10 Fifty Second PAC Report - Session 2005–06: Reducing brain damage: faster access to better stroke care

PAC Conclusion (2): It is not good enough that only 59% of patients are scanned within 24 hours of having a stroke. Although immediate scanning is vital to achieve the best outcome for stroke patients, too many hospitals are still failing to operate their scanning services 24 hours a day. During 2010–11, the Department should use the Best Practice Tariff and the Stroke Improvement Programme to require all hospitals to provide timely access to scanning for all patients who might be eligible for the clotbusting drug, thrombolysis. In particular, the Committee expects the Department to make substantial improvements in notably poor performing hospitals, such as Grimsby's Diana Princess of Wales Hospital.

7. The Department partially agrees with the Committee's conclusion. The stroke strategy recommends that patients requiring urgent brain imaging should be scanned in the next scan slot within usual working hours, and within 60 minutes of request out-of-hours, with skilled radiological and clinical interpretation being available 24 hours a day. All hospitals now provide computerised axial tomography (CT) scanning, and by far the majority also provide magnetic resonance imaging (MRI) and carotid doppler. The Department supports the ambition that all patients are able to access timely brain imaging. However, not all stroke patients require immediate scanning. Where the need isn't urgent, guidance recommends a CT brain scan be carried out within 24 hours (unless contraindicated – for example: the patient has a terminal illness).

8. One of the levers Primary Care Trusts (PCTs) can use to improve service delivery in this area is the Best Practice Tariff (BPT). This came into effect in April 2010 and incentivises direct admission to a stroke unit and timely brain imaging. There has also been a tariff supplement available since 2008, which covers the costs of providing thrombolysis to those patients who are eligible. It is for PCTs, through their commissioning and contracting arrangements, and Strategic Health Authorities (SHAs) through their performance management role, to ensure that the potential impact of tariff is maximised. There is already some anecdotal evidence that the BPT is being used to secure improvements in service delivery. The Department will continue to work with the Networks and the *Stroke Improvement Programme* (SIP) to ensure that the opportunities of BPT are applied widely.

9. Stroke networks have been set up to support commissioners and providers to deliver improved services, including timely access to brain imaging, using the available levers. Some areas (for example: London) have gone further and have developed local tariffs to support their visions for stroke care. The Department is aware that the most challenging issue is providing rapid access to brain imaging outside normal working hours and at weekends. This is being addressed in different ways across the country. Some areas are implementing hub and spoke models of care, with attendant reconfiguration and development of protocols with the ambulance service to take people to the most appropriate service rather than the closest one. Others are developing tele-medicine arrangements to ensure expert assessment is available around the clock.

10. SIP has worked on national priority projects examining ways of improving acute stroke care. Among them are a number related to the provision of imaging services and SIP will share its findings in the summer. These include enabling nurses and others with suitable training to request CT scans; stroke-physicians with appropriate training to report scans (not just radiologists) and remote reporting of scans using tele-medicine. In addition, NHS Improvement's Stroke and Diagnostic teams are to undertake a national imaging review to support improvement in this area of care. The Department is currently considering the development of a measure against which the NHS will be judged on how well it is improving outcomes for people who have had a stroke.

11. The Department, at the Committee's hearing, made a commitment to increasing the pace of improvement for stroke care in 2010-11; access to brain imaging is a key area on which the *Accelerating Stroke Improvement* programme will focus. The National Institute of Health and Clinical Excellence (NICE) has been commissioned by the Department to produce a quality standard for stroke, covering both treatment and rehabilitation, which was presented to the Secretary of State on 30 June 2010.

PAC Conclusion (3): Although treatment on a specialist stroke unit is recognised as the best way to help patients, many stroke patients are still not treated on such a unit. The Department should require Strategic Health Authorities and Primary Care Trusts to use their performance management arrangements to certify that all applicable hospitals meet its expectation that 80% of stroke patients spend at least 90% of their hospital stay on a stroke unit by March 2011.

12. The Department agrees with the Committee's conclusion. All PCTs have submitted plans, through their SHAs to the Department, for delivering the two parts of the Tier 1 Vital Sign on stroke and treatment of transient ischaemic attack (TIA). These plans show that every PCT expects to meet the required level of performance by the fourth quarter of 2011 (January to March). The Department has signed off these plans and through performance management arrangements with SHAs, will be monitoring performance regularly. In addition, in line with other Tier 1 Vital Signs, the Department holds SHAs to account for their SHA-wide performance, as well as performance at individual PCT level, during regular meetings with SHAs' Directors of Performance.

13. The BPT incentivises timely brain imaging and direct admission to a stroke unit. It also requires that acute stroke units should meet the definitions of good practice set out in the *National Stroke Strategy's Quality Marker* nine, for the BPT adjustment to be made.

14. The Sentinel Audit has identified that nationally there are sufficient stroke beds to meet patients' needs and notes that improved bed management is critical to achieving direct admission for all stroke patients. While the Tier 1 Vital Sign for stroke shows improvements are being made in the numbers of patients spending 90% of their time in a stroke unit, the *Accelerating Stroke Improvement* programme will focus on making more rapid progress. Another key area for focus, closely linked to this part of the patient pathway is the capacity to deliver a good Early Supported Discharge (ESD) service and this too is identified as a priority for 2010-11.

PAC Conclusion (4): There are not enough specialist staff on stroke units and the understanding of stroke by other health and social care professionals who care for people with stroke remains poor. The Department should work with the Stroke Forum to develop effective training for all hospital staff so that, for example, all patients with aphasia or physiotherapy needs receive safe and effective care.

15. The Department partially agrees with the Committee's conclusion. Quality Marker 18 in the Strategy says that all people with stroke, and at risk of stroke, receive care from staff with the skills, competence and experience appropriate to meet their needs. Commissioners, providers and employers were charged to perform a thorough review of their workforce.

16. The Department has recognised that for stroke care services that match the ambitions of the *National Stroke Strategy,* and for the guidelines of NICE to be delivered, significant development of the workforce will be needed. The NHS, and partner organisations in social care and the voluntary and independent sectors, have been challenged to develop stroke pathways in keeping with these. Many different professions are involved across the range of health and social care services and it is important not just to train staff directly involved in delivering stroke care, but also those who come into contact through their work with people who have had strokes, for example ambulance, accident and emergency and social care staff.

17. From 1 January 2010, the UK Forum for Stroke Training (UKFST), hosted by the Stroke Association, has a new remit to raise standards of knowledge and skills for staff who work with people who have had a stroke, through promoting use of the *Stroke Specific Education Framework* (SSEF) to develop stroke-specific knowledge and skills. The first steps are to embed the SSEF and develop systems to enable the stroke community to recognise staff with stroke specialist knowledge and skills, to judge the suitability of training developed to deliver stroke specialist knowledge, and to develop mechanisms to appraise work-based learning. Fundamental to this is the setting up of a multi-functional website. The SSEF will contribute to ensuring quality in stroke care by supporting stroke specialist and stroke relevant career pathways and course design, and promoting recognised and transferable training and qualifications.

18. The Department has funded over 20 stroke specialised physician-training places. Some of the central funding allocated to SHAs and to the Stroke Networks has been invested in staff training.

PAC Conclusion (5): Not enough hospitals arrange early supported discharge for stroke patients, even though it provides better outcomes for many patients and can save money. The Department should ask commissioners across the health service to develop business cases for introducing or increasing the use of early supported discharge and should report back to us on the progress it has made within 12 months.

19. The Department agrees with the Committee's conclusion and will report back to the Committee in March 2011 on further progress. The Department recognises that not every stroke survivor who could benefit from ESD is yet able to access it. The initial focus in implementing the strategy has been on the acute and hyper-acute part of the stroke pathway to ensure that more people are able to benefit from access to a stroke unit and, where appropriate, to receive thrombolysis to improve outcomes and reduce long-term need. This year, the Department will encourage the NHS to focus on the long-term care part of the pathway.

20. The Department recognises that it is important to get ESD arrangements right. Premature discharge to inadequate community facilities has the potential to increase an individual's long-term dependency. Within the *Accelerating Stroke Improvement* programme, the Department wants to concentrate efforts on introducing ESD arrangements across the country so that everyone who can benefit from them.

21. The Department recognises that PCTs can be apprehensive about introducing such significant change. This is because double running costs are incurred while the new service is established, and because in some places it is likely to result in a reduction in the number of in-patient beds as resources are moved into the community and length of stay is reduced. This can trigger a need to reconfigure in-patient services to create units of viable size. At least one SHA has identified additional funding to support the introduction of ESD, with a view to improving outcomes for people by achieving and maintaining their independence, as well as recouping the additional investment over the medium term.

PAC Conclusion (6): The Department lacks evidence about what types of post-hospital support and long-term care are most effective for stroke patients and does not have a clear plan as to how such care should be funded. There is a risk that the current level of service will not be sustained once the funding given to local authorities for this purpose ends next year. The Department should develop the evidence-base for post-hospital stroke services by identifying and disseminating examples of good practice. Strategic Health Authorities should track the level of provision across their region, using the metrics currently being developed by the Department. They should seek an improvement in the quality of long-term care and report on the progress made in 12 months.

22. The Department partially agrees with the Committee's conclusion and will report back to the Committee in March 2011 on further progress. The Department will ensure that SHAs work with Stroke Networks and Local Authorities to ensure that this part of the stroke care pathway continues to develop.

23. The Department accepts that progress in rehabilitation and long-term care has been slower than in the early, acute, part of the pathway. Concentrating on the acute response to stroke makes good sense in that improvements here can contribute to improving outcomes and consequently reduce demand for longer-term care. The SIP has run a number of national priority projects to test new ways of working focused on the rehabilitation and post-hospital pathway. The learning from these projects will be fed back to the networks, local Government and the NHS this summer. The Department and SIP will continue to work with the broader long-term conditions community and with stroke survivors and their carers, to establish the best ways of supporting them. Through the *Accelerating Stroke Improvement* programme, each PCT, working with its local network, will identify a particular aspect of long-term care to develop and improve.

24. A grant was made available to Local Authorities (LAs) for three years from central funds to help meet the long-term care needs of stroke survivors and their carers. In drawing LAs attention to the needs of this group, they are required to evaluate where spend from this grant has achieved value for money. This enables LAs to make more considered decisions about whether to continue with dedicated funding for the future. Within the Department, work is planned to identify the relevant levers in the system to support people with disabilities in the community and to provide guidance to health communities on how they can be used to maintain and develop such services. The work needed is mostly about signposting to, and coordinating existing services, which need not be costly.

25. The Department's Strategic Commissioning Development Unit is developing commissioning packs in high value disease areas, where there is considerable variation in service delivery. The aim of the packs is to provide practical guides to assist commissioners in commissioning clinical services more efficiently, to reduce unwarranted variation and encourage greater productivity and quality. Stroke Rehabilitation has been identified as an area which could benefit from the development of a commissioning pack and a decision about which packs will be undertaken next should be made over the Summer.

PAC Conclusion (7): Despite 11% of stroke patients being newly admitted to care or residential homes after their stroke, there is little understanding of what services stroke patients need in these settings. The Department should work with the Care Quality Commission and Skills for Care (the employer-led authority on the training needs of social care staff) to develop proposals for the accreditation and training of care home staff in stroke awareness and care.

26. The Department agrees with the Committee's conclusion. Work carried out in Somerset has identified that there are likely to be more stroke survivors in long-term residential and nursing home care than had previously been assumed. Building on that work, the University of Central Lancashire is identifying skills and competencies required for care home staff to deliver good care. The Department will work with the Care Quality Commission (CQC) and Skills for Care, the Stroke Networks, the ambulance service and local government to develop systematic ways of enabling training embracing these competencies to be made available to all appropriate staff.

27. The development and roll out of ESD arrangements has potential to reduce the numbers of people who require long-term residential care. The Department is developing plans to prepare standardised business cases demonstrating to commissioners the potential improvements in outcomes and savings that can be achieved through ESD, to support its wider implementation locally.

28. The CQC is reviewing how well the health and social care pathway is working for people, who have had a stroke, and their carers, and conducting a study on meeting the health needs of people in care homes. Both aim to report in November 2010. The Department will work with them to share learning and to ensure that action is taken to improve the training opportunities for those caring for people who are in long-term residential and nursing care.

PAC Conclusion (8): Whilst an estimated 4,500 strokes could be prevented each year through better detection and treatment of atrial fibrillation, many people remain undiagnosed or fail to receive the recommended treatment. The National Institute for Health and Clinical Excellence (NICE) should review whether GPs' incentives are aligned with clinical guidelines so as to reward best practice in the treatment of atrial fibrillation. At the local level, Primary Care Trusts should encourage all healthcare providers to use existing opportunities to check and record patients pulses, for example during flu clinics.

29. The Department agrees with the Committee's conclusion. Since 2007, NHS Improvement's Heart, and later Stroke, teams have been working with PCTs, general practice, practice-based consortia, acute trusts and voluntary organisations to improve detection and management of atrial fibrillation (AF) in primary care. A

commissioning guide was published in May 2009 that encourages opportunistic screening of at risk groups. AF is one of the QIPP (quality and productivity improvements) interventions on the NHS Evidence website. It is clear, however, that more work needs to be done to embed the use of these and other tools, which have been developed to improve practice in this area.

30. The Department, jointly with the SIP, Stroke Networks and the voluntary sector, will prioritise this as part of the *Accelerating Stroke Improvement* work being undertaken in 2010-11. This will focus on raising awareness of AF, training and education of clinicians in detection and treatment, exploring all opportunities for AF screening and ensuring anticoagulation and treatment are optimised in both primary and secondary care.

31. The Department continues to make formal representations to NICE suggesting amendments to the quality and outcomes framework (QOF) indicator to ensure that it reflects best practice in the diagnosis and treatment of AF.

PAC Conclusion (9): One of the main barriers to more effective stroke services is the persistent failure of health and social care to work effectively together. The Committee welcomes the fact that the Department has asked Primary Care Trusts to work with their local authority to develop local plans for stroke care by March 2010. In addition, by the end of 2010–11, all people who have a stroke should on discharge receive an agreed joint care plan to help them and their carers navigate post-hospital stroke services.

32. The Department agrees with the Committee’s conclusion. The strategy recognises the importance of strengthening transition points in the pathway and that strong joint working between agencies is the best way of ensuring stroke survivors can access the best possible care along the whole pathway.

33. One of the proposed measures in the *Accelerating Stroke Improvement* programme is to ensure that everyone has a joint care plan, using a single assessment process, when they leave hospital. This plan would make clear to the stroke survivor, and their carer, what services to expect and when to expect them. It would also identify an individual to be contacted should there be any difficulties in accessing those services. For example, the Collaboration for Leadership in Applied Health Research and Care (CLAHRC) in Greater Manchester is producing a toolkit to enable a range of people within the stroke and social care workforce to undertake a six week, a six month, and an annual follow up on stroke survivors and their carers. Robust follow-up arrangements, along with clear care plans, will go a long way to addressing the fear of abandonment that many stroke survivors have when they leave hospital.

Twenty Seventh Report

Ministry of Defence (MOD)

Treating injury and illness arising on military operations

1. A total of 565 service men and women have been seriously injured in Iraq and Afghanistan since October 2001. Over the same time, some 125,000 troops who were based in Iraq and Afghanistan have sought medical help for minor injuries and illnesses, and a further 1,700 for mental health conditions. Medical care for troops injured or ill on operations is first provided by medical personnel in the field. More serious conditions are treated at the field hospital at Bastion. Nearly all seriously injured troops who return back to the UK for medical treatment go first to the NHS hospital at Selly Oak and then to Headley Court for rehabilitation.

2. The Committee concluded that the Ministry of Defence's (the Department) care of the seriously injured to date has been highly effective and the Committee welcomes the efforts of the Department in this area. The Department has developed a number of new medical techniques which have contributed to this. The Department's success is demonstrated by the rates of unexpected survivors, which are favourable compared with major trauma victims treated by the NHS. The Committee also commends the good work of the Department to support the families of seriously injured troops.

3. The main challenge the Department faces, should casualties increase significantly, is to ensure that all military patients will receive the same standard of care they currently experience at Selly Oak and Headley Court. Some soldiers have suffered severe life changing injuries and will require specialist care for many years. This presents a further long term challenge not only for the Department who provide specialist care for them and support for their families while they remain in the Services, but also for the NHS and other government departments who will become responsible for the medical care and support of seriously injured soldiers after they leave the Armed Forces.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department on its treatment of injuries and illnesses arising as a result of fighting in Iraq and Afghanistan.

PAC Conclusion (1): The Department's care of the seriously injured has been of a high standard and the Department provides a range of support for families when personnel are in hospital. This Report recognises the good work that the Department has done to date in the care for service men and women who have been injured on operations. The Committee's recommendations therefore focus on the challenges that the Department faces to ensure that care remains highly effective in the future especially if numbers of casualties rise.

5. The Department agrees with the Committee's conclusion. The Department recognises the challenges that would be presented if numbers of casualties were to rise, and will continue to ensure that it has effective contingency plans in place.

PAC Conclusion (2): The number of seriously injured patients who will need life-long care is growing but the arrangements for the support they will receive in the NHS once they leave the Armed Forces have not yet been widely tested, as very few have been discharged so far. The Department has been working with the NHS to plan individuals' care once they leave the Armed Forces. The Department now needs to work with wider government to put in place an overarching system to ensure that soldiers' clinical care and support for their families is maintained in the longer term. This system should include a clear, costed plan to provide this care and support, and arrangements for monitoring the accessibility and standard of care for veterans.

6. The Government agrees with the Committee's conclusion and in its 'Programme for Government' document, outlined its strong commitment to providing long-term support to injured Service personnel and their families. Those who sustain serious injuries that require long term care while still in Service will receive appropriate treatment, funded by the Department, to match clinical requirements. Suitable adaptations will be made to both working and Service-provided living accommodation where appropriate. Ongoing welfare support is also available from the chain of command, through the defence welfare services, and from Service charities.

7. For those who are medically discharged from the Services, their care and its funding then become the responsibility of other Departments and the NHS. The Department of Health announced on 11 January 2010 that a package of measures will be put in place across the NHS to support the increased number of service personnel who have received serious injuries whilst on active service. This will include new arrangements for life care planning together with a guarantee that those seriously injured and needing continuing health care will receive ongoing high quality care for life, based on an early and comprehensive assessment and regular review of their needs overseen by a NHS case manager.

PAC Conclusion (3): Should greater numbers of casualties occur, the Department relies on a voluntary NHS agreement to take the pressure off Selly Oak for five days by sending civilian trauma patients to hospitals elsewhere in the region. This agreement needs to be formalised and built into the national agreement with the Department of Health.

PAC Conclusion (4): The Department does not have sufficiently detailed and robust contingency plans should Selly Oak become full. Injured military personnel should be treated in a military environment, which is suitable for their needs. If Selly Oak remains under pressure for more than five days there are arrangements for military patients to be treated in other hospitals across the UK, but these arrangements need strengthening. The Department needs to develop a more robust plan detailing:

(a) Which NHS hospitals military patients will go to depending on their type of injury, and

(b) How it will replicate elsewhere the important elements in place at Selly Oak for treating military casualties, including clinical expertise and experience in dealing with serious battlefield injuries, the creation of a suitable environment for military personnel and effective wider support for their families.

8. While the Department recognises the importance of formalising and strengthening contingency arrangements, and continues to work closely with the Department of Health (DH), the complexity of such planning in the long-term makes it impractical to arrange definitive contingency plans. Flexibility in being able to respond to unexpected scenarios is in itself an integral part of these arrangements. Consequently, the current emphasis is on active management, rather than simple capacity planning. This work is already in hand with DH and appropriate NHS facilities. In June 2010, the University Hospital Birmingham Foundation Trust (UHBFT) moved to the new Queen Elizabeth Hospital, Edgbaston, which has 100 critical care beds providing sufficient capacity for all likely military requirements for the foreseeable future.

9. In the event of a significant casualty surge, the Department and UHBFT jointly manage the receipt of casualties, looking first at the available bed spaces in all clinically appropriate Birmingham hospitals within UHBFT, where military patients and their families would also benefit from the support arrangements in place in the Birmingham area. As an additional contingency plan, the Department is working with DH and NHS to develop plans with an alternative Major Trauma Centre to become the receiving hospital if military casualties could not be managed within the Birmingham area for any reason. Plans will include the attachment of key military clinical and welfare staff to the chosen centre to support military casualties being treated there.

10. In addition the Department would be able to use, if required, the long-standing national *Reception Arrangements for Military Patients* (RAMP) plan. This plan is designed to handle increasing numbers of military casualties returning to the UK from an overseas theatre of operations in time of conflict. Under RAMP, when casualties are evacuated by air to the UK, the selection of the hospital to which they will be admitted is made in conjunction with the Department of Health on the basis of clinical need and bed availability. The welfare support to any patients admitted to a hospital under RAMP would fall to sickness management and patient tracking arrangements co-ordinated by the service casualty's own chain of command.

11. Whilst the Department recognises the importance of developing plans against contingencies, it is the case that current military and NHS arrangements in Birmingham have shown themselves well able to cope with the level of military casualties experienced during operations in Iraq and Afghanistan.

PAC Conclusion (5): Very few of the most seriously injured soldiers have been discharged from the Armed Forces to date and they are still receiving care at Headley Court. Given the UK's long-term commitment to Afghanistan, patients will continue to arrive at Headley Court and its facilities are likely to come under increasing pressure. The Department should model the potential through put of patients at Headley Court to ensure that its expansion plans will provide enough beds. In conducting this analysis the Department should consider whether it will need to help the NHS provide some of the more specialist services its veterans from Iraq and Afghanistan will need.

12. The Department agrees with the Committee's conclusion and has conducted basic modelling, which led to the provision of an additional 30-bed facility at the Defence Medical Rehabilitation Centre (DMRC) Headley Court in May 2007. The number of ward beds at Headley Court will be further increased by up to 30 beds by the end of 2010, in addition to expanding clinical facilities in the longer term. Patients with an appropriate level of function can also be accommodated in additional non-ward beds on site.

13. The Defence Medical Services (DMS) manage a network of rehabilitation centres around the UK and in Germany which supplement the flagship facilities at Headley Court and can be used where clinically appropriate for the less seriously injured and for those at the later stages of their rehabilitation. More sophisticated modelling will be undertaken, and will improve in the future with the detailed transition arrangements now in place to facilitate the discharge of personnel from DMRC. It is anticipated that these arrangements will help to relieve some pressure on capacity.

PAC Conclusion (6): The Department's rates of minor illness and injury have increased from 4%-7% between 2006 and 2009. There are a number of possible explanations for the increasing trend and the Department believes that the increase is due in part to better reporting by medical officers in the field. The impact on fighting strength, and on morale, mean that rates of minor injury and illness must be taken seriously. The Department should increase its vigilance in this area by.

(a) Conducting a thorough assessment of why rates of minor injury and illness have risen and the adequacy of current prevention measures, while identifying areas for improvement, and

(b) Researching how many of its troops may not be reporting illnesses and minor injuries so it can understand the full impact they have on the health of soldiers and the UK's fighting capability.

14. The Department does believe that the primary cause of the increase in the reported rate of minor injury and illness is improved reporting. More recently the rate has remained broadly level, subject to normal seasonal and operational fluctuations. Nonetheless the Department is not complacent and analyses causes of apparent increases in diseases, particularly gastro-intestinal illness. The Department is undertaking research and conducting an audit of compliance with preventive measures. The results of this will be reported in autumn 2010, with implementation measures to follow.

15. The Armed Forces deployable *Primary Healthcare Information System* was rolled out early 2010 across the four main Forward Operating Base locations in Afghanistan, with certain specialist units also receiving remote access. This will enable an enhanced capture of data and, in conjunction with improved reporting policy, will enable the development of a more robust data set for analysis.

PAC Conclusion (7): The Department does not compare its approach to preventing minor injury and illness with the methods employed by other Armed Forces. It should identify how it could most meaningfully compare its practices, and the rates of minor injury and illness experienced by UK forces, with those of other nations such as our allies in Iraq and Afghanistan.

16. The Department agrees with the Committee's conclusion. Comparison with rates of minor injury and illness with other nations has not been formally done to date. Comparisons have focused on trauma data where the USA and UK have established extensive quality assurance systems for the seriously injured. The Department will explore the scope for comparison of minor injury and illness, while noting that if there are national differences in reporting methodology and analytical models, it might be neither appropriate nor cost-effective to change UK practices.

PAC Conclusion (8): The Department is not sufficiently proactive in making sure Reservists, who return from operations, are treated for stress. The Department has yet to demonstrate whether recent measures have successfully given Reservists sufficient access to mental health support on their return. The Department should assess systematically the effectiveness of these measures to guarantee that they identify the majority of Reservists who show signs of suffering from stress or are at risk of developing mental health problems.

17. The Government aims to provide mental health services to meet the needs of all Service personnel, regular or reserve, and will give specific consideration to whether more could be done for Reservists. Acute stress reactions and operational stress injuries are treated in theatre or when people return from deployment, whether regular or reservist. Whilst mobilised, Reserve personnel get the same access to care as regular personnel. At the point of demobilisation, a medical assessment is undertaken which includes psychological health.

18. Once demobilised, in addition to the mental health care provided by the NHS, Service personnel are able to access the *Reservists Mental Health Programme* run from the Reserves Training and Mobilisation Centre, Chilwell. This offers assessment and treatment if appropriate at one of the military departments of community mental health. This programme is open to reservists who have been mobilised and are concerned about their mental health related to operational service since 2003. Additionally, veteran reservists and regulars who have seen operational service from 1982 onwards can attend the *Medical Assessment Programme* at St Thomas' Hospital, London. This offers a specialist mental health assessment by a consultant psychiatrist with extensive military experience.

19. The Department funds research to identify the mental health needs of regulars, reservists and veterans, principally through the work conducted by the King's Centre for Military Health Research. It is also concluding a review of the first three years of operation of the *Reservists Mental Health Programme*. However, it should be recognised that there is no assessment method that guarantees the correct identification of psychological conditions or the risk of their future occurrence, and a false positive assessment would cause unnecessary distress to the individual.

Twenty Eighth Report

Department for Culture, Media and Sport (DCMS)

Preparations for the London 2012 Olympic and Paralympic Games

1. Since the last Committee report on preparations for the London 2012 Olympic and Paralympic Games in July 2008, the Olympic Delivery Authority (ODA) has continued to make good progress with its delivery programme. The main construction projects are on track to be completed in time for testing in early 2011. The Department for Culture, Media and Sport (the Department) has committed to delivering the Games within the £9,325 million budget set in March 2007. Most of the budget is for the Olympic Delivery Authority, which has done well to control its costs and find savings across its programme, enabling it to absorb additional costs for the Olympic Village and Media Centre projects. These two projects are now being publicly funded, contrary to original plans.

2. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Department, the Olympic Delivery Authority and LOCOG on the progress in preparing for the London 2012 Olympic and Paralympic Games.

PAC Conclusion (1): There has been substantial progress on the construction of the Olympic Park and the Department has repeated its cast-iron commitment to us that the Games will be delivered within the £9,325 million budget. As with any major programme problems are likely to emerge, and with construction well underway, a little over two years until the Games start and reduced contingency, there is limited room for manoeuvre. Of the original £2,747 million contingency, only £1,270 million is left for the Olympic Delivery Authority and all but £194 million of this is currently earmarked for known risks. If there is any chance of the budget being exceeded then the Department must inform us immediately and should expect to be recalled to give further evidence.

3. The Department agrees with the Committee's conclusion. The Olympic project remains on time and within budget and has responded well to the different challenges caused by the economic downturn. The Olympic Delivery Authority (ODA) has continued to make savings across the project – some £600 million since 2007 – with the Anticipated Final Cost of the construction programme now expected to be £7.267 billion from the overall funding available to the ODA of £8.1 billion.

4. With just over two years to the Games £1,181 million of contingency remains. With the contingency yet to be released exceeding the level of identified risks, the Department considers that the project is in a good position and remains fully committed to keeping the costs within the £9,325 million public sector funding provision. The Department acknowledges that there are many challenges ahead. It will continue to work hard with the ODA to generate savings and efficiencies wherever possible, and to ensure that it achieves the best possible value for money.

PAC Conclusion (2): One of the main reasons for the increased budget for the Games announced in March 2007 was the inclusion of a funded contingency, but three years later there is still no such contingency for LOCOG. As ultimate guarantor, the Government is financially exposed if LOCOG fails to at least break even. LOCOG must establish a funded contingency, and the Department must satisfy itself that recognised quantified risk assessment techniques are used to assess the amount of contingency required.

5. The Department agrees with the Committee's conclusion. Unlike the ODA, LOCOG's spend profile peaks sharply in the period directly before the Games and its plans will accordingly continue to be developed and revised until that point is reached. However, the Department is clear that now, two years from the start of the Games, is the appropriate time for LOCOG to establish arrangements for a funded contingency to deal with risks that are either unknown at this point or for which there is no mitigation.

6. The Department is working with LOCOG to ensure that arrangements for a funded contingency are included in the next version of its Lifetime Budget, which will be completed by October 2010. The contingency is expected to be based on a systematic quantification of risks and an assessment of which risks can be reduced, avoided or mitigated within the next two years, and which may remain outstanding at Games-time and therefore require contingency cover.

PAC Conclusion (3): Revenue from ticket sales is an important part of how LOCOG will generate the money it needs, but it is unclear how LOCOG will balance this against the need for affordable tickets, which will go on sale in 2011. LOCOG has committed to making the Games accessible and affordable for the general public. LOCOG should publish now the principles on which ticket availability and prices will be determined.

7. The Department agrees with the Committee's conclusion. LOCOG's ticket strategy needs to deliver in three areas: generate sufficient income to enable LOCOG to fund the Games; be affordable and accessible to the general public; and deliver full venues. LOCOG has set realistic revenue targets based on business plans for 46 separate sports. Ten million tickets will go on sale for the Olympic and Paralympic Games, with three quarters available directly to the general public. LOCOG recognises that it requires a fair and affordable pricing plan to achieve full stadia and create an exciting atmosphere for the athletes competing at the Games.

8. Completion of its full ticketing strategy, including detail on pricing, is dependent on LOCOG having its competition schedule finalised with the International Olympic Committee, so that it can confirm the final number of seats and sessions available to the public. LOCOG will issue more information on ticket pricing in autumn 2010. This will include information on public interest in tickets; the number of tickets available for events; the pricing levels for different sporting events; and special pricing arrangements for young people.

PAC Conclusion (4): Putting on the Games will be a huge logistical exercise in integrated security, transport and events management involving multiple organisations, but there are still grey areas where the responsibilities of organisations remain unresolved. The Department should clarify straight away who is responsible for what and who pays, and finalise plans for checking progress. Delivery of the Games depends on consensus between a number of organisations, but with deadlines approaching and financial pressures increasing the Department should make clear who has overall executive authority.

9. The Department agrees with the Committee's conclusion. High-level roles and responsibilities for the delivery of the 2012 Olympic and Paralympic Games are clear. The next level of planning is to look at integration across the Olympic programme. This involves a very high level of detail and now is the appropriate time in the Olympic project to map out responsibilities at this level of detail and resolve any issues.

10. The Department is leading this work and has established seven cross-cutting work streams which are key to the operational success of the 2012 Games: Security; Transport; Command, Coordination and Communication (C3); London City Operations (including London borough services); Government Operations (including medical services, accreditation and dignitary management); UK-wide Operations (including host local authority services outside London); and Games-Wide Testing. The Department has identified a lead body for each cross-cutting work stream and work is now underway to resolve outstanding questions over scope, responsibilities, costs and budgets. The Department's aim is to have all outstanding issues resolved and to have agreed, fully integrated, and detailed plans in place across the Olympic programme by the end of 2010.

11. A Directors of Operations Group has been established to take overall executive authority for Games-time operations. The group comprises of LOCOG's Director of Games Operations and the respective Operations Directors for Security, Transport, Government Operations, London City Operations, UK-wide Operations, C3 and Games-Wide Testing.

PAC Conclusion (5): Despite our previous recommendations, plans have not yet been made for viable long term uses of publicly funded assets in the Olympic Park after the Games, in particular the Main Stadium and the Media Centre. The Olympic Legacy Company should set out the criteria by which it will assess the value for money of any proposals for long-term use of the assets on the Olympic Park. If there is the risk of assets remaining unused after the Games there should be a clear plan for minimising the cost of maintaining them.

12. The Department partially agrees with the Committee's conclusion. Of the publicly funded assets remaining in the Olympic Park after the Games, the Lee Valley Regional Park Authority (LVRPA) will be responsible for the long-term management and operation of Eton Manor and the Velodrome / Velopark and has been developing plans for the use of those venues with the relevant sport bodies.

13. The Olympic Park Legacy Company (OPLC) has been established with responsibility for the long-term management and operation of the three other sporting venues in the Park, the Stadium, Aquatics Centre and the Multi-use Arena, along with the International Broadcast Centre / Main Press Centre (IBC/MPC) and for the parkland. The OPLC recognises the need to resolve the future use of these assets, in particular the Stadium and IBC / MPC, as a matter of urgency and has planned its activities last year and for the coming year to achieve this. In doing so, the OPLC will publish the criteria to judge proposals for the legacy use of the particular assets, including value for money.

14. The OPLC invited expressions of interest from organisations interested in the long-term use of the Stadium in March 2010 and concluded the first phase of the process on 18 June 2010. A similar process will be adopted for the IBC / MPC and the OPLC will also market test the other venues and parkland before determining its strategy for them.

PAC Conclusion (6): The targets for employing local residents and providing construction training and apprenticeships were not in place from the outset and have not been challenging enough. The Department should set more stretching targets for the Delivery Authority, taking advantage of the increasing numbers of people now required in trades where traditionally apprenticeships are more prevalent.

15. The Department disagrees with the Committee's conclusion. That the ODA and its partners set training and employment targets is itself a groundbreaking milestone for projects of this sort. The ODA's targets were put in place in February 2008 after a period of detailed analysis during the initial stages of the project and before the Big Build phase when the workforce reached significant numbers. The targets are the result of this analysis of the specific forecasted needs of the construction of the Olympic site, and a wide consultation with partners including the sector skills councils. The current economic conditions have made these targets more challenging to reach as contractors have sought to retain employees and fewer vacancies and training opportunities have become available.

16. Following the Pre-Budget Report 2008, the ODA stretched its original target of 100 apprenticeships to 350, and included in all of its new contracts an obligation on contractors to ensure that apprentices comprised 3% of their project workforce. The targets take into account the expected increases in specific trades during the next phase, as the site workforce number reaches its peak in 2010.

17. The construction programme will wind down between January and June 2011, providing limited opportunities for further placements, where contracts are awarded for short term periods, and where the likelihood of completing an apprenticeship would depend on an employer's future workload being able to sustain a three to four year programme of employment. However, where a contractor can offer sustainable employment for an apprentice beyond June 2011, the ODA is committed to working with them to accommodate new apprentices on the Park.

18. The target for the employment of local workers recognises the opportunity the build programme brings to those living in the area, and the highly mobile labour market both within the construction industry and within London, as well as the achievements of other major projects in this regard. Meeting, and indeed exceeding, this target has required the undertaking of a number of initiatives, including dedicated job brokerage services providing local people with 48 hours advance access to vacancies, and the provision of training to give them the skills required to work on site. Notably this has been achieved through the site being designated as a National Skills Academy for Construction with dedicated training centres, which will leave a lasting legacy for other major projects across the Thames Gateway.

PAC Conclusion (7): This flagship programme could provide lessons for other construction projects. The Department and the Olympic Delivery Authority should take the lead in identifying the lessons from the preparations for the Games. The Treasury should identify who is best placed to take the lead in making sure the lessons are applied to other public sector projects, including the importance of setting employment and training targets at the outset.

19. The Department agrees with the Committee's conclusion. The ODA has been recognised by the construction industry for raising standards. It has received several awards, including: the Constructing Excellence Award for Legacy for Sustainability (November 2009); the Royal Town Planning Institute's Award for Equality and Diversity (February 2010); and the Institute of Civil Engineers' London Civil Engineering Award for Greatest Contribution to London (March 2010).

20. A key focus for the ODA going forward will be to ensure that it captures all the successes and lesson learned from across its programme, so that they can be shared with industry, government, academia and other large projects and programmes. The ODA has established the Learning Legacy project, the aim of which is to collate a body of knowledge that can influence and benefit the construction industry, particularly public sector projects. The ODA is working with a number of industry partners, including the Institute for Sustainability, the Health and Safety Executive and the Institute of Civil Engineers to facilitate this. The objective is to produce a variety of outputs, including: a series of peer reviewed case studies capturing environmental, sustainability, and health and safety learning; papers on a wide range of programme and technical areas; and data capture of lessons learned.

21. The Department is working with the London 2012 stakeholders to ensure that lessons learned across the wider Olympics programme are captured. The Office of Government Commerce (OGC) has been extensively involved in the Olympic programme from the outset, undertaking regular Gateway Reviews across the programme, including the preparations for the Government and Security Operations, the Legacy Programme, and reviewing the ODA from both a programme and an individual project basis.

22. The OGC agrees with the Committee's conclusion. The OGC is represented on the ODA's Learning Legacy board. The Olympics project has a fundamental construction aspect, however it also represents a substantial investment in Information Technology, communications and wider London infrastructure, along with an opportunity to maximise business opportunities and benefits on behalf of the UK as a whole. Lessons learned across this broad portfolio of project work will be captured and suitably disseminated.

PAC Conclusion (8): Delivering the Games within budget depends on receiving £600 million receipts from the Olympic Village development, and returning £675 million to the National Lottery depends on future revenues from the Olympic Park. The Department was not prepared to provide any guarantees about the timing and value of future receipts. It did, however, guarantee that there will be no further calls on the National Lottery to fund the Games.

23. The Department agrees with the Committee's conclusion. Whilst the Department cannot give a cast iron guarantee regarding the Olympic Village receipts, it has a high level of confidence that the target income figure from the sales' receipts will be achieved. The objective of the Department and the ODA is to recover £501 million from the receipts in line with the current budget requirements. This has been independently assessed as being achievable. A further £100 million, again independently assessed, is forecast recovered from the development returns of land adjoining the Olympic Village.

24. As the development of the Olympic Park is a long term programme, it is not possible to provide a guarantee that all of the additional funding contribution of £675 million will be returned to the National Lottery distributors from the receipts of sale of Olympic Park land. However, given that the Olympic investment will create, very close to the City of London, an area with one of the best transport hubs within London, and with significant employment opportunities as well as opportunities for further housing, it is realistic to expect returns of this level to the National Lottery over this long-term period.

25. Additionally, the Government and the Mayor of London have set up the OPLC, which has the requisite skills and expertise to deliver a successful and lasting legacy for the Olympic Park and to generate sufficient income from the development programme to deliver the receipts necessary to secure the return to the Lottery distributors. The OPLC is currently forming plans for the phased development of building plots within the park, identified in the *Legacy Masterplan Framework*.

26. The Department can confirm that there are no proposals for further calls on the National Lottery to fund the Games.

Twenty Ninth Report

Department for Culture, Media and Sport (DCMS)

Scrutiny of value for money at the BBC

1. The BBC is a great British institution delivering highly valued public service broadcasting to viewers and listeners across the United Kingdom. The BBC receives £3.5 billion a year of public money (76% of its income) provided by licence fee payers in the form of an annual grant voted by Parliament. The BBC receives that grant having collected the licence fee, which is paid into the Consolidated Fund. The licence fee is itself a tax.

2. Under the terms of the BBC Charter, the BBC Trust is responsible for ensuring efficiency and value for money on behalf of licence fee payers. The BBC Agreement sets out how the Trust should fulfil its obligations in this respect, including the role played by the National Audit Office (NAO) – within the framework of the Trust's overall responsibility – in framing a programme of value for money studies and conducting individual reviews.

PAC Conclusion (1): Proper consideration of the BBC's accountability for its use of public money cannot wait for Charter renewal in 2016. The Committee would like to receive Ministers' views on the reflections in this Report, and on the adequacy of the current arrangements for securing proper accountability and value for money for the BBC's use of public money.

3. The Government welcomes the steps the BBC has taken to increase transparency in relation to the costs of senior staff and talent. The BBC should be prepared to defend all expenditure decisions it makes and demonstrate value for money.

4. The Government believes that the NAO should have full access to the BBC's accounts and is discussing with the Trust how this can be achieved, taking account of the BBC's editorial independence under the terms of its Charter and Agreement.

Thirtieth Report

Home Office

Tackling problem drug use

1. There are 330,000 problem drug users in England. They are estimated, based on research covering the 2003–04 period, to cost society over £15 billion a year, £13.9 billion of which is due to drug-related crime. In 2008, the Government introduced a ten-year cross-departmental drug strategy to tackle problem drug use, which it defined as use of opiates (mainly heroin) and crack cocaine. The Home Office (the Department) has overall responsibility for the strategy, with a number of other government departments and agencies, at national, regional and local levels, sharing responsibility for its delivery. Central and local government collectively spend £1.2 billion a year to deliver the measures set out in the strategy.

2. Drug-related offending inflicts a trail of misery on communities and direct damage and harm to the victims of crimes. Drug treatment aims to reduce problem drug users' offending, to improve their health, and to reintegrate them into society. Problem drug users often relapse and re-offend, and around a quarter are hard-core offenders for whom interventions simply do not work.

3. The Department does not know how to most effectively tackle problem drug use. Residential rehabilitation may be effective for those who have failed to 'go clean' in other forms of treatment. All drug users receiving treatment require motivation to stay off drugs when back in their local communities. Support services help these people to reintegrate into their home environments and to resist temptations and pressures to return to drug use and offending. Some problem drug users receiving drug treatment while in prison quickly relapse on release. Meeting them at the prison gates and escorting them to community services and ongoing treatment may be important steps to prevent a quick relapse into drug use and re-offending. The Committee considers that measures to reduce problem drug use by young people have had limited impact.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from witnesses from the Department and the National Treatment Agency for Substance Misuse (NTA) about the drug strategy, drug-related crime, drug treatment and reintegration and preventing young people from becoming future generations of problem drug users.

PAC Conclusion (1): The Government spends £1.2 billion a year on measures aimed at tackling problem drug use, yet does not know what overall effect this spending is having. The Committee welcomes the Department's commitment to evaluating this spending. From 2011, the Department should publish annual reports on progress against the strategy's action plan. These should set out expenditure on each measure, the outputs and outcomes delivered, and progress towards targets.

5. The Department agrees with the Committee's conclusion. The drug strategy was not subject to a formal overall evaluation, as a single evaluation of a wide-ranging strategy is not deemed the most suitable form of measurement. This is because:

- the strands of the policy, which include drug supply, drug harms, drug markets, young people and treatment are too disparate to be treated as a single piece. It will be very hard to be clear, in an overarching evaluation, exactly what is driving outcomes;
- the available data to perform such an evaluation are limited; and
- establishing what would have happened without the drug strategy – a necessary component of a robust evaluation – would be very difficult given the variety of policy strands.

6. A bottom-up approach has therefore been adopted allowing detailed consideration of individual strands of the strategy and monitoring of performance and achievements. An evaluation of the *Drug Interventions Programme* (DIP)[11], showed that overall offending fell by 26% amongst the studied cohort, and the *Drug Treatment Outcomes Research Study*[12] (DTORS) which estimated that drug treatment was cost-beneficial in 80% of cases and for every £1 spent on drug treatment, an estimated £2.50 of benefits were obtained.

7. The new Coalition Programme for Government provides an opportunity to review current drug policy and the Department is working with other Government Departments to consider the Government's future approach to drugs, building on the measures specified in the Coalition Agreement. The Government is committed to ensuring that it obtains value for money, and future drug strategy will include options to put in place an evaluative framework, upon which to make a robust assessment of value for money.

PAC Conclusion (2): Around one-quarter of problem drug users are hard-core offenders who resist measures to reduce their offending or 'drop out' of drug treatment. The Department's action plan should set out specific measures directly aimed at driving down offending by hard-core problem drug users for whom the Drug Interventions Programme and drug treatment does not work.

8. The Department partially agrees with the Committee's conclusion. The 28%, whose offending increased following contact with the DIP, may never have gone into treatment following their positive drug test. Hard-core offenders do go into treatment and substantially reduce their offending behaviour. Other hard-core offenders enter treatment at a later stage. Additionally, the 28% of individuals, who tested positive and subsequently increased their offending, may be more chaotic offenders, offenders with particularly entrenched criminal behaviours or offenders whose primary motive for offending is not their drug use. The research that produced this figure did not explore the causes for the increase in offending behaviour. Further research has been commissioned to explore this group in more detail.

9. *Local Drug Interventions Programmes* continue to engage with drug mis-users on each occasion that they come into contact with the criminal justice system. The new DIP operating model, to be implemented by December 2010, re-emphasises DIP as a crime reduction programme focusing on effective and consistent case management. The recently published *Continuity of Care* guidance sets out arrangements to ensure continuity of care of drug mis-using offenders between the Criminal Justice Integrated Teams (CJITs) and Counselling, Assessment, Referral, Advice and Throughcare teams (CARATs). Strengthening these links will lead to offenders being better managed at crucial times when the risks of relapse and re-offending are high. A review of the new DIP operating model will be undertaken, to establish the impact that it has had and identify good practice to support local schemes.

10. The Department will explore alternative forms of secure, treatment-based accommodation for drugs offenders. A review is currently being carried out of the research literature on the effectiveness of programmes that rehabilitate and reintegrate drug-misusing offenders. The review includes interventions aimed at factors relating to housing, education and training, employment, financial support and mental health and will be completed in summer 2010. This will inform wider work on the 'rehabilitation revolution', whereby independent providers will be paid by results to reduce re-offending.

11. Local areas are adopting Integrated Offender Management approaches, providing a framework that brings together their agencies to tackle crime and re-offending focused on the most damaging offenders, identified locally. It builds on offender-focused approaches such as DIP and the Prolific and other Priority Offenders (PPO) scheme, to target and manage offenders of concern; using pooled local resources to turn them away from crime. Additionally, a review of sentencing policy will ensure sentences are effective in cutting re-offending and ensure that drug-misusing offenders are helped to come off drugs.

11 (Skodbo S et al. 2007; *The Drug Interventions Programme: addressing drug use & offending through Tough Choices*; Home Office)

12 (Source: Jones et al. 2009; Barnard et al. 2009; Davies et al. 2009)

PAC Conclusion (3): Problem drug users typically relapse several times into further drug use and offending during and after drug treatment. The Department should introduce evidence-based measures to reduce the risk of relapse into drug use and offending. It should identify and implement support measures to enable people to reintegrate into their home environments while resisting temptations and pressures to return to drug use and offending.

12. The Department partially agrees with the Committee's conclusion. The ultimate goal of all drug treatment is for drug misusers to achieve abstinence. The National Institute for Health and Clinical Excellence (NICE) has undertaken a full review of the evidence base for treatment and the current UK Clinical Guidelines distil this into a summary of the best current available evidence for effective drug treatment. Additionally, a programme of work is in place to improve local clinical governance systems to support the provision of evidence based interventions and in 2010, the National Treatment Agency for Substance Misuse (NTA) launched *'Commissioning for Recovery'*, a guide for local commissioners to ensure that NICE and Orange Book recommendations were procured locally.

13. A number of improvements have been made to the drug treatment system over the last decade such as in access to treatment, with the average waiting time reduced to a week, and a reduction in the number of individuals dropping out of treatment early, building on the expert evidence that drug mis-users should spend at least 12 weeks in treatment to derive some benefit. However, the Department of Health (DH) accepts that it can do more and will review the current approach.

14. Problematic drug users often form a highly marginalised group that are the furthest from society and therefore face a number of barriers. *The 2008 Drug Strategy* brought a new focus to the reintegration – or in many cases integration – of drug mis-users, specifically focusing on the issues of housing, employment and piloting new ways of working. The Government has identified that addiction is one of the five pathways to poverty and this will create the opportunities to develop this work further to provide the help and support people need to overcome their use of drugs and so get back to work.

15. On housing, Central Government provides Supporting People funding. On employment, problematic drug users in the benefits system, who self admit, are encouraged to access treatment. Those with drug and alcohol problems often face other difficulties in finding work, and the Government will now focus on addressing substance misuse in the wider context of other barriers to employment such as housing and mental health issues. On new ways of working, the *System Change Pilots* began in April 2009, with the key principle that all partners should combine and integrate their efforts to maximise the outcomes for drug mis-users. Whilst these steps are making progress, the Department acknowledges that more progress is required.

PAC Conclusion (4): Despite local authorities spending £30 million on housing support for problem drug users in 2008–09, up to 100,000 drug users in England continue to have a housing problem. While accommodating drug users is concerning to those living nearby, evidence shows that by providing them with stable accommodation as part of their rehabilitation programme they are more likely to stop offending. However, there is currently no evidence on the effectiveness of the different measures being used to accommodate problem drug users. It is important that evidence is obtained quickly to establish which housing measures are most effective.

16. The Department partially agrees with the Committee's conclusion. Central Government provides Supporting People funding to top tier local authorities to enable them to provide housing related support services to a wide range of client groups, which may include people with drug related problems. Supporting People funding is allocated to local authorities as a single budget and does not specify how much should be spent or allocated for specific client groups. The Supporting People programme is a locally delivered and managed programme and strategic decisions about how the funding is used and services to be commissioned are made by the local authority, in conjunction with their partners, in order to meet local needs and priorities.

17. The Department for Communities and Local Government (CLG) commissioned Capgemini in 2008, to undertake a study to assess the financial benefits of the Supporting People programme. Capgemini found that investment in packages of support that include housing support services avoids costs elsewhere, and therefore produces a net financial benefit. Their research estimated that for a £1.61 billion investment in Supporting People, there is a net financial benefit of £3.41 billion. For people with drug problems specifically, a £30.1 million investment was estimated to have a net financial benefit of £157.8 million. This is mainly due to avoiding potential downstream costs relating to residential care (hospitals and residential rehab services).

PAC Conclusion (5): Some problem drug users quickly relapse into drug use and re-offending when released from prison. In some intensive Drug Interventions Programme areas, drug key workers meet up to 80% of those prisoners who have received drug treatment in prison at the prison gate to escort them directly to community and treatment services. The strategy should evaluate the impact of this approach in reducing relapse and re-offending rates and the costs and benefits of applying this more widely.

18. The Department agrees with the Committee's conclusion. Following on from the review of DIP, the *DIP Operational Handbook* was published in February 2010. This sets out clear expectations of how DIP services are delivered including the circumstances in which offenders are met at the prison gate, to facilitate their successful engagement in drug treatment on release. This activity was specifically factored into the new funding model for DIP from April 2010, and the expectation is that all CJITs will be delivering against this new model by the end of December 2010.

19. The Government is taking a fresh look at rehabilitation that will seek to ensure that sentencing for drug use helps offenders come off drugs and explore alternative forms of secure, treatment-based accommodation for drug offenders. New approaches will be informed by the prison drug treatment strategy review led by Lord Patel, which explores commissioning models for prison drug clinical and psychosocial treatment with the aim to secure better value for money, improved care continuity and a greater impact on re-offending. Similarly, the *System Change Pilot* programme is evaluating end-to-end case management models of drug misusing offenders. The Lambeth and Essex partnerships are probably the best examples of pilots with a focus on criminal justice outcomes and the National Centre for Social Research (NATCEN) is involved in a full evaluation of all seven pilots.

20. On a national scale, the NTA, Department of Health, National Offender Management Service and the Department are working together on the *Data Warehouse* project to track relapse and recovery rates of drug mis-users as they move through the criminal justice and drug treatment systems. This innovative project will anonymously match clients in different data sets and enable identification of areas delivering high levels of recovery and low rates of recidivism to enable identification of good practice, as well as challenge and support for under-performing areas. This comprehensive data set will also allow the generation of cost benefit analysis, when cross-tabulated with spend data from local commissioning treatment plans.

21. These initiatives, along with the *Integrated Offender Management* programme, will contribute to identifying more effective programmes to support drug mis-users leaving prison to help further reduce post release re-offending rates.

PAC Conclusion (6): Measures to reduce problem drug use by young people have had limited impact. The Department should include reliable and consistent estimates of the number of new young problem drug users each year in its annual report on progress against the strategy. It should evaluate the effectiveness of measures aimed at reducing problem drug use by young people, including long-term residential care services, and should set targets to bring down the overall number of problem drug users, over time.

22. The Department partially agrees with the Committee's conclusion. The nature of substance misuse amongst under-18s is very different to adult problem drug use. An effective response is likely to need to tackle the full range of problems that such misuse presents, including impacts on health, education and the wider family as well as progression to problem drug use, which accounts for 3% of those young people seeking specialist support.

23. Young people's drug use has declined significantly since 2001:

- the proportion of 11–15 year olds using drugs in the last year decreased by 25% between 2001 and 2008, with fewer than 1% using crack or heroin (Smoking Drinking Drug Use 2008); and
- the number of young adults (18–25) newly presenting to treatment for heroin and crack has dropped 30% from 12,320 in 2005-06 to 8,603 in 2008-09 and the number of under-18s treated for heroin or crack has fallen by more than a third from 1,081 in 2005-06 to 657 in 2008-09 (NTA).

24. It is against this backdrop that the Department for Education (DFE) will consider the Committee's conclusions and its future response.

Thirty First Report

Department for Business, Innovation and Skills (BIS)

Helping over-indebted consumers

1. Consumer debt stands at around £1500 billion, and some 11% of the UK population struggle to manage their debts. In 2004, the Government launched a strategy aimed at improving the support to, and reducing the number of people who struggle with unmanageable debt. The Department for Business, Innovation and Skills (the Department) shares responsibility for co-ordinating the strategy with the Department for Work and Pensions and the Ministry of Justice, and is responsible for the strategy's evaluation.

2. There has been a complete failure to manage delivery of the strategy. No one is in charge of the strategy, groups intended to oversee it have not met, and there has been no reporting on its progress since 2007. The strategy has not been evaluated to assess whether the policy goals have been achieved and the Department does not know how effective the interventions making it up have been.

3. Since 2006, the Department has also managed a project to provide face-to-face advice for those struggling with debt. The £130 million project is funded primarily from the Treasury's Financial Inclusion Fund, and delivered locally by Citizens Advice and other Third Sector organisations. The Department has achieved greater success in managing this particular project, which is delivering more debt advice than planned at a lower cost per person than budgeted. Nonetheless, the project is currently unable to meet all the demand from those users it is intended to help. More people could be reached if the Department better understood consumer needs, the effectiveness of different methods of delivering debt advice, and the most efficient ways of providing advice.

4. On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department for Business, Innovation and Skills and HM Treasury on the experience to date of delivering the debt advice project, and how the overall strategy for support to the over-indebted has been managed.

PAC Conclusion (1): The face-to-face debt advice project has gone well but management of the over-indebtedness strategy that it supports has been seriously deficient. The Committee's recommendations are aimed at obtaining even greater value for money from the debt advice project and addressing the weaknesses in managing the strategy.

5. The Department agrees with the Committee's conclusion. The face-to-face project has gone well and is currently ahead of schedule and within budget. All six of the Departments involved in the wider strategy delivered successful programmes to tackle over-indebtedness. However, there was inadequate coordination of the over-indebtedness strategy as a whole. Looking ahead, the Government will put in place effective co-ordination to ensure best value for money is secured from publicly funded debt advice provision.

PAC Conclusion (2): The arrangements established to co-ordinate the 51 different interventions making up the strategy have not worked, and it is unacceptable that no one is in charge. The groups responsible for oversight and co-ordination met rarely, if at all, and no single person or department has taken overall responsibility. The Department should work with Treasury and the other key departments to establish proper oversight of the strategy, starting with allocation of responsibility for the strategy to a senior responsible owner.

6. The Department partially agrees with the Committee's conclusion. *The 2004 Tackling Over-Indebtedness Action Plan* contained a large number of diverse programmes, with joint responsibility for managing the strategy involving six departments. These Departments managed their own programmes within the Action Plan.

7. The Department agrees that there should have been better oversight and co-ordination. However, the Department does not believe that the *Over-Indebtedness Action Plan*, as originally conceived lent itself to this approach. It covered too wide a range of activities, and any genuine attempt to coordinate a strategy with similar scope would remain extremely challenging and potentially very resource intensive with high opportunity costs. The *Action Plan* was made up of several distinct projects that addressed specific goals, which needed to be managed effectively by the responsible Department. There were several debt advice initiatives, of which the *BIS Face-to-Face project* was just one, run by different Departments, which collectively still receive a significant amount of public funding.

8. The Government will review all public provision and funding of debt advice and announce its intentions at the next spending review. This review will consider the points made by the Committee with a view to ensuring the Government secures the best possible value for money from the debt advice provided. This should also enable the Government to allocate responsibility for debt advice clearly in future.

PAC Conclusion (3): The over-indebtedness strategy has been in place for six years but its success has never been evaluated, there has been no annual report since 2007, and the Department does not even know which are the most and least cost effective of its own interventions. The Department should work with Treasury and the other key departments to assess the relative effectiveness of the interventions making up the strategy. It should then use this assessment to review whether the interventions currently making up the strategy still present a coherent programme of action and where best to devote resources in the future.

9. The Department agrees with the Committee's conclusion in respect of all activities in the *2004 Action Plan* that related to the provision of debt advice, and has committed to review, in the context of the forthcoming spending review, the cost effectiveness of the different debt advice programmes it funds.

10. The difficulties with evaluating the strategy as a whole were highlighted in the 2005[13] and 2006[14] annual reports. The Department remains of the view that it would be extremely difficult to evaluate the relative merits of the 51 different initiatives set out in the original action plan in any meaningful way, and that any effort to do so would require disproportionate effort. Some of these initiatives have lapsed or have been superseded. It makes more sense for the distinct strands that made up the overall over-indebtedness strategy to be managed independently, and to maintain good communications between them to ensure that there are no inconsistencies and that synergies are identified to maximise their potential.

PAC Conclusion (4): The Department does not know why the cost of providing face to face advice ranges between its providers from £201 to £377 per person. More people could be reached if the Department better understood the cost base and efficiencies of the advice providers. However, the Department does not analyse cost variations in detail and does not know how much variation is due to efficiencies that could be applied more widely. The Department should examine why variation occurs, and promote shared learning between providers on efficient ways of working.

11. The Department partially agrees with the Committee's conclusion and has begun to undertake fuller analysis. Two thirds of the projects have very similar costs per client, and where there are differences, these largely relate to regional differences – the £377 project is in London – and to differences in the level of service provided.

12. More expensive projects provide advice on an outreach model, going out to visit clients who cannot travel in places such as doctors' surgeries or their own home. Some of the projects provide clients with a fuller service, such as a benefits check or wider financial advice. Likely cost variances due to regional and service

13 http://webarchive.nationalarchives.gov.uk/20090902161817/http://www.berr.gov.uk/files/file18547.pdf

14 http://webarchive.nationalarchives.gov.uk/20090902161817/http://www.berr.gov.uk/files/file33134.pdf

level differences were calculated as part of the bid process, and reported costs have stayed in line with those projections. Staff stability also has a major effect on smaller projects. Illness and departures result in projects taking on new trainees, who are less productive temporarily, driving up the cost per client.

13. However, some of the cost differences will be the result of variations in efficiency, and understanding cost differences between projects better, could help drive up efficiency and ensure continuing value for money. The Department will ensure that efficient ways of working are shared between projects.

PAC Conclusion (5): The Treasury does not permit the funds it provides for face-to-face advice to be used for other, cheaper, forms of advice, even though they are preferred by some users. Face-to-face advice costs an average of £265 per consumer, once start up costs are stripped out, while telephone advice costs £51 and internet advice is cheaper still. Directing consumers who could be supported by telephone or internet to those forms of advice would therefore allow more users to be helped, and highlights the importance of assessing the relative effectiveness of the interventions making up the strategy. The Treasury should allow the Department greater flexibility in the use of funds, and evaluate urgently the potential for other forms of advice to deliver help to more consumers than it can currently reach.

14. The Treasury agrees with the Committee's conclusion. The funds currently provided to the Department from the Treasury's Financial Inclusion Fund are restricted to face-to-face advice in the current arrangements running to end March 2011. This project is currently delivering good value for money, but greater flexibility should be introduced in any future funding arrangements to allow funds to contribute to phone or internet advice provision. However, it is reasonable that funds designated for financial inclusion be directed primarily towards the most vulnerable.

15. Previous research indicates that certain consumers need the benefit of a face-to-face adviser to discuss their problems. They are likely to be the less capable or confident and may be financially excluded (have no bank account or access to mainstream credit). The face-to-face project was instigated specifically to help these people, with other more financially confident consumers better served by phone lines and self-help tools. Face-to-face discussion can have other benefits, for example, in identifying active loan sharks.

16. Recent survey data collected for the Department also indicates that face-to-face remains a popular channel for consumers, with over a third selecting face-to-face as their preferred method of contacting debt agencies. Telephone was slightly more popular (selected by 40% of respondents), with online chosen by one fifth of respondents.

PAC Conclusion (6): The growing demand for debt advice is outstripping the Department's capacity to provide it. As well as the Department's project, debt advice is available from a variety of bodies in the public, private, and third sectors, but the Department lacks a clear picture of the quality of this advice, or the potential for such bodies to help meet future demand. The Department should evaluate the likely level of future need for advice, and the ability of all providers in the field to contribute to providing advice of the quality and quantity required.

17. The Department agrees with the Committee's conclusion. The Government will need to assess the likely demand for debt advice as it considers the case for future debt advice funding in the spending review. Current evidence suggests a continuing need for debt advice. By combining data from debt advice agencies and survey data, the Department estimates that around 1.7 million individuals received debt advice in 2009. This is forecast to increase further in 2010, to a peak of up to 2 million individuals. The Financial Inclusion Taskforce has suggested that demand for debt advice will remain high for up to another three years following the formal end to the recession.

18. The Department will consider the ability of all providers in the debt advice sector to help meet this demand, including the private sector. However, the need for free and impartial debt advice will remain strong amongst low-income households. They lack the disposable income required to make them attractive customers for private sector debt advice companies.

PAC Conclusion (7): It is not clear that the Department's debt advice services are targeting those most in need. For example, younger people are particularly at risk of becoming unable to manage their debts, but seem no more likely than other groups to receive advice. The Department should compare in more detail the profile of those accessing its debt advice services with that of the wider population of over-indebted people in order to target its services more effectively.

19. The Department will assess the profile of over-indebted people when reviewing the provision of debt advice in the spending review. The face-to-face project was targeted at the financially excluded. The project uses various financial exclusion benchmarks to monitor that it is seeing the right target audience and results suggest that these groups are being reached. Young people (25-34 years) constitute less than 13% of the population but make up 22% of face-to-face debt advice clients.

PAC Conclusion (8): The Department's programme to tackle illegal lending by loan sharks has resulted in 150 successful prosecutions, and is projected to cost £16.5 million. The Department has yet to evaluate the value for money of this programme. It should do so urgently and report back to the Committee on the outcome.

20. The Department agrees with the Committee's conclusion. An evaluation of the *Illegal Money Lending* project was commissioned in summer 2009 – a report is due to be published shortly.

Thirty Second Report

HM Revenue and Customs (HMRC)

HM Revenue and Customs' estate private finance deal eight years on

1. In 2001, the Inland Revenue and HM Customs and Excise, now HM Revenue and Customs (the Department), signed a 20-year contract with Mapeley STEPS Contractor Limited, one of several companies in the Mapeley Group, transferring ownership and management of 60% of its estate. At contract signature, the Department expected to pay £3.3 billion (2009 prices) over the 20 years of the contract. To date it has paid 20% (£312 million) more than expected, and now expects to pay £3.87 billion over the 20 years. Moreover, signing a contract, which involved tax avoidance through an offshore company, has been highly damaging to the Department's reputation.

2. The cost increase stems from changes in building specifications, increased provision of services and slower than expected use of allowances in the contract for vacating defined amounts of space each year. The Department has failed to achieve value for money so far, as it has not secured all the benefits available over the first eight years and had no plan for obtaining the savings available from the vacation allowances. If it had used all the allowances they became available, it could have saved up to £1.2 billion (2009 prices) over the life of the contract. Possible savings have now fallen by some 25% to around £900 million over the 20 years.

3. There were good reasons why the Department needed to manage this contract much more proactively. Mapeley was a new company and had put in a low bid based on speculative returns from increases in property values, with minimal operating profits. The Department should have recognised the importance of tracking Mapeley's financial position as, early in the contract, Mapeley sought financial assistance from the Department to deal with serious cash flow problems. The Department is seeking to obtain better value from the remainder of the contract and develop more effective partnership working with Mapeley.

4. On the basis of a report by the Comptroller and Auditor General, the Committee examined the Department and Mapeley on managing costs and benefits; managing the contract effectively; working in partnership; and contracting with an offshore company.

PAC Conclusion (1): The Department has failed to achieve value for money so far as it has not secured all of the benefits available and it had no plan for obtaining the savings available from allowances in the contract to vacate properties. It still has no plan beyond 2011. The Department must now develop a plan up to 2021 that details how it will use the contract to deliver the objectives of its estates strategy, and how it will make use of allowances for vacating buildings.

5. The Department agrees with the Committee's recommendation. A plan for the use of the contract and the vacation allowances will be developed as part of the Department's wider estate strategy. Although the contract with Mapeley covers a significant proportion of the Department's estate, the Department recognises the importance of considering this within a strategy for the whole of the estate.

6. The Department is developing a long-term estates strategy. This will sit alongside, and take account of, its operational strategies and contractual obligations and opportunities, and also have regard to the wider Government agenda, such as sustainability. The strategy will include detailed plans for the use of allowances for the first period through to 2015 and will set the Department's estate direction to 2021 and beyond. It will be finalised by the end of the year.

PAC Conclusion (2): During the first eight years of the contract, the Department did not monitor overall costs and value for money. The Department's senior management is now taking a more positive and proactive approach to managing the contract, and as part of this, is committed to preparing an annual value for money assessment for its Board. It should develop cost and value for money targets for the remainder of the contract, measure its performance against these, and reflect the targets in its plan.

7. The Department agrees with the Committee's recommendation. It is committed to understand fully and record the value to the taxpayer that the contract provides. A model to assess value for money is being developed, which will include appropriate performance measures and indicators. This will provide the foundation for the annual assessment for the Board and will be used to monitor whether, having regard to the Department's operational requirements, the strategy is achieving value for money from the contract.

PAC Conclusion (3): The Department lacks visibility of Mapeley's financial position and profitability, limiting its ability to manage risks, negotiate effectively and develop a functioning partnership. Mapeley assured the Committee it will provide the Department with full access to its financial information in line with HM Treasury guidance on information rights in PFI contracts. The Department should understand and monitor such financial information, and use it to strengthen its management of the contract and negotiations.

8. The Department agrees with the Committee's recommendation. However, full access to the financial information is dependent upon Mapeley's cooperation. As is usual for PFI contracts, let at the time of the STEPS contract in 2001, the Department does not have a contractual right to access the range of financial information envisaged in the subsequent 2007 Treasury guidance.

9. Mapeley have not yet provided the Department with the full access to its financial information. However, it has told the Department that it will do so as part of the conclusion of the current commercial negotiations. The Department will seek regular information about Mapeley's financial position.

10. The Department has engaged external advice to understand the financial information that it currently has access to and to assist in developing processes to enable it to monitor and practically apply both this information and further financial information when supplied by Mapeley, including to better understand risk and manage the contract relationship.

PAC Conclusion (4): The Department's vacation plans create financial pressures for Mapeley, exacerbated by the economic downturn and falling property values. Seven months into the contract, Mapeley approached the Department for help in dealing with serious cash flow problems. Mapeley gave assurances that it could afford the contract and would not seek any additional financial assistance from the Department. In any case, the Department should not offer any concessions on the contract terms without obtaining commensurate benefits.

11. The Department agrees with the Committee's recommendation. Strengthened contract governance arrangements are already in place, as part of the new contract management framework agreed with Mapeley. These arrangements, overseen by a Board member, will provide full transparency of agreements and ensure commensurate benefits, and will support strong commercial management of the contract.

PAC Conclusion (5): The Department has lacked the skills and business acumen to manage a contract of this size. The Department should identify the commercial and legal skills it needs to achieve effective strategic and risk management, strong contract administration and good financial management. It should then appoint and deploy people with these skills over the remaining life of the contract.

12. The Department agrees with the Committee's recommendation and has already made arrangements to secure access to internal specialist commercial and legal support. A further review of current commercial contract skills and associated support processes is planned to ensure appropriate technical skills are in place to fit with the new contract management framework. This review will be completed and will have provided assurance to the Board by September 2010. Skills requirements will then be kept under review during the remaining contract term.

PAC Conclusion (6): Lack of sound commercial skills is a common problem across government, reducing the value for money obtained from large private finance deals such as this and other commercial projects. The Treasury should undertake an annual assessment of commercial skills across government. It should use these assessments to identify skills shortfalls and establish centres of expertise that departments could tap into.

13. The Treasury accepts the Committee's recommendation that there should be an annual assessment of commercial skills across Government. The Office of Government Commerce (OGC) will design and support Departments in the implementation of a Government wide commercial skills strategy that results in:

- a cadre of experts across Government that can be rapidly deployed to take recovery action including tackling major projects that run into difficulties;
- a cross Government approach, orchestrated by the Head of the Procurement and Programme & Project Management professions, and the Head of the Property Asset Management profession, to assess, manage, and broker the movement of expert commercial resources across organisational boundaries to ensure that key scarce skills are deployed on the highest priority projects and complex commercial transactions / negotiations within Government; and
- a cross Government pool of emerging commercial talent, under the professional leadership of the above Heads of Profession, that has access to training and development opportunities through flexible deployment on demanding and complex projects.

14. The OGC has instigated processes to measure and monitor the capability of Departments to deliver Property Asset Management (PAM) as a major feature of Government commercial activity. The OGC has designed and made available its Property Asset Management Capability Assessment Model (PAMCAM), which enables organisations to assess their corporate capability.

PAC Conclusion (7): The Department did not undertake robust monitoring of Mapeley's viability and did not understand its own risks and liabilities in case of Mapeley default. The Department should understand and keep abreast of changes in Mapeley's financial position and the Department's potential liabilities in the event of Mapeley default. It should maintain an up-to-date business continuity plan.

15. The Department agrees with the Committee's recommendation. However, as with the Committee's previous recommendation relating to Mapeley's finances, for the Department to have full understanding of changes in Mapeley's financial position, Mapeley will need to provide full access to their financial information.

16. The Department has engaged independent, external advice to carry out corporate financial analysis to understand contractor viability and business profitability. This analysis also includes an understanding of short and longer-term consequences of Mapeley default and the development of monitoring processes.

17. The Department has a business continuity plan in place relating to the STEPS contract. In line with commercial practice, the plan is currently being reviewed and a subsequent schedule of appropriate regular reviews and updates will be put in place.

PAC Conclusion (8): Even though the Committee highlighted in 2005 the need to establish an effective partnership, the Department and Mapeley have not achieved this. The Department must establish an effective partnership with Mapeley, including: using joint Board meetings for early and regular dialogue on strategy; sharing strategic aims, and establishing a shared property database.

18. The Department agrees with the Committee's recommendation and is working with Mapeley to secure further improvements in the partnership. A programme of joint Board meetings to oversee strategic relationships is in place. The Department also has put in place a new contract relationship framework, which is overseen by a Board member and which will include the regular sharing of strategic plans.

19. The Department recognises the importance of sharing information and having a mutually agreed contractual data set. The Department will work with Mapeley to build upon work recently undertaken to improve the quality of data held by the partners, and to establish an approach that is consistent with the Department's existing property information requirements and obligations.

PAC Conclusion (9): Signing a contract involving tax avoidance through an offshore company has been highly damaging to the Department's reputation. It is also unlikely that the arrangement delivers any overall benefit to the Exchequer, as any reduction in contract price is accompanied by lower tax revenue. Sensitivities over offshore ownership have led to delays in including additional buildings in the contract. As a result the Department has incurred additional estate management costs and continues to lose out on additional vacation allowances it could otherwise claim on these properties. As a matter of principle and good value for money, public sector organisations should not use tax avoidance schemes. The Department should take whatever action it can to persuade Mapeley to bring the properties onshore. It should also reach agreement on including additional buildings in the contract.

20. The Department agrees with the Committee's recommendation and will explore options to bring the properties onshore, providing always that the options are appropriate for the Department and will provide value for money. The Department is continuing to discuss the inclusion of additional buildings in the contract with Mapeley, but will only seek to do so on appropriate commercial terms and with all value for money considerations taken into account.

PAC Conclusion (10): It remains uncertain what tax savings Mapeley will obtain over the course of the contract from being offshore, and therefore whether these are passed on in full to the Department. There have also been delays in Mapeley providing the information needed by the National Audit Office to complete the analysis the Committee requested. The Department should track the savings Mapeley actually obtains and Mapeley should provide full and timely information to enable the Department to do this. The Department should seek to recoup any additional benefits Mapeley obtains.

21. The Department disagrees with the Committee’s recommendation. Following an open and competitive procurement process, which was compliant with European Union rules, the Department secured a competitive price from Mapeley when the contract was let in 2001. It would be inappropriate, for either party, now to retrospectively seek to vary the agreed contractual price on the basis of variation from the bid model of either capital or income streams, other than where there is a commensurate beneficial change in contractual terms.

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