Treasury Minutes on the Thirty-fourth and Thirty-sixth to Thirty-ninth Reports from the Committee of Public Accounts 2005-2006

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TREASURY MINUTES DATED 28 JUNE 2006 ON THE THIRTY-FOURTH AND THIRTY-SIXTH TO THIRTY-NINTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS, SESSION 2005-2006

Thirty-fourth Report

Home Office

Returning failed asylum applicants

The Immigration and Nationality Directorate of the Home Office is responsible for applying the United Kingdom's asylum policy to asylum applicants. It is responsible for effecting the removal of those whose applications fail. On the basis of a report by the Comptroller and Auditor General, *Returning failed asylum applicants* (HC 76, Session 2005-06) the Committee took evidence from the Home Office on progress to tackle the backlog of removals.

> **PAC conclusion (i): The Immigration and Nationality Directorate's practice of treating asylum applications, support and enforcement as largely separate, uncoordinated operations has proven inefficient. It has increased the administrative workload, delayed the removal of unsuccessful applicants and created a growing backload.**

1. The Directorate accepts this conclusion. The Government's five year strategy for asylum and immigration, published in February 2005, sets out the next stage in the Government's comprehensive reform of the UK's immigration and asylum system. This includes the New Asylum Model which will change the way that the Immigration and Nationality Directorate (IND) handles asylum claims.

2. The new approach will include faster, more tightly managed processes for all new asylum applicants. Specialist case managers will be responsible for ensuring the management of applicants and their cases through the system, from the initial claim to integration or removal.

3. As already indicated the Government is currently in the process of deciding targets in relation to tackling the backlog of failed asylum seekers and part of this work includes consideration of the different types of cases contained within it.

4. Operational Human Resource staffing levels will be reduced as a consequence of efficiency savings and as staff currently employed to support the changeover to and implementation of the Home Office's new integrated finance, human resource and procurement system are no longer required.

5. The Directorate expects that all new claims will be dealt with as part of the New Asylum Model by the end of 2006. It is also planning to introduce end-to-end case management to current cases. The current fitness for purpose exercise will review this position, extending the pace of those reforms to deliver a system that is fit for purpose in the future.

> **PAC conclusion (ii): The Directorate does not know the actual number of failed applicants awaiting removal, and lacks basic information on the whereabouts of people to enable it to effect removal. Based on data for failed applications and known removals at May 2004, up to 283,500 failed applicants could remain in the United Kingdom, although the Directorate only had details of 155,000 failed applications on its databases.**

6.   IND is committed to maintaining contact with failed asylum seekers. There are 11 designated Reporting Centres and the reporting structure is further enhanced by locating immigration staff in police stations. We are enhancing our ability to maintain contact with asylum applicants through the use of new contact management technologies and linking reporting requirements to payment of support.

7.   The Government's e-Borders programme has already begun to monitor passenger movements into and out of the UK on some specified carriers and routes. As this is rolled out further this will provide more comprehensive data, for the first time, on those leaving the UK, and this will include failed asylum seekers.

8.   IND is working closely with other government departments and agencies to increase the amount of personal data being shared, that will both reduce benefit fraud and help secure the removal of failed asylum seekers. This is being done with the full support of Other Governments Departments. IND will be participating in the next round of the National Fraud Initiative co-ordinated by the Audit Commission which aims to secure some millions of pounds of savings in benefits and identify up-to-date addresses for failed asylum seekers working and/or claiming benefit in the UK.

9.   The Committee also raised the issue of foreign national prisoners released from prison at the end of their sentence before being considered for deportation.

10.   The Home Secretary is committed to tackling problems in the processes for referring and deporting foreign national prisoners and in his Written Ministerial Statement of 23 May outlined 8 priority areas that would form the basis of a long-term agenda for change.

11.   These are:

- a unique personal number for individuals who come into contact with the criminal justice, immigration and asylum systems;

- a system to prevent individuals from concealing their nationality and sanctions if they refuse to co-operate or declare a false nationality;

- a system to ensure that all future instructions on cases that should be referred to IND are given to all agencies of the criminal justice, asylum and immigration systems are consistent and fully implemented;

- an audit trail of all policy criteria governing which individuals should be considered for deportation and the process by which it is ensured that guidance is both clear and consistently applied;

- the most robust interpretation of the requirements of international obligations when considering deportation;

- clear procedures for dealing with foreign national prisoners held in Scotland and Northern Ireland;

- consideration for deportation of mentally disordered offenders as appropriate; and

- enhanced arrangements to facilitate the return of prisoners earlier in their sentence.

12. In the short term, the Home Secretary has also already announced two immediate changes to the system which are to:

- prioritise cases for consideration according to the degree of risk a person poses to the public;

- issue new guidance to caseworkers which interprets the decision-making criteria much more tightly.

PAC conclusion (iii): The gap has narrowed between the number of newly unsuccessful applications and removals affected, but largely because of falling applications rather than more effective removal action. The number of removals (including dependants) in 2004-05 was 14,250 and was lower than the 17,855 (including dependants) achieved in 2003-04.

13. The Directorate welcomes the Committee's acknowledgement that the gap between number of newly unsuccessful applications and removals effected is narrowing however it does not accept that this is largely due to the fall in applications.

14. Since April 2005 we have continued to increase the numbers of returns of failed asylum seekers and Qtr4 (Quarter 4) 2005 was the fourth consecutive quarter when the number of removals has risen.

15. This continued drive to increase the levels of returns, up 22% in 2005-06 compared to 2005-06, is in tandem with the Government's pro-active efforts to reduce unfounded applications. Removals have now reached approximately 1,700 per month, meaning that removals will exceed the number of unfounded applications for the year.

PAC conclusion (iv): The Directorate has focussed on its target of matching numbers of removals and newly unsuccessful applications by December 2005, but has done little to target the significant and ageing backlog of removals. Even without any new unsuccessful applications, it would take between 10 and 18 years to tackle the backlog based on the Directorate's current removal rate. In practice, cases become increasingly difficult to remove the longer failed applicants remain in the country due to a lack of data on their whereabouts, and because many will have settled into their local community and made a life for themselves and their dependants.

16. The Directorate does not accept the Committee's conclusion that little has been done to tackle the backlog of removals. Regardless of the age of a case we seek to remove anyone who has no legal right to remain in the UK.

17. Reaching the tipping point means that the pool of failed asylum seekers stops growing and begins to fall, as removal levels exceed new unfounded intake. As this achievement is maintained the pool of older cases will begin to reduce.

PAC conclusion (v): The Directorate needs to undertake a fundamental review of its approach to removals, building on progress it has already made and on the following specific proposals.

18.   The Directorate agrees with this recommendation and has been reviewing its approach to asylum over the last 2 years. Further consideration of enforcement will also be a key part of the current fundamental review. We welcome the Committee's acknowledgment of the progress made to date and we will continue to move forward in line with all of the specific proposals as outlined below.

Asylum removals strategy

a.   **Integrate the different asylum functions into a single operation.**

b.   **Set targets for tackling the backlog of failed asylum seekers.**

c.   **Develop the necessary software for its database to identify cases that have overstayed their permitted period.**

19.   We are implementing the New Asylum Model (NAM) which will integrate the various asylum activities into a single end-to-end process with a single case owner who is responsible for each case from the start to either integration or removal.

20.   Now that tipping point has been reached the numbers of failed asylum seekers in the backlog will begin to fall. As a result, we now have more capacity to focus removal resources on historic cases. The Government continues to be committed to focusing immigration resources to activities that will bring most benefit to the UK and provides the most protection for the public.

21.   As part of our e-Borders Programme databases will record the arrival and departure of every passenger entering or leaving the UK by sea, air or rail and the data will be available to all agencies. This will greatly assist IND in providing a more accurate picture of non-EEA passengers' compliance with landing conditions, will assist UKVisas in their quality assurance of visa issues and identify the numbers and nationalities of passengers failing to embark in accordance with their conditions of entry. All of this will assist in the overall risk assessments relating to specific nationalities and categories of passengers arriving in the UK.

22.   Under Project Semaphore, which is designed to test and de-risk the wider e-Borders programme, we are already capturing data on 37 routes at an annual rate of 12 million passenger movements.

23.   The review of IND business will look at how rapidly this approach can be implemented.

> **Returning different categories of failed asylum seekers**
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> d.   Segment the population of failed asylum seekers and develop appropriate removals strategies and targets for each group. Segmentation could reflect, for example, age, country of origin, criminal record (if any), availability of travel documents and data of arrival in the United Kingdom.
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> e.   Update its cost-benefit analysis for making greater use of detention to effect removal, drawing on the approaches of countries such as Germany, the Netherlands and Australia and using more current costings, such as those estimated in the C&AG's Report.
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> f.   Evaluate quickly the effectiveness of monitoring, tagging and voice recognition software as a means of keeping in contact with failed applicants to reduce the risk of absconding, and use the data to enhance the future removals strategy.
>
> g.   Establish whether the Appearance Assistance Programme used in the United States could be adapted for successful use in the United Kingdom. Under the scheme a community sponsor takes responsibility for the person, with intensive supervision, personal telephone reporting and home visits.
>
> h.   Conclude and evaluate quickly its pilot to allocate a single caseworker from start to finish for each application, and roll out best practice identified promptly.

24.   The New Asylum Model is based on the segmentation of all asylum claimants at the outset, according to the different characteristics of each case, with potential ease of removal (should a claim fail) included in the segmenting criteria.

25.   We are introducing, through the New Asylum Model, end-to-end case management of asylum claims to see more cases through to completion rather than simply to a decision on asylum status. This includes making removal the norm for newly failed claimants, and identify a wider range of enforcement mechanisms.

26.   We provided the Committee with the cost-benefit analysis work undertaken in early 2004 on the possible scope for expanding the successful Detained Fast Track (for males) at Harmondsworth immigration removal centre. This now also operates at Yarl's Wood (for females). It delivers an end-to-end detained process for straightforward cases capable of a quick decision. We also operate detained routes for suitable Third Country cases and suitable Non-Suspensive Appeal cases (where we regard the claimant's country of origin as generally safe and where any appeal against refusal of asylum has to be made from outside the UK).

27.   We will be looking within the review at our overall enforcement and removal capacity.

28.   Electronic monitoring is used in three forms: telephone reporting using voice recognition technology, tagging and satellite tracking. A pilot ran between October 2004 and February 2005.

29.   The roll-out of electronic monitoring has picked up pace following the review of our policy, in July 2005, to seek the consent of individuals before they were electronically monitored.

30.   The use of tagging is being directed at higher risk cases where the detainee may seek to avoid removal. Among the key applications are cases where we have not detained, but where we wish to maintain a high level of contact and control.

31.   We considered the available information on the Appearance Assistance Programme (AAP) in March 2005, following the Save the Children Fund report *No place for a Child.* However, at the time it did not suggest a good fit with our contact management strategy.

32.   Since then we have commenced the rollout of RepARC, the system linking payment of asylum support to compliance of these reporting with restrictions, to all reporting centres. This is supported by the availability of the reimbursement of travel costs to those living more than three miles from the reporting centre.

33.   We have also revised our contact management strategy so as to maximise contact, control and compliance by making best use of all forms of contact including electronic monitoring.

34.   We now intend to review the AAP system fully to determine whether IND should adopt the US model and other international initiatives.

35.   The North West Project has underlined the usefulness of a more focused case management process and this approach has now been adopted in the roll out of the New Asylum Model which establishes an end-to-end process handled by a single case owner.

Voluntary removals

i.   **Improve the effectiveness of communications with failed applicants, for example by specifying clearly the action the individual should take to leave the country and by when.**

j.   **Increase awareness of voluntary removal schemes amongst applicants by active promotion of such schemes from the time the application is received, building on the successful approaches of countries such as the Netherlands. Voluntary removals are more cost effective and more likely to lead to successful repatriation than enforced removals.**

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36.   Advice on the availability of Assisted Voluntary Return (AVR), including details of the International Organisation for Migration (IOM), is included on all decisions to refuse asylum and all National Asylum Support Service (NASS) discontinuation of support letters.

37.   An integral component of the New Asylum Model will be the promotion of AVR at all points. The promotion of AVR to asylum seekers will be included in all NAM caseworkers' duties.

Speeding up enforcement

k. Make greater use of arrest for removal at reporting centres as an alternative to the practice of arrest in the community which costs more and has a lower success rate.

l. Review periodically the lessons to be learned from removal cases which fail or are delayed significantly at the last minute, and use the lessons to inform future practice.

m. Seek explanations for variations in enforcement offices' performance in terms of cost and operational effectiveness, and disseminate and enforce best practice quickly.

n. Reduce overhead levels in areas such as Human Resources and redeploy resources released to front line removals activity.

o. Use management information systems put in place in April 2005 to cost and monitor the Directorate's effectiveness, including how staff deploy their time. Use the data obtained to inform future operational strategy, and in particular to cost strategies for tackling the backlog of removals so an appropriate case for resources can be made.

p. Arrest failed applicants who are at the point of being evicted from National Asylum Support Services accommodation.

38. In addition to making the promotion of AVR at all points an integral component of the New Asylum Model, the Directorate has begun to promote AVRs in communities across the UK using a targeted advertising campaign. It has also recently launched, with the IOM, an enhanced package of benefits to aid asylum seekers to re-settle in their own countries. This has led to a significant increase in the take-up of the assisted voluntary return process.

39. There has been a 15% increase in the average number of failed asylum seekers arrested at reporting centres each month between Qtr3 2004 and Qtr3 2005.

40. We intend to continue to increase our use of reporting centres to initiate the removal process for failed asylum seekers.

41. We are analysing and tackling the reasons for failed removals, particularly at the last minute, in order to minimise them.

42. We have been monitoring variations in performance across enforcement offices using a range of measures since April 2005. This work is ongoing and is being done in order to raise the performance of all our offices. Removals generated by enforcement offices increased by 60% over 12 months since the introduction of performance monitoring systems.

43. The Directorate recognises the need to secure efficiency gains in overhead areas and has a programme to reduce staff numbers in these areas in order to release resources to all of its operational areas, including removals. In the two years since 31 March 2004, staff numbers in overhead areas have been reduced by over 100 and this programme will continue.

44. The Human Resources Directorate provides staff with training across the Immigration and Nationality Directorate, as well as the traditional human resources function and this continues to be a critical support role for the business areas.

45. With reference to the points raised in recommendations (v,m) and (v,n), the Directorate would also draw attention to the relevance of the current fitness for purpose review.

46. We have been monitoring the effectiveness of all our operational activities since April 2005. This information has been fed back to our offices to improve local performance. We are introducing a target to increase the operational activity of our front line staff to 70%, in line with the police. We will be using the data we collect to inform our future strategic thinking on the level of resource required to achieve delivery of future targets.

47. The New Asylum Model manages the end-to-end process with the intention that, at or before the stage of eviction from NASS accommodation, removal arrangements will have already been set in motion.

Thirty-sixth Report

Department for Work and Pensions

Tackling the complexity of the benefits system

The complexity of the benefit system is a key factor affecting the performance of the Department for Work and Pensions, impacting on the system's vulnerability to fraud, the likelihood of errors by staff and customers, and the take-up of benefits by those entitled. On the basis of a report by the Comptroller and Auditor General, *Dealing with the complexity of the benefits system* (HC 592, Session 2005-06) the Committee took evidence from the Department of Work and Pensions on reducing, managing and assessing complexity in the benefits system.

Reducing complexity

> **PAC conclusion (i): The Department intends to explore the scope for further benefit simplification, but not as a top-level objective. The Department needs to make its intentions clearer, and its 2006 Annual Report would be an opportunity to start to do this, for example, by specifying what actions it will take to chip away at difficult regulations, harmonise administrative rules and manage complexity through better use of IT. Progress in achieving simplification should be considered regularly by the Department's senior management board and also reviewed independently by the Audit Committee as part of its consideration of the department's accounts.**

1.   The Department for Work and Pensions (the Department) welcomes this report by the Public Accounts Committee. Simplifying the benefit system has clear rewards for the Department and its customers. There are also financial advantages to simplification in improved efficiency, reductions in customer and staff error, fewer complaints and fewer appeals.

2.   The Department has underlined its commitment to simplifying the benefits system in the 2006 Annual Departmental Report[1], which clearly states that "the Department is exploring and developing ways to tackle benefit complexity while continuing to protect social security expenditure."

3.   The Department's senior management team has asked for quarterly reports on changes to the benefits system and their effect on complexity, and will be considering the scope for measuring progress towards simplification. Benefit simplification is also reviewed on an ongoing basis as part of the Annual Assurance reporting and reviewed by the Departmental Audit Committee.

> **PAC conclusion (ii): Actions being taken to tackle complexity point the way forward, but they are piecemeal and do not amount to a strategy. The Department should have a strategy for simplification which covers the system as a whole. It should be supported by specific targets for removing particularly problematic regulations which lead to confusion amongst citizens and staff.**

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[1] *DWP Departmental Report 2006*, published 11/05/2006

4.   The Department agrees that more needs to done to simplify the system, and is addressing the problem. The National Audit Office report in November acknowledged that the Department has started to design new benefits with a view to reducing complexity, as well as removing anomalies, simplifying the information required from customers, and using technology to provide better services for customers.[2]

5.   Simplification is now central to all the Department's policy and delivery decisions. This is the key to tackling existing complexity within the benefits system and to ensuring that future benefit design does not contribute to it unnecessarily. (See the response to recommendation (vii) for the Department's progress on producing targets for reducing complexity.)

> **PAC conclusion (iii): A simplification team is a step in the right direction and could act as a counterweight to growing complexity if it has sufficient influence. The unit should help develop the simplification strategy, and be able to challenge policy proposals constructively on grounds of complexity. The involvement of a departmental board member as team champion is valuable, but should not lead to simplification being seen as the responsibility of that person alone, rather than the whole board. An annual summary of the unit's activities and accomplishments should be published.**

6.   The Department is pleased that the Committee welcomes the creation of the Benefit Simplification Unit. The Unit has the very strong support of Ministers, the Permanent Secretary, and all of the Executive Team. In January 2006, Ministers publicly identified the three main areas that the unit should concentrate on initially.

7.   One of these was to publish a *Guide to Good Practice* that would ensure staff take the opportunity to reduce complexity when considering both policy and operational changes. This was published on 4 May. The guide sets out the ways in which complexity can occur and provides advice on how to avoid them. The other two main areas were to take steps to reduce complexity in the current benefits system (both regulatory and operational) and to ensure that any simplification is informed by an understanding of how the system works for the Department's customers, their advocates, other service users and the staff who administer benefits.

8.   The Department accepts that reporting of progress towards simplification is important and a summary of the unit's activities and accomplishments will therefore be included in future Department annual reports.

Managing complexity

> **PAC conclusion (iv): The Department cannot manage the complexity of the system without having skilled staff. Even if 6.5 days of training per person per year was adequate in the past, it will not be in future, especially if staff need to know about linkages between benefits and take on more demanding work. The reduction in the size of its workforce by 30,000 by 2008 is an opportunity to increase the amount of training per head in order to enhance productivity and improve standards of customer service.**

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[2] *Dealing with the complexity of the benefits system*, NAO report published 18/11/2005

9. The Department agrees that having skilled staff is essential and takes staff training very seriously. For example Jobcentre Plus has in place a comprehensive training programme to increase its staff skills.

10. The Department is also undertaking a programme of training modernisation, which is part of a long-term strategy to change the nature of training products over time, from fully classroom based to a combination of classroom, e-learning, coaching, self-learning. Through implementing this strategy, the Department is making its training programmes more effective, thereby enhancing productivity and improving standards of customer service.

11. At the same time the Department is investing in new technology to make the benefits easier to administer by its staff. For example, the Jobcentre Plus Customer Management System automates the claim process, and provides prompts on linked entitlements where appropriate. Additionally the Pensions Transformation Program has delivered a Customer Account Management system that automates and integrates the IT support for agents handling claims, allowing a State Pensions claim to be completed on the telephone in under 20 minutes.

> **PAC conclusion (v): Some customers do not get enough help to deal with the benefits system, especially where they need to know about more than one benefit. Staff should be helped to give complete and accurate factual information. Our recent report on the Social Fund said staff should routinely draw attention to benefits, so that those entitled to one ought to be eligible for another. The Department should consider introducing a statutory duty to advice claimants. The Department's mystery shopping programmes should test staff knowledge of linkages between benefits, which should also be an important feature of staff training.**

12. The Department accepts that appropriately advising customers should be a key aim for its staff. Accordingly the guidance provided to Jobcentre Plus staff, when contacted by customers regarding benefits, has recently been revised. The new process for when the public initially make contact is divided into two parts. The first part supports the identification of potential eligibility to Jobcentre Plus Benefits, therefore ensuring that the customer receives the correct information at an early opportunity. The second part of the process allows for specific benefit information to be captured ensuring that the customer only provides it once when more than one benefit is claimed. Therefore at initial contact and subsequent substantive contacts with customers, staff discuss entitlement and respond proactively when asked about specific benefits or premiums.

13. The Department considers the recommendation to introduce a statutory duty to advise claimants on individual entitlements, given the number of customer contacts and the great range of the benefit systems, to be very resource intensive. Any discussion on entitlement to benefit is based on the information volunteered by the customer or available to staff at that time. For this reason the advice on benefits given to a customer will change over time as the individual customer's circumstances change. Further regulation may hamper what is currently an interactive process focused on customer need.

14. The Department already makes extensive use of mystery shopping to measure the effectiveness of its customer service. We will consider further the specific extension to the programme proposed by the Committee.

> **PAC conclusion (vi): Insufficient work has been done to improve the standard of the Department's written communication with customers. Despite past promises on improving written communication following our report on *Improving Service Quality: Action in Response to the Inherited SERPS Problem,* unintelligible letters are still produced. The Department should set a timetable to eliminate all written communications which do not meet Plain English standards.**

15. Since the *Improving Service Quality* report the Department has issued guidance to staff aimed at improving the quality of its written communications with customers. This *Working Letters* guidance brings together best practice from across the Department and gives staff a step-by-step guide to producing letters that are clear and consistent with the rest of our correspondence. The content of automatically generated letters is checked for accuracy whenever the letters change and a periodic sample is made to check their content.

16. The Department is also conducting a review of all its printed information products to reduce the number published, and to ensure that they meet its standards for quality and clarity. The Department will produce a report with recommendations for how the new product set should look (and be structured) by the end of May 2006. The Department has set a target of introducing this new structure by the end of 2006. This work builds on existing efforts to improve the quality of printed material which has seen the number of leaflets receiving the "Plain English Campaign's Crystal Mark" for clarity increase by over 90% over the past two years. Currently 81 out of the Department's 178 leaflets (46%) have Crystal Mark accreditation. The Department intends that all of its customer-facing leaflets should be submitted for accreditation in the future.

Assessing complexity

> **PAC conclusion (vii): The Department is committed to reporting annually on progress in tackling complexity, but there are no ways of measuring it objectively. The new simplification unit should develop an agreed set of measures of progress for publication in its 2007 Annual Report. The measure of complexity needs to be easy to understand, and might take account of the length of regulations, and the extent to which a regulation is connected to others. Measures could also focus on the effects of complexity, for instance on error, benefit take-up, and accessibility of information.**

17. The recent NAO report recognised that there were many drivers for complexity within the benefits system and the Department is under no illusion that simplification will be easy.

18. The Department accepts that a measure of complexity would be useful. Therefore one of the tasks for the simplification unit is to develop a way of measuring complexity so that the Department can demonstrate whether the system is getting simpler. Because of the difficulties with developing such a measure, the Department cannot commit at this stage to producing one by 2007, but undertakes to keep the Committee informed of developments with regard to this recommendation.

> **PAC conclusion (viii): Currently, the scrutiny of new legislation does little to prevent increasing complexity, or to assess the wider consequences of new pieces of legislation on the system as a whole. The Department should provide more information to Parliament on the impact of legislative proposals, covering costs, benefits and effects on the system as a whole. Such assessments should include the likely costs for customers, employers, local authorities and the voluntary sector, and the results should be published, following the example of Regulatory Impact Assessments.**

19. It is already Government policy that all Government departments and agencies, when they exercise statutory powers and make rules with a general effect on others should produce an impact assessment. In addition they must publish a Regulatory Impact Assessment (RIA) for any proposal where there is a direct or indirect impact (whether benefit or costs) on employers, local authorities, the public sector, charities or the voluntary sector.

20. In addition the Social Security Advisory Committee has statutory scrutiny and advisory powers in relation to all of the Department's regulations not made within six months of the enabling Act. This scrutiny of proposed regulations forms the bulk of the Committee's business. Since 1998, the Department has been giving the Committee sight of those regulations that are excluded from formal scrutiny under the six months rule on a for information basis. The explanatory memorandum (EM) required by the Committee to accompany the regulations must include the reasons why the regulations are being proposed, the policy and operational background, any costs/savings and the impact on customers; the Committee have recently introduced a requirement to include an assessment of the impact of the proposed measures upon the complexity of the benefits system and its operation. The EM is published when the Committee agrees to consult formally on the proposed changes.

Thirty-seventh Report

HM Revenue and Customs

Inland Revenue Standard Report: New Tax Credits

HM Revenue and Customs (HMRC – the Department) distributed £15.8bn in child tax credit and working tax credit in 2004-05. Tax credits benefit some 6 million families and 10 million children. On the basis of a report by the Comptroller and Auditor General, *Standard Report on the Accounts of the Inland Revenue 2004-5* (HC 446, Session 2005-06) the Committee examined HMRC on tax credits overpayments, the cost of the Pre Budget Report package, error and fraud in the tax credits system and the settlement reached with Electronic Data Systems (EDS).

> **PAC conclusion (i): HM Revenue and Customs (the Department) overpaid £2.2bn of Tax Credits in 2003-04 to some 1.9 million families, representing one third of those claiming Tax Credits. The recovery of these overpayments has caused hardship to some families, and the Department has struggled to manage disputes about recovery. The Department is unlikely to recover the full amount of overpayments and by March 2005 had provided for almost £1bn of doubtful debts. The Department's annual report should provide an explanation and quantification of these overpayments and the recovery action it is taking.**

1.   The Committee has asked for an explanation of overpayments. The Government believes that end-year adjustments are an integral part of a flexible system that responds to families' circumstances as they change. This is especially important in today's modern labour market where in any year three million people change jobs. Each year at least 200,000 men and women who move into new or better jobs see their family income rise by more than £10,000. Payments are based on household incomes which can of course change during the course of the year. Once changes in incomes are known, payments are therefore subject to adjustment. This can happen during the course of the year and, if necessary, at the end of the year.

2.   Eliminating the need for adjustments would require a move to a fixed system where eligibility was based on the previous year's income and circumstances, and where, as a result, the flexibility that is so valued by families would be diminished. For example, the current system can respond immediately if a family has a second child or suffers a drop in income. Similarly, under a fixed system, parents would continue to receive sums if their children entered paid employment during the year. The Government must strike the right balance between certainty for families and flexibility to respond to changing circumstances – Family Credit was a fixed system and was widely viewed as not achieving this balance. Moreover, it had a lower level of take up – 57% in the first year compared to 93% of low income families entitled to child tax credit in 2003-04.

3.   National Statistics show that end-year adjustments leading to an overpayment fell by a fifth in the second year of the scheme's operation – from £2.2bn in 2003-04 to £1.8bn in 2004-05.

4.   Since the introduction of tax credits there have been clear procedures in place to ensure that recovery of overpayments does not create hardship. Where an overpayment for one year is recovered from a subsequent year's award there are

automatic limits on how much can be recovered. For the poorest families, recovery is limited to a maximum of 10% of the ongoing award. These limits now apply to adjustments to recover a potential in-year overpayment.

5.   The Department has since November 2005 suspended the recovery of an overpayment if the claimant disputes it until the Department has had the opportunity to examine the case in detail. The Tax Credits Office achieved its objective of dealing with disputes in 4 weeks by March 2006.

6.   Building on the experience of the first two years of the new tax credits system, the Government has introduced a series of administrative enhancements and policy developments to improve the operation of the tax credits system. The National Statistics released on 31 May relate to a previous year, 2004-05, and so do not show the impact of measures announced at the time of the 2005 Pre-Budget Report (PBR) to give greater certainty to families while maintaining flexibility to respond to changing circumstances. These started to come into effect from 2006-07 and the level of end-year adjustments are expected to fall by a further third in future years once fully implemented.

> **PAC conclusion (ii): There have been unforeseen overpayments due to software errors and the Tax Credits computer system is fragile. The Department has estimated that software errors led to overpayments of £184m in 2003-04 and 2004-05. Software problems continue to result in errors. The Department needs to analyse and rectify these software errors to achieve a robust and stable computer system.**

7.   Improved performance of the tax credits system has meant that fewer overpayments are caused by IT or administrative error. This is demonstrated by the improvements made to accuracy in processing and calculating awards, which rose from 78.6% in 2003-04 to 96.5% in 2004-05.

8.   Unforeseen overpayments arose from the well-documented early problems of the tax credits computer system and the Department has followed a policy of writing them off, where it is reasonable to believe that the claimant thought their award was correct. The performance of the tax credit computer system has improved significantly since then, and it is now stable and delivering flexible, responsive tax credits to 6 million families. Major new software releases have been introduced in 2005 and most recently this April, delivering improvements in operational performance.

> **PAC conclusion (iii): The Government announced important changes to the Tax Credit scheme in the December 2005 Pre-Budget Report, including raising the disregard for increases in income from £2,500 to £25,000. The Department considers that the overall cost of the package is broadly neutral but, because of the absence of good quality data, it does not know the specific cost of the individual changes that have been announced. The existing £2,500 disregard is estimated to cost £800m, so the cost of the package is likely to be significant. Before the Pre-Budget Report the Department estimated the cost of this element of the package. The Department should provide details of the estimate it has made.**

9.   This figure is an estimate of how much lower the total of overpayments were in 2003-04 because of the £2,500 disregard, compared to a situation where there was no disregard. However, 2003-04 was the first year of the system, with awards initially

based on income information from 2001-02, i.e. two years old. In 2004-05 and in subsequent years, awards were initially based on the previous year's income. The use of income information that was two years old in 2003-04 meant that income rises were a much more important cause of overpayments in that year. Therefore the figure cannot be applied to later years.

10.   Moreover, the figure refers to a change in what claimants would be entitled to. This does not translate into a cost to the Exchequer. The existing forecast for tax credit expenditure was based on the working assumption that overpayments would continue at their current level, and that these would be recovered in accordance with current policy. Increasing the disregard means that there will be fewer overpayments and therefore less to be recovered from previously overpaid tax credits.

11.   The Department's supplementary evidence to the Committee in answer to Question 47 set out in detail the issues faced in providing the cost of the PBR package.

> **PAC conclusion (iv): Some overpayments are inherent in the design of Tax Credits, as initial awards are based on claimant circumstances and income for previous years. Changes announced in the Pre-Budget Report should reduce these overpayments, which account for one third of the total. The Department does not have comprehensive information on how other overpayments are caused. It should undertake further work to analyse the cause of overpayments to determine if they can be reduced further.**

12.   End-year adjustments are an integral part of a flexible system that responds to families' circumstances as they change. Payments are based on household incomes which can of course change during the course of the year. If there is a delay in a claimant notifying HMRC of a change in their circumstances, they may continue to receive an award based on their previous circumstances up to the point that HMRC is made aware of the change, since payments are based on known income. The Paymaster General's written statement of 5 December 2005 (*Official Report*, Column 55WS-56WS) provided more details on the different sources.

13.   Improved performance of the tax credits system has meant that fewer overpayments are caused by IT or administrative error. This is demonstrated by the improvements made to accuracy in processing and calculating awards, which rose from 78.6% in 2003-04 to 96.5% in 2004-05.

14.   The 2005 Pre-Budget Report package of measures is designed to tackle all the sources of overpayments. The Paymaster General's letter to the Chairman of the Committee of 25 May set down how the various measures correspond to the sources of overpayments. In total, the measures as a whole are expected to reduce overpayments by around one third. However, it will not completely remove overpayments from the various sources identified.

15.   The Department will continue to monitor the causes of overpayments and consider whether further changes to the administration of tax credits are needed.

> **PAC conclusion (v): The experience of Tax Credits illustrates the difficulties where information from claimants, necessary for the efficient administration of the scheme, is not available or takes time to obtain. In implementing the Tax Credits scheme, the Department should have taken more care in its design and testing of the administrative arrangements and the requirements placed on claimants.**

16. Information on wages can be found on an employee's payslip and on a P60 after the end of the year. The definition of income is based as far as possible on that used for income tax to keep the burdens as low as possible. The Department's aim is to keep the administrative arrangements simple. Claimants are only required to complete a claim form at the outset, and after the end of each year they are asked to tick boxes on a 2-page annual declaration and provide details of their previous year's income. HMRC then uses this information to renew the claim. The Department accepts that the early computer problems in 2003-04 had a significant impact on claimants, but the performance of the system has improved significantly since then. HMRC has carried out advertising campaigns to encourage claimants to notify changes in their circumstances which might affect their tax credits payments.

17. Learning from the experience of the first two years of tax credits, HMRC has taken steps to ensure its communications with customers are understandable and forms are as easy to complete as possible. Building on these important steps HMRC is reviewing its communications, including consultation with those who represent tax credits customers. The review identified a number of improvements to be made and work has begun to implement these.

PAC conclusion (vi): Changes announced in the Pre-Budget Report place new responsibilities on claimants to tell HMRC promptly about changes in their circumstances. The Department has not provided adequate advice to applicants in the past and it acknowledges that improved communications are vital in helping claimants understand the recent changes. It should consult on its plans for communicating these changes with bodies in the voluntary sector that advise claimants. It is also incumbent on the Department, having demanded prompt information from claimants, to be ready to process it accurately and quickly enough to prevent any accumulation of overpayments or underpayments.

18. The Department agrees that it is important to consult the voluntary sector and process information promptly and accurately. The Department plans an advertising campaign in the autumn to tell claimants about their new responsibilities and has been consulting the voluntary sector. The Tax Credit Office has targets on processing information quickly and accurately. The indicative figure for accuracy in processing and calculating awards is up from 78.6% in 2003-04 to 96.5% in 2004-05. This is a comparable level to claims for Child Benefit.

19. The Department has worked closely with the voluntary sector on a number of recent initiatives. For example HMRC worked closely with the voluntary and community sector to design the new award notice which has been issued to customers from April 2006. Their input was sought into the redesign of the tax credits section of the HMRC website; and a further example of such close working is the recent tax credit take-up resource pack produced by Citizens Advice Bureau for its advisers and funded by HMRC.

> **PAC conclusion (vii): The Department does not have reliable or up to date information on levels of claimant error and fraud in Tax Credits. The absence of this information and its analysis seriously impairs the Department's management of the schemes and its ability to safeguard taxpayer's money. As we stated in our report on Tax Credits the Department should quantify and analyse in detail its final estimate of overpayments due to error and fraud and should publish the results along with its targets for reducing these types of overpayments and its plans for achieving its targets.**
>
> **PAC conclusion (viii): The design of the Tax Credits scheme limits the Department's ability to estimate the overall level of error and fraud. Final estimates of error and fraud for 2003-04 will not be available until Spring 2006. In designing similar schemes in the future, Departments should assess the risk of error and fraud and their ability to identify and manage it.**

20.   The Department takes very seriously its obligation to identify the elements of the tax credits system that could lead to error and fraud and to address these once they have been identified. For instance, monitoring of claims submitted through the e-portal enabled the department to close down the portal in light of a specific and unprecedented attack on the system.

21.   The Department agrees that it is important to assess the risk of error and fraud, and a comprehensive assessment of risk was built into the original design of the system. The Department will publish a report on the level of error and fraud for 2003-04 shortly. It has in place a number of policies to tackle error and fraud:

- simplifying processes so that customers can understand what they are entitled to and claim the right amount, and ensuring that amount is paid;

- increasing checks on claims before they are paid and using HMRC resources more effectively by remote interventions to examine claims in payment;

- refining analysis of risk through more extensive and proactive analysis of HMRC, other Government department and third party information; and

- penalising and, where appropriate, prosecuting those who commit fraud.

22.   The Government announced new measures in PBR 2005 which will result in a twofold increase in the number of pre-payment checks carried out on new claims, and within that the number of pre-award living together checks (which are designed to identify instances of undeclared partners) will also double. The Department has reviewed and amended their automated risk assessment processes and as a result they have seen an increase in the numbers of such claims falling for review.

23.   These processes are continually reviewed and if necessary refined to take account of any changes in non-compliant behaviour.

> **PAC conclusion (ix): There has been a serious assault on the Tax Credits system by organised criminals and the Department closed the Tax Credits internet site on 2 December 2005. Given the severity of the attack, in which identities were stolen to submit fraudulent claims, the Department needs to assess the adequacy of its fraud risk assessment and the effectiveness of its controls before deciding on whether to re-open the internet facility. It also needs to consider the wider implications of the fraud, including whether its defences for telephone access are strong enough.**

24.   The Department notes the conclusion. During 2005, the Department detected an increase in the number of organised attacks on the tax credits system, predominantly via the internet. The Department continued to monitor the situation closely. In November, new information came to light about what appeared to be a specific and unprecedented attack on the system. In the light of the virulent and highly organised nature of the attack, the Department judged the balance of risks had changed significantly, and a decision was taken to suspend the internet service from 2 December 2005. The Department plans a series of strengthening measures to be implemented through planned IT releases and it will reopen the portal once this work provides the necessary assurance. A programme of work is also ongoing to raise fraud awareness in contact centres.

25.   The Government announced new measures in PBR 2005 which will result in a twofold increase in the number of pre-payment checks carried out on new claims, and within that the number of pre-award living together checks (which are designed to identify instances of undeclared partners) will also double. The Department has reviewed and amended their automated risk assessment processes and as a result they have seen an increase in the numbers of such claims falling for review.

> **PAC conclusion (x): The Department agreed a sum of £71.25m in settlement of its claim against EDS for the Tax Credits computer problems. Of this sum, £26.5m will depend on EDS winning future work from government, but there is no guarantee that it will win sufficient business to trigger full payment. Government should not be placed in the invidious position of having to commission further work from a contractor in order to recover compensation for underperformance.**

26.   The Committee has encouraged departments to take commercial approaches to secure best value for money. The Department agrees with this and that is what it believes it has done with the EDS settlement. It is the largest settlement with an IT supplier that it is aware of in the UK.

27.   The Department is determined to get the full value of the settlement, and its detailed terms contain appropriate commercial protection of that outcome.

28.   The payments remaining to be made by EDS will not prejudice the government's future procurement decisions. Each such decision will be made on its merits, with due regard to the legal and commercial requirements, to achieve the best value for money. Procurement law requires that all bids be given equal consideration and that government departments obtain the best value for money.

29.   The Department has had detailed discussions with the Office of Government Commerce in order to ensure that, through its work and contacts, other departments are aware that this settlement must have no influence over other government contracts.

PAC conclusion (xi): The terms of the settlement are covered by a confidentiality clause and have not been disclosed by HMRC or EDS. Confidentiality arrangements should not be accepted where they will impair accountability for public money. Contractors need to accept that, if they do business in the public sector, the terms of such settlements should be in the public domain. The Treasury should require Departments to abstain from confidentiality clauses in settlements with contractors, as is the case of severance compensation packages.

30. The Department believes that without a confidentiality clause it would have achieved a far less satisfactory financial settlement – if indeed one could have been secured without litigation. Had it been necessary to pursue EDS in the courts, the Department would have faced a significant diversion of senior staff time as well as significant litigation costs.

31. The Department feels that it struck a correct balance that maximised value for the public purse by, on the one hand, preserving an acceptable degree of confidentiality and, on the other hand, allowing full accountability to appropriate scrutinising bodies.

32. This settlement represents an acceptable outcome in the unusual circumstances of the dispute. While complete transparency is usually desirable, the confidentiality arrangement in the settlement agreement with EDS did not in practice impair public accountability. The agreement allowed full disclosure of all terms of the agreement to all appropriate public bodies.

33. Confidentiality provisions are common in commercial settlements which forestall litigation of large sums. However, the Department insisted that this settlement includes the unusual feature of permitting the Department to disclose details to all bodies necessary to satisfy its public scrutiny and accountability requirements.

Thirty-eighth Report

Department for Transport

Channel Tunnel Rail Link

In 1996 the Department for Transport awarded London & Continental Railways (LCR), a private sector consortium, a contract to build the Channel Tunnel Rail Link (CTRL) and to run the British arm of the Eurostar international rail service (Eurostar UK). Construction was to have been funded by government grants, and LCR securing borrowing against future Eurostar revenues. The deal has been restructured twice: 1998 following forecast shortfalls in Eurostar revenues, and in 2001 following Railtrack plc's entry into administration. On the basis of a report by the Comptroller and Auditor General, *Progress on the Channel Tunnel Rail Link* (HC 77, Session 2005-06) the Committee took evidence from the Department for Transport and LCR on the forecasting of future Eurostar passenger numbers and revenues; the decision to construct Section 2 of the Link; and taxpayer exposure to the inherent risks in the project.

> **PAC conclusion (i): In bidding for the project in 1996, LCR forecast that passenger numbers using Eurostar would reach 21.4m in 2004 but actual passenger numbers for 2004 were only 7.3m. Where future income from passengers is expected to provide a major element of the revenue needed to repay the cost of constructing transport infrastructure, it is crucial that realistic forecasts are prepared from the start. Downside risks need to be given due weight, drawing on both UK and international experience, in considering future projects.**

1. The Department for Transport (the Department) accepts the recommendation. It will always be difficult to forecast passenger numbers for a unique piece of infrastructure like CTRL, for instance due to unforeseen long term changes in travel patterns (e.g. low cost airlines) and to one-off events (e.g. 9/11, London bombings, Hatfield) which had the effect of reducing passenger numbers. However, we have learnt lessons from the forecasting exercises and will make use of these in future.

> **PAC conclusion (ii): The economic case for the Link remains marginal. On passenger traffic alone the Link is not justified, so regeneration benefits are required to make the project value for money. The Department's assessment of regeneration benefits of the Link should be rigorous, and should separate out clearly those attributable to other major infrastructure projects close to the Link, including in due course the impact of the 2012 Olympics.**

2. The Department will evaluate the Link, and as part of this process it will endeavour to separate out the effects of other infrastructure projects in the area including the 2012 Olympics.

> **PAC conclusion (iii): The initial aim was to transfer a high level of commercial risk to a private sector consortium, which did not however have the financial strength or equity capital to sustain that risk if things went wrong. As risks materialised, the Department had to provide more and more support, while trying to ensure that private sector disciplines were maintained. In considering such major projects in future, Departments need to satisfy themselves that there is reasonable consistency between the degree of risk transfer and the extent of investors' equity stake in the project.**

3. The Department accepts that better planning work should have been carried out up front to consider a suitable balance between private and public equity funding.

4. When it became obvious that future revenues would not support wholly private finance then the Department put in place alternative arrangements that have successfully delivered the CTRL project. A number of factors occurred over the life of this project that could not have been foreseen at the outset including the collapse of Railtrack, the growth of low cost airlines etc. The financing solution that was chosen was the most efficient way to finance CTRL section 2. By de-risking the project, LCR were able to reduce the cost of capital and in turn the cost to the taxpayer.

> **PAC conclusion (iv): The Department thought the Cost Overrun Protection Programme, though expensive, was a way of maintaining private sector disciplines without extra direct support from the taxpayer. After Railtrack Group withdrew from the project in 2001, the arrangements made by the Department and LCR included placing layers of cost overrun risk with commercial insurers, as well as the project managers. The value for money of such complex arrangements is difficult to judge, and there would have been less need for them if the private sector had, from the outset, the necessary financial strength to carry the risk allocated to it.**

5. Considering the risks involved with tunnelling (which forms over 50% of section 2) under a significant part of London's built-up area including Kings Cross, the Department considered it was worthwhile to insure against a possible cost overrun. As with any insurance policy they are purchased in the hope that they will never be used. The Cost Overrun Protection Programme (COPP) represented good value for money in the light of the real construction risks facing the project.

6. The COPP transferred a material element of risk to the project managers' and gave them early downside exposure. This has helped to condition the project managers' control of costs.

> **PAC conclusion (v): There remains uncertainty over the future call on the taxpayer. Even though the major construction risks have passed, under the terms of the restructured deal the taxpayer remains exposed to the financial consequences of Eurostar under-performing against forecast passenger volumes. The Department should actively manage the size and timing of LCR's call on the Access Charge Loan facility, so as not to weaken the incentive for LCR and Eurostar to maximise passenger revenues. Any future changes to the structure or ownership of LCR will need to protect the interests of the taxpayer.**

7. The Department agrees with this conclusion. The Department is considering a number of options for restructuring LCR. The Secretary of State said earlier this year the best way of protecting the taxpayer's interest would be for there to be an open, competitive and transparent process before the sale of LCR, probably once the Channel Tunnel Rail Link has been commissioned, which we expect to be in 2007. This is something the Department is taking forward with LCR.

> **PAC conclusion (vi): High levels of inflation on construction projects which drove up the costs of Section 2 of the Link will continue to be a problem for the South East. There are a number of further major infrastructure projects planned, for example, the Olympics, widening of the M25, Thameslink 2000 and the Thames Gateway, creating substantial additional demand for limited resources. The Treasury and Office of Government Commerce, together with public bodies planning major projects, should aim to schedule the construction phases of such projects so as to manage the risks to cost, time and quality from any unplanned surge in demand.**

8. The Department accepts that there is a need for a co-ordinated approach between government departments in order to avoid overheating the market. Internally, the Department undertakes a baseline review which considers external factors including construction inflation etc. which may impact on the Department's capital budget.

9. In addition, the Office of Government Commerce is also conducting a study in scheduling major projects in order to avoid overheating the supply chain. The OGC expects to be able to say more on this study later in the year. The DfT is an active participant in this work.

Thirty-ninth Report

Foreign and Commonwealth Office

Consular Services to British nationals

The Foreign and Commonwealth Office (the Department) provides consular services from over 200 Embassies, High Commissions and Consulates worldwide. On the basis of a report by the Comptroller and Auditor General, *The Foreign and Commonwealth Office: Consular Services to British Nationals* (HC 594, Session 2005-06) the Committee took evidence from the Department on its progress in influencing British nationals travelling overseas; developing consular services as a responsive service; and reacting to crises.

> **PAC conclusion (i): The Department has made some significant innovations, such as working with operators like *Easyjet* and publishing *the Rough Guide to Safer Travel*, to increase its influence on those traveling overseas. To better assess how effective these innovations are proving and to inform future campaigns, the Department needs to identify those groups who are most often in need of assistance, and assess how effective their publicity has been in targeting these vulnerable groups and in influencing their behaviour overseas.**

1.   In November 2005, we established a six-monthly benchmarking survey of the travelling public to identify key target groups, to establish attitudes and behaviour, and to judge the effectiveness of future publicity campaigns. This has generated useful information leading to specific targeted campaigns and further research. For example, we are commissioning detailed research on the travel habits of British Ethnic Minority communities, who were shown to be the least likely to take out travel insurance, and will be designing targeted campaigns on the basis of the results. We exchange information with our *Know Before You Go* travel campaign partners, such as Lonely Planet, including the results of independent research. We seek and act on anecdotal evidence from posts highlighting regional travel trends, such as the latest destinations for hen and stag nights abroad. This enables us to share best practice and to target specific groups to try to influence their behaviour. We use the information generated from all these different types of research to inform our travel campaigns and media messages.

2.   We monitor the number of website hits for *Travel Advice* and *Know Before You Go*, which enables us to track trends and the effectiveness of these websites and our efforts to publicise them. Figures for 2005 show that the country Travel Advice pages of the site recorded over 36% more visitors, alongside an almost 18% rise for the generic travel tips pages. Those figures can be set against an overall decline in the number of visitors to the site as a whole (down 7%).

3.   We recognise that there is still more to do. We are improving our management information which will tell us who is getting into what types of problems where, and how this is changing over time. We are commissioning more independent research: for example, the Institute of Public Policy Research is conducting the first comprehensive study mapping the scale and nature of emigration from the UK. We are developing closer partnerships with non-governmental organisations such as Age Concern to understand the needs of vulnerable groups and develop new and effective ways to address them.

> **PAC conclusion (ii): Consular staff are increasingly called to help the irresponsible minority whose problems may have been avoided by greater awareness and planning before traveling, or by sensible behaviour once abroad. The Department used its existing powers to charge for consular service in just 323 out of 84,000 assistance cases. It should make greater use of the call out fee to charge for assistance to those who have been clearly negligent or otherwise at fault. It should also publicise more individual case studies to demonstrate the consequences of irresponsible behaviour.**

4.   We welcome the Committee's recommendation to make more use of the call out fee and have clarified our guidance to staff on when to charge. We have incorporated this guidance into our training for consular staff and duty officers overseas.

5.   We have had difficulties collating individual case studies due to the need to protect the anonymity of individuals and be sensitive to their wishes. However, we have asked posts for more individual case studies where it's possible to avoid identifying the British national involved. There are a number of case studies in the Lonely Planet Travel Safe Guide and our revamped GoGapYear website asks travellers to send in their stories, which are passed to us via Lonely Planet. We are publicising the case studies on the GoGapYear website and we will use them in material relating to specific media campaigns.

> **PAC conclusion (iii): The Department is responding to the increasingly diverse needs of customers by tackling important issues such as forced marriages and child abduction. With static funding levels, it is likely to become increasingly important for the Department to target assistance towards the most vulnerable groups. The new Consular Guide should set out a clear strategic framework to ensure that scarce resources are deployed effectively and that staff have a clear understanding of the levels of assistance they should be expected to provide in individual circumstances.**

6.   We agree with the Committee's recommendation that we must target our assistance at vulnerable groups. We are working to improve the consistency of our services (see remarks under conclusion v) and ensure that none of our posts is providing lifestyle assistance to British nationals resident abroad, such as help with queries about residency, employment, local jobs or schools. We have devoted extra resources to combating forced marriage and child abduction, and employ a specialist Social Worker to advise on difficult cases involving vulnerable individuals.

7.   The then Foreign Secretary launched the Consular Guide *Support for British nationals abroad* in Parliament on 21 March. It gives for the first time a clear, comprehensive public framework for what help we should be providing (focused on the most vulnerable) and what we should not (e.g. the lifestyle assistance already mentioned). Our next challenge, where work is already underway, is to put the Guide at the heart of our consular operations. We have based our training strategy on the Guide and are redesigning internal guidance for consular staff to align fully the Foreign and Commonwealth Office's (FCO) public commitments and our internal procedures.

8.   We agree with the Committee that there is still work to be done to improve the profile of consular work in the FCO. To do this, we are working to effect a cultural change as policy work is still considered by some to be more prestigious and demanding than either service delivery or operational work. We need to promote experience of service delivery work, including consular, as a vital part of the Professional Skills in Government agenda. It may, however, be difficult to achieve the aspiration that all FCO officers gain on-the-job consular experience, since there is an insufficient number of jobs with a direct consular element for everyone to have the chance to do one early in their career.

9.   Consular Directorate, UKVisas and Human Resources Directorate have established a workforce planning group, which is examining ways in which to increase the number of staff gaining service delivery experience early in their careers, and address specific staffing issues relating to service delivery directorates. Officers of all levels are now aware that successful progression in the FCO will be judged at least partly on their record of involvement in a range of different types of work, including at least one service delivery or operational role. We are reinforcing this message in corporate communications by emphasising the importance and high profile of consular work, and publicly commending good examples of consular practice.

10.   Senior officials need to lead the way and we are encouraging the strongest possible fields for senior level consular jobs. The recent appointment as new Director Consular Services of a high-calibre officer with relevant crisis management and other consular experience from within the FCO, against strong competition from candidates from other Government departments, is a good example of this.

11.   All Heads of Mission and Deputy Heads of Mission designate are now required to attend consular crisis management training before departing for their posts. Increasing numbers of senior staff overseas are being exposed to on the spot consular training, through crisis management exercises, which re-create real life scenarios in-country, to help posts – and especially their leaders – prepare better for consular crises.

12.   All graduate (fast stream) entrants are now required to undertake a service delivery job within their first two years in London unless they are studying a hard language, in which case they will be encouraged to take up a service delivery role as soon as practically possible. A number of such officers are already in high-profile, demanding, front-line consular roles in London, such as Head of Joint Forced Marriage Unit, Head of Child Abduction Unit and Head of Middle East/Africa Country Casework section. All are dealing with individual case involving direct contact with members of the public either personally in difficulty overseas, or as next-of-kin to a person in difficulty.

13. We accept the Committee's recommendations. The new Consular Guide explains clearly what assistance British nationals can receive if detained or hospitalised overseas, and we are driving for greater consistency across our operation on the basis of the Guide.

14. We will clarify our guidance to consular staff on prison and hospital visiting, and issue a reminder to posts to follow it. On prison visiting, we will provide guidance on what factors consular staff should take into account when deciding how frequently to visit, and provide examples of visiting schedules. On hospital visiting, we will clarify which cases consular staff should prioritise. We aim to complete these pieces of work by the end of July 2006.

15. We will improve our monitoring of the frequency of prison and hospital visiting. Through the Consular Annual Review, we assess whether posts have met the Public Service Agreement targets of contacting detainees within 24 hours of being informed of their detention, and contacting hospitalised consular cases within 24 hours of being notified. We will supplement this information with a thorough review of prison and hospital visiting arrangements at all posts on a regional basis. We will aim to complete this review by the end of August 2006. We will extend the brief of the Consular Review Team to cover hospital visiting arrangements in addition to prison visiting arrangements in each country as part of their regular programme of reviews.

16. We have produced an internal communications strategy to promote the sharing of best practice between posts and London, which includes a programme of regional strategy conferences as well as country-wide good practice events between consular staff to ensure consistency across the network.

17. Paragraph 9 of the Committee's report highlights that consular staff visited almost all British nationals who were in hospital in Bratislava, but none in hospital in Budapest. Since the publication of the report, our post in Budapest has informed us that the statistics provided by the Department in respect of that post were incorrect. The correct statistics, provided from COMPASS, are:

Hospitalisation cases:	2004-05: 6 cases, 2 visited
	2005-06: 10 cases, 4 visited
Psychiatric cases:	2004-05: 2 cases, 2 visited
	2005-06: 2 cases, 1 visited

18.   We agree with the Committee that there is a lack of consistent management information and it is a high priority for us to address this. We are reviewing the needs of the consular network as well as the range of sources of the information, and plan to design new systems for collating accurate, comprehensive and timely management information. Such information will enable us to: direct resources to target vulnerable travellers; identify trends in travellers' behaviour; and identify where there are problems or gaps in the delivery of our services which may be solved by changes in policy or training.

19.   Once COMPASS NG, the new version of COMPASS our consular database, is rolled out to posts it should improve the amount of information which consular staff record on COMPASS as the system is easier and quicker to use. COMPASS NG has an improved reporting function, which will generate more useful data. We are currently piloting the time-recording facility in COMPASS across our Spanish consular network and, once we have reviewed this, we will consider whether to extend time recording to other posts. We will need to balance the additional costs and administration time that introducing time recording may place on our staff against the value of the information it generates.

> **PAC conclusion (vii): Thirteen years after the NAO made the case for a modern case management system for assistance work, the Department is struggling to properly implement one. Weaknesses in training and in getting staff to use the system in a consistent manner mean there is a risk that much of the £3.3 million investment could be wasted. The Department should increase the proportion of training delivered face-to-face, and focus on areas where the system is not currently being used to its full potential.**

20.   We acknowledge that training on COMPASS, has been patchy in the past and that telephone training has not always been well received. As we roll out COMPASS NG over the coming months we will aim to provide face to face training at regional training events where possible (resources permitting). COMPASS NG was piloted at the end of 2005 and feedback has been very positive – in fact some critics of the original version are now converts. COMPASS NG is generally recognised as more user-friendly, quicker and more flexible than its predecessor. Comprehensive guidance on COMPASS has been drawn up in consultation with a user group to ensure consistency in entering casework onto the system.

> **PAC conclusion (viii): The Department is making more use of honorary consuls and locally engaged staff, and is working with a wider range of partners to improve the quality of service it offers. It should also share representation with other countries, and should take a more quantified and better-evidenced approach to decisions on where to allocate resources, and on where this country needs to have consular representation.**

21.   We have extended training and intranet access to all our 290 Honorary Consuls (all will be trained by end-2006), to improve standards and consistency of service. We now have more locally engaged heads of post: they are selected for their skills in managing consular and other operations and they bring experience and skills to our operation which are of great value. We have established new Director of Consular Services posts for India, Australia, the US, and Spain, who are responsible for delivering high-quality consistent services across our largest consular networks. We are working with a wide-range of governmental and non-governmental partners, such as the Department of Work and Pensions, the Red Cross, and Age Concern, to extend our reach to British nationals abroad, particularly the most vulnerable groups; and we are looking at how we can increase these links further.

22.   Although we already require posts to provide detailed business cases for their resource allocation, improving our management information will enable us to improve the accuracy of this system and provide a more empirical measure against which to compare posts' activity and consequent resource requirements. We use flexible staffing arrangements to meet seasonal demands in tourist destinations and for sporting events, and are piloting a project management approach to planning major sports events, starting with the FIFA World Cup 2006, which includes establishing resource guidelines based on experience.

23.   As part of our international obligations, we assist unrepresented EU and Commonwealth nationals and we encourage posts to make arrangements at a local level on the basis of which countries are represented, what their relative resources are and the numbers of relevant nationals resident or travelling in that country. We have recently produced best practice guidelines on how to cooperate with EU partners at post, which were agreed with EU partners. Work is ongoing within the EU to develop the EU Consular Space, and during the UK Presidency of the EU we set up virtual working groups to look at handling of psychiatric cases, deaths and child abduction.

> **PAC conclusion (ix): Issuing passports at over 100 Posts is inefficient and exposes the Department to increasing risks from fraudulent applications. The Department should analyse the costs and benefits of repatriating large elements of passport work to take advantage of the economies of scale and quality assurance arrangements of the United Kingdom Passport Service. Consolidating its passport issuing service in fewer locations would also aid the Department in reducing inconsistencies in security checking, and in dealing with the technical complexities in moving to biometric passports.**

24.   We are currently undertaking a feasibility study of possible future options for our passport issuing operation. These options include repatriating component parts of the operation to the UK and reducing the number of overseas posts currently involved in passport production. At the same time, we are working closely with the Identity and Passports Service (IPS) and with UK Visas on security and counter-fraud measures and on the development of systems designed for biometric data capture.

> **PAC conclusion (x): British nationals who wish to obtain a passport from consular services overseas have to pay passport fees that are 64% above the equivalent service in the United Kingdom. British nationals living abroad should be able to choose whether to obtain their passports overseas or at a lower cost in the United Kingdom. The Department wants to consider the effect of such a chance on its funding, but accepts that the needs of the customer should be given due priority in such a decision.**

25.   The fees for passports issued abroad are set to recover the full cost of this operation. British nationals normally resident overseas can apply for a passport while visiting the UK. They will need to make an appointment and attend a UK Passport Office with the appropriate paperwork. A passport can be issued the same day if they are eligible for the premium service (which is usually for renewals) and if the appropriate fee is paid. Otherwise, they will need to apply using the fast-track (one week) service and a UK address will be required to support the application. We understand that IPS is currently in the process of updating the publicity surrounding the availability of these services for residents abroad visiting the UK.

> **PAC conclusion (xi): The Department took over 18 months to roll out emergency plans at all Posts. Starting with the Posts at most risk, the Department should test existing emergency plans against a wider range of scenarios and introduce a quality rating system for the plans. Over time the quality ratings of plans should increase, and senior management should more clearly hold Posts to account for delays in testing and updating plans to reflect good practice learned from successive crises.**

26.   All posts now have updated plans and are required to review and test them annually. We have provided quality feedback on all plans. A new dedicated officer to oversee this process and help ensure an increase in quality ratings will take this forward, working, where appropriate, with external assessors. We have identified, and agreed with Ministers, 20 priority posts on which to focus our training, testing and updating of plans.

> **PAC conclusion (xii): Consular staff and volunteers have often worked long hours and in difficult conditions to assist British nationals in distress. The nine major consular crises which the Department faced in 2005 show how consular staff have displayed great dedication in responding to successive major incidents and natural disasters.**

27.   We are very grateful for the Committee's remarks in this regard. We have relied on a similarly rapid and effective response from consular staff and volunteers at home and overseas in incidents on three occasions so far in 2006.