



## **Treasury Minutes on the Twentieth, the Twenty-Third, the Twenty-Fifth and the Twenty-Sixth Reports from the Committee of Public Accounts 2006-2007**

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**Presented to Parliament by the Exchequer Secretary to the Treasury  
by Command of Her Majesty  
July 2007**

TREASURY MINUTES DATED 25 JULY 2007 ON THE  
TWENTIETH, THE TWENTY-THIRD, THE TWENTY-FIFTH  
AND THE TWENTY-SIXTH REPORTS FROM THE  
COMMITTEE OF PUBLIC ACCOUNTS, SESSION 2006-2007

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# Twentieth Report

## Department of Health

### The National Programme for IT in the NHS

1. The National Health Service (NHS) needs modern Information Technology (IT) to help it to provide high quality services to patients. The National Programme for IT in the NHS (the Programme) was set up to provide the necessary IT infrastructure and services. It constitutes the largest single IT investment in the UK to date.

2. The central vision of the Programme is the NHS Care Records Service, which is designed to replace local NHS computer systems with more modern integrated systems and make key elements of a patient's clinical record available electronically throughout England (eg NHS number, date of birth, name and address, allergies, adverse drug reactions and major treatments) so that it can be shared by all those needing to use it in the patient's care. The Programme also includes other services such as electronic prescriptions, an email and directory service for all NHS staff (NHSmal), computer accessible X-rays (Picture Archiving and Communication Systems (PACS)) and a facility for patients to book electronically first outpatient appointments.

3. On a typical day in July 2007, as a result of the Programmes work, there were:

- 185,000 prescriptions transmitted electronically, reducing errors and inefficiencies;
- 17,500 Choose and Book electronic bookings made, putting patients in charge of their care;
- 1,550,000 enquiries recorded on the Personal Demographics Service (PDS) enabling letters to be posted to the correct address and patient information to be handled more efficiently;
- over 1.1 million digital images stored on PACS;
- 300 new users registered for access to the NHS Care Records Service;
- 70,000 unique, authenticated users accessing the NHS Care Records Service;
- 310 new NHS secure email users registered;
- 118,000 NHSmal users, each of whom has an email address for life, sending one million secure emails, one-third of which contain confidential patient information;
- 8 NHS National Network secure broadband connections installed;
- 8,800 GP practices (28,000 GPs) using the Quality Management and Analysis System, to deliver better care to patients under the new GP contract;
- 1.5 million records added to the Secondary Uses Service.

4. On the basis of a report by the Comptroller and Auditor General *Department of Health: The National Programme for IT in the NHS* (HC 1173, Session 2005-06) the Committee examined the progress made by the Department of Health (the Department) in implementing the Programme.

**PAC conclusion (i): The delivery of the patient clinical record, which is central to obtaining the benefits of the Programme, is already two years behind schedule and no firm implementation dates exist. By now almost all acute hospital Trusts should have new patient administration systems (PAS) as the essential first step in the introduction of the local Care Record Service. As of June 2006 the actual number was 13 hospitals. In June 2006 the Department wrote to us stating that by October 2006 there would be a further twenty-two. So far as we are aware, up to the end of February 2007 the number has increased by only five acute hospitals. The introduction of clinical as opposed to administrative software has scarcely begun; indeed, essential clinical software development has not been completed.**

**The Department should develop with its suppliers a robust timetable, which they are capable of delivering, and communicate it to local NHS organisations who may then have greater confidence as to when systems will be delivered.**

5. The Department agrees the principle of this recommendation. The NAO Report concluded that NHS Connecting for Health had taken positive action to ensure that suppliers were managing their tasks well, including taking an intrusive but supportive approach to the management of suppliers. NHS Connecting for Health undertakes periodic inspections of software development sites, including those of suppliers' sub-contractors. One of the aims of these inspections is to ensure that delivery plans are realistic.

6. Since the PAC's evidence session, responsibility for the development of implementation plans has transferred to local NHS organisations working directly with suppliers. This transfer of responsibility was designed to provide greater accountability at a local level for implementation planning. NHS Connecting for Health remains responsible for ensuring that suppliers deliver against the agreed plans.

7. There were a number of reasons for deferring implementation of the NHS Care Records Service by two years, including the need for wider consultation and the complexity of the product. The deferral has allowed time for the complexity issues to be resolved; for the patient confidentiality issues to be addressed; and for the Care Record Guarantee to be published.

8. Although the implementation of the Summary Care Record was itself deferred, work continued on the necessary infrastructure. The Spine was launched in 2004 and the central database, known as the Personal Demographics Service (PDS), has become crucial to the effective running of the NHS. The PDS was deployed on time and to budget in July 2004. Nearly 362,000 users are registered for access to the NHS Care Record Spine. The number of enquiries made of the PDS service in an average week is almost eight million with nearly 350 million enquiries handled to date, ensuring greater accuracy in contacting patients at their latest address. The overall average service availability levels for the Programme's services for the 2007 year to date is 99.95 per cent.

9. The NHS Summary Care Record is now live in the first early-adopter sites. Clinical records have been loaded from GP practices within Bolton Primary Care Trust (PCT). The data provides information on medications, allergies and adverse reactions. The next wave of PCTs have put in place plans to begin the Public Information Programme as a preliminary to implementing the Summary Care Record. The early-adopter phase will provide evidence and experience to support the full rollout of the Summary Care Record.

10. Delays to the deployment of Acute Patient Administration Systems (PASs) are not just a supplier issue. Data cleansing, data migration and links to non-standard hospital systems by the NHS have also resulted in implementation taking longer than anticipated, though the number of deployments is now accelerating. The number of PAS deployments at 9 July 2007 was 29 acute systems, 19 mental health systems and 14 community hospital systems.

**PAC conclusion (ii): The Department has not sought to maintain a detailed record of overall expenditure on the Programme and estimates of its total cost have ranged from £6.2 billion up to £20 billion. Total expenditure on the Programme so far is over £2 billion.**

**The Department should publish an annual statement outlining the costs and benefits of the Programme.**

**The statement should include at both a national and local level original and current estimates of total costs and benefits, costs and benefits to date, including both cash savings and service improvements, and any advances made to suppliers.**

11. The Department accepts the PAC's recommendation The bulk of expenditure on the Programme is met centrally, recorded systematically and audited annually by the National Audit Office. Details were provided to the NAO and the Committee. Departmental estimates of the costs have remained consistent.

12. Spending by local NHS Trusts is managed and scrutinised in line with current management and delegation arrangements in force across the NHS. These arrangements do not require the details of all local expenditure to be monitored centrally. As the NAO Report made clear, the investment appraisals carried out at the time of the award of the main Local Service Provider (LSP) contracts included estimates of local costs and it is this single element of Programme expenditure that has not been captured routinely.

13. Retrospectively each year the Department undertakes a survey of NHS local investment in IT. This survey has not differentiated between local investment in the Programme and other investments in IT. In line with the Committee's recommendation, this will be changed for the 2007-08 year and thereafter.

14. The Department will produce the first annual statement of the costs and benefits later this year. This will set out the process that the Department is implementing, in partnership with the Strategic Health Authorities (SHAs), to obtain evidence of the costs and benefits, which are expected to be derived from a mixture of actual and representative data. The statement will report on those first phases of live deployments where post implementation reviews have been completed. The data will also support the more extensive performance management framework, implemented in April 2007, to support SHAs and PCTs in their responsibilities to account for ensuring implementation of the Programme and the realisation of the benefits.

15. Diagnostic waiting times are already being reduced dramatically by the availability of new IT systems, especially Picture Archiving and Communications Systems (PACS) that replace file-based x-rays with digital imaging that is available immediately and remotely at any time of day or night. Several hospitals have achieved reductions from six days to a few hours for the diagnosis of illness. Efficiency savings are being made from the release of storage space, film and chemicals. For example at Sherwood Forest Hospitals NHS Trust, which went live with PACS on 7 September 2006, the quantifiable benefits realised from eliminating the need for X-Ray film now exceed £180,000 and are expected to be £293,000 in the first year.

16. The NAO Report acknowledged that there had been no increase in the original costs of the core contracts. No payment until delivery ensures that no wastage of public funds arising from delays.

**PAC conclusion (iii): The Department's investment appraisal of the Programme did not seek to demonstrate that its financial benefits outweighed its cost. The main justification for the Programme is to improve patient services, and the Department put a financial value on benefits where it could.**

**The Department should also quantify non-financial benefits, even if they are not valued, to better inform decision making and to provide a baseline for work after implementation to ensure that the intended benefits are being fully realised.**

**The Department should commission and publish an independent assessment of the business case for the Programme in the light of the progress and experience to date.**

17. The Department accepts the first part of the Committee's recommendation. The intention is to include details of both the financial and non-financial benefits within the annual statement of benefits realised. It has been acknowledged widely that the procurements set new standards of achievement for the public sector in the speed with which the process was conducted and concluded and also in the value for money achieved. An independent assessment by Ovum analysts confirmed that savings of £4.5 billion had been achieved through the use of aggregated requirements rather than individual trusts conducting their own procurement. In addition, the NAO Report acknowledged that a further £860 million had been saved through entering Enterprise Wide Agreements for the NHS, for example in procuring Microsoft, Oracle and Novell licences.

18. The Department does not consider there are grounds for an independent review of the business case at this stage. Following publication of the NAO Report, changes have been made to clarify national and local accountabilities; the contracts with suppliers have stood the test of time including the flexibility to deal with changes to suppliers; the costs of the Programme remain under control and, although there have been delays to the delivery of some items, much has either been delivered early or remains on target. The annual statements of the costs and benefits of the Programme will themselves provide an increasing evidence base. Although the Department does not agree the need for an independent review it will, in accordance with normal practice, ensure the relevant business cases are reviewed and refreshed.

**PAC conclusion (iv): The Department is maintaining pressure on suppliers but there is a shortage of appropriate and skilled capacity to deliver the systems required by the Programme, and the withdrawal of Accenture has increased the burden on other suppliers, especially CSC.**

**The Department should review with suppliers their capacity to deliver, and use the results of this review to engage, or to get suppliers to engage, additional capacity where required.**

**It should also regularly review suppliers' performance for any signs of financial difficulties potentially affecting their ability or willingness to discharge their obligations.**

**In view of the slippage in the deployment of local systems, the Department should also commission an urgent independent review of the performance of Local Service Providers against their contractual obligations.**

19. The Department agrees the first part of the recommendation. Reviewing with suppliers their capacity to deliver is a continuous feature of the approach to supplier management which the NAO described as intrusive but supportive. A procurement exercise is underway to increase the number of potential suppliers to the Programme, thereby reducing the risk from supplier failure. The first stages of this procurement brought expressions of interest from 221 suppliers of which the Department has placed 111 on a long-list from which the final selection will be made. The 111 suppliers on the long-list comprise 32 national suppliers and 79 specialist small and medium sized enterprises. The intention is to award a series of framework contracts to selected suppliers who can then compete for subsequent business if the need arises. These framework contracts will be complementary to the existing suite of Programme contracts and provide contingency.

20. The Department also agrees the need to review suppliers' performance regularly for any signs of financial difficulties and this has been addressed from the outset. The contracts provide the Department with the right to undertake audits, including financial audits, and these have been undertaken. The contracts also permit action to be taken if a supplier's credit rating reduces. NHS Connecting for Health has, since 2004, engaged independent analysts specifically to monitor suppliers to identify emerging financial issues. Finally, through the Office of Government Commerce, the Department shares information across Government on supplier performance.

21. The Department does not agree the need for an independent review of the performance of Local Service Providers as a whole. It is better to target reviews at individual problems. This has been done in the past, through the engagement of third parties, and will continue to be a feature of supplier management.

**PAC conclusion (v): The Department needs to improve the way it communicates with NHS staff, especially clinicians. The Department has failed to carry an important body of clinical opinion with it. In addition, it is likely that serious problems with systems that have been deployed will be contributing to resistance from clinicians.**

**It should ask the heads of the clinical professions within the Department, such as the Chief Medical Officer, to review the extent of clinical involvement in the specification of the systems, and to report on whether they are satisfied that the systems have been adequately specified to meet the needs of clinicians.**

22. The Department agrees that the success of the Programme will be determined by the involvement of NHS staff, especially clinicians, at both national and local level. Large numbers of clinicians were involved in the original specification but it has proved difficult to have clinicians released from Trusts over a long period to work with suppliers to provide continuity. There is general agreement that matters are now improved. National leadership of this dimension has been strengthened by the appointment of Professor Michael Thick as the Programmes Chief Clinical Officer and by the National Clinical Leads.

23. The Department is implementing a robust governance process by which the clinical content of products is assured for safety and validity, in respect of both content and operation, throughout the development lifecycle. This will help to ensure that products are clinically fit for purpose. This process is being harmonised with the design teams and expert reference panels appointed to work on Cerner and iSoft products.

24. The (then) Departmental Minister (Lord Hunt) met recently with the Academy of Medical Royal Colleges and agreement was reached to set up a joint group on clinical engagement, to be chaired jointly by the Minister and a person nominated by the Academy.

25. The Department therefore accepts the recommendation in principle and will keep the means of securing clinical involvement under continuous review, though, given the changes made, it does not see the need for a review by the Chief Medical Officer. The Department notes some inaccuracies in evidence presented to the Committee on this aspect, which had not been seen by the Department before publishing.

**PAC conclusion (vi): We are concerned that leadership of the Programme has focused too narrowly on the delivery of the IT systems, at the expense of proper consideration of how best to use IT within a broader process of business change. The frequent changes in the leadership of the Department's work to engage NHS organisations and staff have damaged the Programme and convey that the Department attaches a low priority to this task.**

**The Department should avoid further changes in the leadership of this work, beyond those necessary to improve its links with clinicians, and strengthen the links between the Programme and the improvement of NHS services that the Programme is intended to support.**



26. The Department agrees the Committee's recommendation to avoid further changes in the leadership of the Programme beyond those necessary. A number of earlier changes were a consequence of retirements and resignations but leadership now rests firmly with the Chief Executive of the NHS as the Senior Responsible Owner of the Programme.

27. It was inevitable that the early focus of the Programme concentrated on the provision of the IT systems but the service implementation strand was established in early 2004 to assist and guide the NHS in introducing the technology safely and harnessing its full potential.

28. With deployment gathering pace and confidence in the products growing, the Department aims increasingly to strengthen the focus on effective service implementation, including changing the culture and capability of the service to embrace IT; building an articulate and ambitious local change agenda enabled by IT; preparing effectively for deployment; and systematically driving out the benefits. The annual statement of the benefits achieved will demonstrate the effectiveness of this work. Data from 65 Trusts that have implemented PACS shows that savings of £18.7 million are expected within these Trusts during the first year of service. This expectation is projected from actual data within 46 of these Trusts, recorded three months after implementation of PACS.

**PAC conclusion (vii): The Department should clarify responsibility and accountability for the local implementation of the Programme. At a time when many changes are taking place in the configuration of the local NHS and a range of other initiatives require implementation, it is essential that Chief Executives and senior managers in the NHS understand the role they need to play in the implementation of the Programme.**

**The Department should make clear to Chief Executives and senior managers their objectives and responsibilities for local implementation, and give them the authority and resources to allow local implementation to take place without adversely affecting patient services.**

29. The Department accepts this recommendation and has made a number of changes since the NAO published its Report:

- (1) The Chief Executive of the NHS wrote to SHA Chief Executives on 21 August 2006 appointing them Senior Responsible Owners (SROs) for both implementation of the Programme and the realisation of benefits for their part of the NHS. The letter made their responsibilities specific.
- (2) This was followed by the initiation in October 2006 of the National Programme for IT Local Ownership Programme (NLOP) to strengthen local ownership and governance, thereby enabling SHAs and PCTs to achieve the right balance between national imperatives and local needs. To clarify responsibilities and accountabilities, NHS Connecting for Health and the NHS have developed jointly a revised National Programme for IT Operating Model, outlining their respective roles and responsibilities in delivering the Programme. A transfer of resources from NHS Connecting for Health to the NHS is now underway, commensurate with the transfer of accountabilities and responsibilities.

- (3) In December 2006, the Department published *The NHS in England: the operating framework for 2007/08*, which requires:
- all NHS providers to have a comprehensive forward-looking Information Management and Technology (IM&T) plan which is core to their business; exploits fully the opportunity provided by the Programme; and thereby demonstrates migration to the NHS Care Records Service;
  - PCTs as commissioners to have their own comprehensive IM&T plan and, working with all providers in their local health communities, to align IM&T plans and thereby enable patient-centred service transformation;
  - SHAs, now accountable for implementation and realisation of the benefits from the Programme, to assure that the local NHS organisations have the capability and resources to deliver their IM&T plans.
- (4) Also in December 2006, the Department published detailed guidance on the preparation of the local IM&T plans.

**PAC conclusion (viii): The use of only two major software suppliers may have the effect of inhibiting innovation, progress and competition. In addition, the fact that the Programme has lost Accenture, Commedica and IDX, three key suppliers, is running late and is having difficulty in meeting its objectives raises doubts over whether the contracts will deliver what is required.**

**The Department should seek to modify the procurement process under the Programme so that secondary care trusts and others can if they wish select from a wider range of patient administration systems and clinical systems than are currently available, provided that these conform to national standards. This approach could have the benefit of speeding up the deployment of new systems and of making it easier to secure the support of clinicians and managers. We are concerned in particular that iSOFT's flagship software product, 'Lorenzo' – on which three fifths of the Programme depends – is not yet available despite statements by the company in its 2005 Annual Report that the product was available from early 2004.**

30. The Department does not agree this recommendation. Centralised procurement, through a small number of suppliers, was a key feature of the procurement process so as to avoid the disadvantages, and the expense, of the haphazard approach of the past. Although there are just two suppliers of Acute Patient Administration Systems, many more suppliers are contracted across the Programme as a whole.

31. The fact that over 100 IT systems, including GP IT systems, hospital patient administration systems and pharmacy systems, have been tested successfully through the compliance and system integration process demonstrates the diversity of suppliers contributing to the Programme.

32. As explained in the response to conclusion (iv), a further procurement exercise is underway currently. This will provide contingency against potential supplier difficulties, though the framework contracts awarded are not intended to conflict with existing contracting arrangements and will not override any exclusivity clauses or provisions already in place.

33. The Lorenzo product is expected to be available during 2008.

**PAC conclusion (ix): At the present rate of progress it is unlikely that significant clinical benefits will be delivered by the end of the contract period.**

**As a matter of urgency the Department must define precisely which elements of functionality originally contracted for from the Local Service Providers will be available for implementation by the end of the contract period and in how many NHS organisations it will be possible to have this functionality fully operational.**

**The Department should then give priority to the development and deployment of those systems of the greatest business benefit to the NHS, such as local administration and clinical systems.**

34. Significant clinical benefits are being delivered already by the Programme, for example PACS is reducing diagnostic waiting times and Choose and Book is enabling patient choice. Notwithstanding this, the Department accepts the general principle of this recommendation. Work is underway with the NHS to determine its priorities. The results will be provided to the Local Service Providers and plans will be adjusted as required.

35. The aim of the Programme has been to deliver new systems, which are fit for purpose and which support the delivery of key benefits without compromising patient safety. The Programme also has to be responsive to changes in policies and priorities, and to technological developments, all of which are inevitable over a 10 year period. The approach is necessarily flexible. The following are examples of products that have been delivered:

- Quality Management and Analysis System (QMAS)
- N3 broadband implementation – 19,922 connections
- Bowel cancer screening service
- Technical development of PACS
- Deployment of 99 PACS systems
- Technical development of Choose and Book
- Technical development of the Electronic Prescription Service (EPS)
- Deployment of 5,441 EPS systems
- Deployment of 29 Acute Patient Administration Systems
- Infrastructure for the NHS Care Records Service, including the PDS, Security and Authentication Systems and Messaging Systems.

# Twenty-Third Report

## The Department for Culture, Media and Sport

### The office accommodation of the DCMS and its sponsored bodies

1. The Department for Culture, Media and Sport and 24 of our sponsored bodies occupy 95 offices around England, accommodating 5,000 staff at a cost of over £40 million a year. The 25 organisations do not include the sponsored museums and galleries as their accommodation provides for public access, display and storage rather than office space.

**PAC conclusion (i): The cost for accommodating each person ranges from £1,000 a year to £30,000, yet the costs of office space and how well it is used are not being actively managed. Most organisations in the sector do not collect and analyse reliable information on the cost and utilisation of their offices, let alone benchmark against others. Each organisation should maintain, and share with others in the sector, up to date measures of cost-efficiency (covering cost per person, cost per square metre and space per person).**

2. The Department accepts this recommendation. The Department and most of the sponsored bodies do actively manage their office costs. Furthermore, our sponsored bodies are already required to provide accommodation data to the Office for Government Commerce (OGC) electronic Property Information and Mapping System (e-PIMS) which allows data to be shared and scrutinised. The Department will work with its sponsored bodies to further enhance this scrutiny through participation in benchmarking exercise methodology to measure workplace productivity, environmental sustainability and operability. This work will produce an authoritative measure of cost effectiveness, rounding out the picture provided by the basic cost and space measures. The Department and its sponsored bodies will use this information to identify potential cases for relocation, co-location, sub-letting, more intensive use of space and other ways in which space can be used more efficiently.

3. More widely, through our work to implement the measures set out in the OGC's *High Performing Property Plan*, the Department will establish a new Property Asset Management (PAM) Board. The PAM Board will be chaired by the DCMS Chief Operating Officer and will include representatives from our sponsored bodies. The work of the Board will help to develop a more strategic approach to property and asset management across DCMS and its sponsored bodies. The Board will develop new networks with sponsored bodies to help share a wide range of information and best practice (to help spread expertise and good practice in respect of procurement, the DCMS already has a Procurement Council comprising representatives of the largest sponsored bodies, each of whom is tasked with cascading information to two or three smaller organisations. The Department has also established a database or "Wiki" that allows all our sponsored bodies to share information on procurement).

**PAC conclusion (ii): It is important that management of office accommodation across the public sector addresses sustainability. To support sustainability organisations should be working to reduce their energy consumption and measuring their progress. Organisations relocating should take into account the travel to work implications.**

4. The Department accepts this conclusion. DCMS took sustainability fully into consideration during the recent refurbishment of our headquarters in Cockspur Street. This applied to the materials and equipment we chose together with the way in which the work was carried out. For example, contractors were required to separate waste streams and send as little as possible to landfill. All our surplus furniture is being recycled. The lighting fittings installed are the most energy efficient possible, and we have introduced energy saving practices such as lights, which switch off automatically. We are collecting data on water, energy and waste through the Benchmarking Service, with a view to reducing our consumption. We have improved facilities to encourage staff to cycle to work. We are monitoring official travel to see how to encourage use of less polluting forms of transport, and we belong to the government scheme to offset carbon emissions from air travel.

5. We are about to undertake a major exercise with 15 of our sponsored bodies and the Carbon Trust to find ways to reduce our carbon emissions, which we intend to roll out to all our sponsored bodies. We will ensure that sponsored bodies relocating take into account the travel to work implications.

6. The DCMS is on track to achieve all of the government-wide sustainability targets within the required timescale and is hopeful of achieving accreditation of the ISO1401 environmental management system standard very soon.

**The numbering for PAC conclusion (iii): Despite costing on average an extra £3,000 a year each, six in ten staff are based in London. Although there are plans for some 950 jobs (19 per cent of staff in the capital) to be moved out of London by 2010, half of all staff would still be London-based. Most of the organisations in the sector have a national or England-wide role with no particular focus on London, and there should be a presumption against such bodies being in London. The Department set and implement a more ambitious target for locating a majority of the sector's staff outside the capital.**

7. The Department accepts this recommendation in part. It will operate a presumption in favour of relocation. So, for example, whenever leases on London properties come to an end or have a breakpoint, the business case for staying in London will be rigorously assessed by the Department and the Treasury, and there will have to be a strong operational justification for not relocating. However, the Department does not accept the case for a new target. It already plans to exceed by 50 per cent our agreed SR2004 target, which will see some 900 posts moving out of London by 2010. The Department is focused on implementing these plans, which set an appropriate level of ambition.

**PAC conclusion (iv): Within London itself the costs of some offices are exceptionally high. Half the offices in London are located in the expensive SW1 and W1 areas. We find it extraordinary that the Football Licensing Authority pays £180,000 a year for offices in Cavendish Square in the West End of London to accommodate just six people, a cost of £30,000 a person. And other offices occupied in London by the Department, the National Lottery Commission, the UK Film Council and the National Endowment for Science, Technology and the Arts cost over £15,000 a person each year, well above the sectoral average of £10,000 for the capital. In setting funding levels, the Department should challenge sponsored bodies with well above average accommodation costs and seek downsizing, downgrading or better utilisation.**

**PAC conclusion (v): Nearly half the offices, 80 per cent of which are outside London, provide space above recommended good practice. Although office costs outside London are generally lower, organisations may be missing out on efficiencies by occupying more spacious accommodation than they need. The Department should adopt as standard for the sector the good practice range of 12 to 17 square metres per person. As over 30 organisations already exceed that range they should, where cost effective, relocate or make more efficient use of space by, for example, introducing desk sharing and/or open plan layouts.**

8. The Department accepts recommendations (iv) and (v). In their accommodation planning, sponsored bodies will take into account the acceptable ranges for the key metrics recommended by the NAO relating to space per person as well as cost per unit of space and space per person. Through our work to implement the measures set out in the OGC's *High Performing Property Plan*, the Department intends to go beyond this, using the OGC Property Benchmarking Service methodology to measure workplace productivity, environmental sustainability and operability. As mentioned previously, this will produce an authoritative measure of cost effectiveness, rounding out the picture provided by the basic cost and space measures. The Department and sponsored bodies will use this information to look at potential cases for relocation, co-location, sub-letting, more intensive use of space and other ways in which space can be used more efficiently.

9. The Efficiency Delivery Plans that the Department has agreed with our sponsored bodies include savings targets for accommodation and procurement. Looking at just the main sectoral bodies, accommodation and procurement accounts for some 11 per cent of the savings they plan to make. Savings of £5.6 million were delivered in 2005-06, and the target for 2006-07 was for a further £7 million savings. The Department will continue to seek maximum value for money in this area and will press our sponsored bodies to do likewise. A function of the DCMS's new Property Asset Management Board (see paragraph 3, above) will be to look at the potential for further efficiency savings and effectiveness improvements, setting targets where appropriate.

10. DCMS currently employs 520 staff, all of who are based in central London. The potential for locating staff outside London was examined during the Lyons Review in 2003. It was accepted that a large proportion of our staff need either to be near Ministers or key stakeholders, the majority of whom are themselves in central London. Furthermore, none of our business units are of sufficient size to make a strong case for locating them outside of London; and the inefficiencies and obstacles to collaborative working, which already exist due to our separate locations

in London would be multiplied. We are actively managing our property and currently seeking to move as many of our staff as possible into Cockspur Street and release or sub-let any surplus property. The Cockspur Street office has just been refurbished with a considerable saving on occupancy rates, and we are currently seeking to dispose of our lease on Grove House.

11. On the other bodies specifically mentioned:

#### **Football Licensing Authority (FLA)**

- The FLA cost per person is particularly high because the accommodation includes a large meeting room used regularly by the board, the inspectors, the football authorities, etc. With the boardroom the space per person is 28.3m<sup>2</sup>, without it the space per person is 14.5m<sup>2</sup>, within the current acceptable range.
- The FLA's inspectors work from home, saving the cost of the two regional offices that were originally envisaged. The FLA is also currently considering whether its role might be extended. It will review its accommodation strategy once this decision has been taken, and closer to the expiry of its rental agreement in 2010.

#### **National Endowment for Science, Technology and the Arts (NESTA)**

- NESTA successfully relocated to their new premises in November 2006 – a move that was delivered on time and on budget. One of the main drivers behind the migration to a single site, modern facility was to drive efficiencies and reduce operating costs over a 10 year period.
- The next NAO report on NESTA's key property metrics will highlight the significant improvements that have now been made. The move to an almost entirely open plan environment has helped improve NESTA personnel's working environment and reduce operating costs. This efficient use of space has placed NESTA within the recommended sq m per person range.
- The '£15,000' per person cost identified by the PAC was associated with office space obtained in the late 1990s and was located within a Grade 2 Listed property. NESTA were tied to this lease until January 2007, which they have duly disposed of and carried out the necessary dilapidations.

#### **National Lottery Commission**

- The National Lottery Commission (NLC) is a small organisation. It plans and monitors accommodation performance through the normal business planning procedures, rather than through a separate strategy. It retains a London base because of the need to remain close to the Lottery operator. When the next licence is awarded in early 2009, the NLC will be able to consider all the options for relocation, in advance of the expiry of its lease in 2012.

#### **UK Film Council**

- The UK Film Council needs to be based in Central London because it is in constant contact with the film industry, some 80% of which is based in central London. Much of its Lottery role, which constitutes the bulk of its work, involves providing direct, face-to-face services to the industry.

**PAC conclusion (vi): With offices in over 30 locations throughout England, organisations share accommodation in only two. Although offices are located across the nine English regions they are concentrated in five towns-Birmingham, Cambridge, Manchester, Nottingham and Newcastle. The Department should take the lead in identifying scope for savings by organisations sharing accommodation. There are likely to be opportunities for economies of scale through more sharing and co-operation between organisations, which could extend to sharing support services as well as just physical space.**

12. The department accepts this recommendation. It is not always the case that economies of scale apply – larger buildings may or may not be cheaper, depending on the local market. However, as set out in response to previous recommendations, the work of the new DCMS Property Asset Management Board will help the Department and its sponsored bodies to examine ways in which economies of scale and information sharing, via newly created networks, can bring more effective and efficient utilisation of services and space.

**PAC conclusion (vii): There are 25 organisations acting independently with no effective leadership. Although it has funding and oversight responsibility for these organisations, the Department is remarkably casual in its approach to the management of office space, which is costing over £40 million a year. The Department should assert itself and provide the lead by setting standards, benchmarking between organisations, challenging conventional thinking about location, and holding organisations to account for costly and inefficient use of space.**

13. The Department does not accept the Committee's view on how it discharges its responsibilities in this area, but accepts its recommendation. Its sponsored bodies are on track to deliver over £100 million of efficiency savings, including accommodation savings. To a significant extent, delegation to these bodies of how best to achieve a given efficiency target will be the preferred approach. Through work to implement the measures in the OGC's *High Performing Property Plan* our sponsored bodies will provide the necessary benchmark data, in addition to that already provided by the electronic Property Information and Mapping System (e-PIMS), to take this more co-ordinated approach.

14. As part of the Department's leadership role, we will help facilitate information sharing across the sector. We are already working with our bodies and the OGC to identify opportunities for shared contracts (an example of this is in the acquisition of stationery, where eight bodies have already realised savings of up to 44 per cent by moving over to a central contract).

15. The Department will also take a lead in working with sponsored bodies to look at ways in which we can improve further the property asset management practices, including through the introduction of appropriate performance measures. A function of the DCMS's new Property Asset Management Board will be to develop a more strategic approach to asset management. The Board will play a crucial role in developing this work and monitoring progress.



**PAC conclusion (viii): The effective management of office space is a way of achieving better value for money across the public sector. The Office of Government Commerce, in taking forward its responsibilities for embedding effective property management in central government, should draw to the attention of all government departments, agencies and non-departmental public bodies the lessons and recommendations in this report.**

16. The Office of Government Commerce (OGC) accepts the Committee's conclusion. *High Performing Property (HPP)*, launched by the Chief Secretary to the Treasury in November 2006, provides the framework and direction for improving property asset planning in central government over a fixed period and defines clearly the key actions required by the OGC, Departments and their sponsored bodies. Through this initiative the OGC will deliver its responsibility set out in *Transforming Government Procurement* to transform the procurement and management of the government estate. Better management of office space is crucial to delivering the targetted annual value for money savings of between £1 billion and £1.5 billion by 2013.

17. The OGC has responsibility for running the *HPP* programme and for delivering many of the centrally provided tools and services, such as its Government property database, ePIMS, and the Property Benchmarking Service which are now mandatory requirements for central civil government organisations. A detailed implementation plan for the centre was published in March 2007. However, *HPP* is a cross-government initiative and all organisations are accountable for taking action to improve their own performance and meet *HPP* objectives and milestones.

18. As part of the OGC's central responsibility to drive change through the *HPP* programme it will draw the attention of central government organisations to the lessons and recommendations of this report by disseminating it through the *HPP* Champions Steering Group, *HPP* Programme Board and more widely to Heads of Estates. The lessons and recommendations will also be referred to regularly as OGC seeks to influence and challenge government organisations, and will be built into advice and guidance.

### **Supplementary memorandum submitted by the Department for Culture, Media and Sport (Evidence 15)**

19. This section of the report contains a number of errors and omissions following mistakes in transcribing into the report the letter sent by Jonathan Stephens on 13 December 2006. A transcript of the letter follows:

#### **THE OFFICE ACCOMMODATION OF THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT AND ITS SPONSORED BODIES**

*"At the hearing of 6 November on accommodation, I promised to write to you on a number of issues.*

*First, Mr Khan raised the issue of lights being left on at night in our buildings and those of our sponsored bodies. In respect of DCMS, our policy is for lights to be switched off at night, after staff have left the building. The only exceptions should be lights in lift lobbies and on stairwells, to enable security guards to access floors safely during their night patrols. Most of the lights in our buildings are currently controlled by manual switches: security guards are instructed to turn off lights at close of business.*

*As part of its refurbishment, we are installing movement sensors on all floors in 2-4 Cockspur Street, which will ensure that lights automatically turn off once floors are vacated at night. This, together with more energy-efficient lighting, will significantly reduce our energy consumed through lighting. We are also installing movement sensors in Queen's Yard, Tottenham Court Road by 2007. DCMS is vacating Grove House in 2007 and plans to progressively vacate Oceanic House from 2007 onwards.*

*In respect of NDPBs covered in the report, all have indicated that they have a system in place, which ensures that lights in their offices should not be left on unnecessarily. Some have light sensors, which ensure automatic turn-off, others have lights that are controlled by manual switches where it is the responsibility of staff to turn them off as they leave for the night. Some NDPBs are reliant on landlords to carry out this approach- often by cleaning or security staff- and some are in multi-occupancy property and therefore are not able to control the actions of the other tenants in the building.*

*Mr Mitchell asked for details of the proportion of sponsored bodies' budget spent on accommodation costs. I attach a table showing this information.*

*Mr Mitchell and Mr Dunne asked about the Olympic Delivery Authority and the London Olympic Games Organising Committee moving to offices at the new Olympic site and Mr Dunne asked about VAT construction costs.*

*London 2012, the London Organising Committee of the Olympic Games and Paralympic Games, has no plans to relocate from its offices at Canary Wharf. The Olympic Delivery Authority (ODA) will have some of its staff on the Olympic park site to manage and oversee the construction works there. The ODA has no current plans to leave Canary Wharf, but is currently considering proposals to move a proportion of its staff presently located at Canary Wharf and co-locate these personnel with its delivery partner. No decision has yet been taken on the location of these staff.*

*Any offices on the new site built by the ODA will incur VAT, in accordance with the VAT Act 1994. The Government is considering VAT costs as part of wider, ongoing consideration of the ODA's budget.*

*Finally, following a question from Mr Clark, I promised to write about the average per square metre per person for offices in the East Midlands region. I did in fact cover this in a subsequent answer, but just to confirm that when the BIG Lottery Fund disposes of its office in Nottingham, the average square metre per person should come down considerably.*

*The remaining information, requested by Mr Bacon, will be provided by the NAO and I understand that they will be writing to you with this shortly. The information that the NAO will send contains some revised figures for our offices costs data. I am sorry that the original data were incorrect.*

*I hope this is helpful. I am copying this letter to Sir John Bourn."*

20. Also, this letter contained a table showing information requested by Mr Mitchell (Question 63). The table contained information relating to the National Heritage Memorial Fund / Heritage Lottery Fund (NHMF/HLF) that requires correction. This section of the table should read:

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<b>NHMF/HLF</b>	£242m (a)	£2.9m	1.2%
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Note: (a) represents Grant-in-aid and projected lottery income.

21. The Department apologises for this error.

# Twenty-Fifth Report

## HM Treasury

### Update on PFI debt refinancing and the equity market

1. Privately financed government projects are generally financed through a mixture of debt finance and equity finance. It is a normal feature of long term projects that there may be refinancing in the form of changes to the debt during the life of the project (similarly, original owners of the equity may sell their interest in a project). This is because there is normally greater risk at the construction phase, which, once completed, enables better financing terms to be obtained. Furthermore, the maturing PFI market has meant that early PFI projects can now access better financing terms than those available when the contracts were let.
2. The Government has put in place arrangements for gains-sharing on debt refinancing: in 2002 a 70:30 voluntary gains-sharing between the private sector and public authorities was established covering all projects signed prior to July 2002. For all projects signed since then, there is a 50:50 gains sharing arrangement. Through these arrangements the public sector has benefited from over £150mn of refinancing gains. There is no requirement for the gains on selling equity in PFI projects to be shared with government.
3. On the basis of a report by the Comptroller and Auditor General, Update on PFI debt refinancing and the PFI equity market, the Committee took evidence from the Treasury on PFI debt refinancing experience, the operation of the PFI equity market and the availability of financial information about PFI projects.

**PAC conclusion (i): Most of the negotiating of refinancing deals is undertaken by the public sector at a local level where officials often lack commercial awareness. Some of the locally negotiated refinancings have produced very high investor returns and increased risks for the public sector such as higher termination liabilities and longer contract periods. All staff undertaking refinancing negotiations should undergo suitable training to equip them for this role.**

4. The Treasury agrees with the Committee's recommendation. It is important that staff managing PFI projects understand the issues arising from a refinancing. Departments and other public bodies are encouraged to make full use of the Refinancing Taskforce (RTF), which has been established as a centre of expert advice to educate departments on refinancing issues, and assist them on transactions. Departments should also appoint experienced advisers to assist them in negotiating refinancing, with staff and advisers applying the terms of existing guidance such as the Code of Conduct and the Application Note – Value for Money in refinancing.
5. As set out in *Strengthening Long-Term Partnerships March 2006*, the Government is looking to enhance the capacity of departmental Private Finance Units to ensure they are appropriately resourced to provide support to procurement teams in local authorities, and enhance individual and team procurement skills through formal training. Since the PAC hearing in December 2006, the Treasury, together with the NAO, have held refinancing workshops for departments. Further work on ensuring adequate resourcing in Departmental Private Finance Units is being carried out as part of the Comprehensive Spending Review plans.

**PAC conclusion (ii): The Treasury's refinancing taskforce is a small team whose role is mainly advisory. To ensure its experience is brought to bear on refinancing negotiations the Treasury should approve the final terms of any refinancing involving substantial gains to investors.**

6. The Treasury notes the need for further support in refinancing, and will highlight further the resources available to procuring authorities to support refinancing negotiations, including the greater use of the RTF. However, the final decision about whether a refinancing is value for money is the responsibility of the procuring authority. For centrally procured projects, it is important to remember that it is the responsibility of Accounting Officers to ensure value for money in their Department's decisions. Similarly, Accounting Officers at the Local Authority level need to make sure that all decisions are based on a robust assessment of the factors driving value for money. The Treasury cannot second-guess their judgments and therefore prefers to inform their decision-making through advice from the RTF.

**The numbering for PAC conclusion (iii) has not been used. The PAC conclusions resume at (iv).**

**PAC conclusion (iv): To date, proceeds for government from refinancing under the voluntary code amount to only £93 million. This amount is well below the indication provided by the Office of Government Commerce at the PAC hearing in 2003 that proceeds would be in the order of £175-200 million. The shortfall may be a reflection of some investors opting to defer refinancing in favour of realising gains through selling their shares in the secondary equity markets.**

7. The Government's priority is to ensure the value for money (vfm) of all refinancing. While Code refinancing may not generate £200 million, the Government is committed to vfm in refinancing rather than maximizing the amount raised. The Voluntary Code and its successor have benefited the public sector significantly with over £150mn in gain share being received by the public sector (over £90mn from projects negotiated under the Voluntary Code, and over £60mn from other projects). Additionally, on evidence regarding investors deferring refinancing in favour of realising gains through selling their shares in the secondary equity markets, the NAO report notes that "half of the projects where there had been a share sale had been refinanced by either the initial investors or subsequent investors which was a higher incidence of refinancing than in projects where there had not been a share sale".

**PAC conclusion (v): Proceeds from refinancing would also be affected if gain sharing was a disincentive to smaller refinancing. There may therefore be a case for a more flexible sharing arrangement. Should there be any revision of the voluntary code, a sliding scale of gain sharing could be introduced which would help stimulate investors to undertake smaller value refinancing.**

8. The Treasury agrees that if gains sharing was a disincentive to smaller refinancing, overall proceeds from refinancing would be affected. However, at the time of the original negotiation, a straight-sharing deal was negotiated with the view that this would best incentivise new entrants into the PFI market and develop the PFI market to the point where it became more mature with lower pricing of PFI deals then being captured upfront. During negotiation on the original arrangements, it was highlighted by the private sector that attempts to reopen negotiation would undermine and prevent the agreement of any voluntary framework. A more flexible deal might have advantages but as the NAO report 2006 stated, “the private sector has said that any attempt to amend the code would jeopardize the voluntary arrangements that have been widely complied with since the inception of the code”. In the circumstances, the government therefore has no plans to renegotiate the terms of the voluntary code.

**PAC conclusion (vi): The Department of Health currently advises NHS Trusts to take refinancing gains over time. Taking the gains upfront would minimise any future risk to the public sector and is therefore preferable. The Treasury should ask the Department of Health to require NHS Trusts to take refinancing gains as an immediate lump sum unless there are convincing value for money grounds for an alternative basis.**

9. The Treasury agrees that Departments should make decisions on the timing of their refinancing gains only on grounds of value for money . The Treasury will be writing to the Department of Health to seek confirmation that this is the basis for any decisions by Trusts. It should be noted that there can be advantages in taking refinancing gains over time rather than lump sum, and the Treasury guidance note sets out some of the trade-offs involved. Individual Departments’ Accounting Officers are best placed to consider and decide among the different trade-offs involved in any project when making a decision.

**PAC conclusion (vii): The Treasury view that the public interest is not affected by sales of PFI equity is only credible if there is an efficient equity market in which investor returns can be left to find their own level as the equity is being provided on the best possible terms. The Treasury needs to demonstrate that the efficiency of the market is not prejudiced by factors such as lack of liquidity, market dominance, political risk or lack of transparency.**

**PAC conclusion (viii): There has been growth in new investors in the PFI market mainly through the establishment of secondary market funds. It is reasonable to expect this expansion in the volume of equity available for PFI projects to produce a lower cost of equity for new deals. The Treasury should be tracking the market to assess whether pricing is improving.**

**PAC conclusion (ix): The PFI equity market has shown signs of consolidation in recent years. If shares become too narrowly held these investors may be able to dominate the market with less competition in the pricing of the equity for new deals. The Treasury should have a strategy for managing these risks if they arise.**

10. The Treasury agrees that growth in the secondary equity market in PFI should lead to a more efficient equity market, with lower costs, for PFI deals. Growth in the secondary equity market in PFI introduces liquidity to the market which could not only reduce the price of equity financing, but also help increase overall capacity in the market as primary equity players have the option of exit and therefore greater confidence to invest more in the market. Greater choice and competition in the PFI equity market should produce better value for money results for the public sector.

11. While there is no evidence to suggest that market consolidation or a lack of liquidity is currently an issue in the PFI equity market, as noted in para.14 below, the Treasury plans to report on PFI investors' participation as part of its data reconciliation exercises in the future. This move further highlights the Treasury's commitment to transparency with most key data collected on PFI projects, already in the public domain.

12. The Treasury agrees that if there were evidence of consolidation negatively affecting competition in the pricing of equity for new PFI deals, a strategy to manage these risks would be required. However, the Treasury is already implementing a strategy to avoid such a risk being realised through its work to support the development of new markets in PFI, such as those in waste and housing. By promoting the development of new markets and models, the Treasury will continue to support the development, and maintenance of, a competitive PFI market across all PFI sectors.

**PAC conclusion (x): Transparency of information is one of the essentials to market efficiency. The Treasury should complete its database of PFI information, and use it to increase the range and quality of summarised data about PFI deals. For example, the Treasury should publish annual updates on the number and value of PFI investments held by the main PFI investors.**

13. The Treasury agrees that transparent information is central to ensuring market efficiency. The Treasury recently completed its biannual data reconciliation exercise. The Government's signed deals list, available on the Treasury's public website, has now been updated to reflect this, including an extension of the amount of data available there. Data on capital value, accounting treatment and unitary charges for signed PFI projects is available at: [http://www.hm-treasury.gov.uk/documents/public\\_private\\_partnerships/ppp\\_pfi\\_stats.cfm](http://www.hm-treasury.gov.uk/documents/public_private_partnerships/ppp_pfi_stats.cfm)

Additionally, the Treasury has access to the Partnerships UK database, which covers further data returns, including information on original investors in PFI projects. Individual departments are in charge of collating data on the projects sponsored by the department.

14. The Treasury is always looking to further improve its data collection, and therefore continually reviews the value added by collecting additional PFI information against the cost of further data collation and any duplication of resources. Where the benefits outweigh the costs of collection, the Treasury looks to incorporate this data in its biannual data reconciliation exercise. As noted previously, the Treasury plans to report on investors' participation in the PFI market. This information, which should capture the number of PFI investments by the main investors in PFI projects, will be presented on the public Treasury database.

**PAC conclusion (xi): Public bodies surveyed by the National Audit Office were unable to promptly provide financial information about their PFI projects. They need to be more aware of their contractual rights to obtain financial information about their projects. Such data should include the current returns being achieved by investors, and project companies should be asked to provide annual updates of their financial models setting out the investors' returns.**

15. The Treasury agrees that procuring authorities need to be both more aware of their contractual right to obtain financial information, and to actually exercise these rights. The Government has a clear policy to ensure that PFI contracts are as transparent as possible. All, but the most commercially sensitive information, is already disclosed publicly and the NAO is given access to all information, including commercially sensitive details.

16. This is set out in Chapter 26 of the Standardisation of PFI Contracts (SoPC), which was recently updated (version 4, March 2007). SoPC4 now includes drafting requirements in contracts for contractors to provide authorities every quarter with a document listing all the information provided by the contractor to the senior lenders during the preceding three-month period. Additionally, it requires that contractors are to use all reasonable endeavours to assist the Public Authority in its preparation of any report required by (Department) or HM Treasury from time to time.

17. The Government will continue to promote transparency in PFI contracts and make procuring authorities aware of their rights to information. Further support is available to the public sector on this issue and will be highlighted to procuring authorities and Departments as already being implemented, for example, through the work of the Operational Taskforce.

# Twenty-Sixth Report

## Department for Work and Pensions

### Progress in tackling pensioner poverty: Encouraging take-up of entitlements

1. The Department for Work and Pensions (the Department), The Pension Service and the Disability and Carers Service welcomes this report by the Public Accounts Committee in which it examined the progress made in tackling pensioner poverty and encouraging take-up of entitlements, since the initial report into pensioner poverty in 2003. The Department accepts the Committee's conclusion that Pension Credit compared to its predecessor Minimum Income Guarantee has helped lift more pensioners out of poverty, but acknowledges that further work is required to help those eligible non-recipients who are yet to take up their benefits and entitlements.
2. The Department is also pleased that the Public Accounts Committee have drawn a positive conclusion about the initiatives introduced by The Pension Service Local Service. In particular recognition of the work the Department has done with partnership organisations in the public, private and voluntary sector is well founded, but agrees with the conclusion that improvement needs to be made in sharing best practice.

**PAC conclusion (i): The Department has increased the number of people claiming Pension Credit to one million more than claimed the Minimum Income Guarantee, but its PSA target did not address the Department's wider aim of providing pensioners with access to all the benefits and services to which they are entitled. The Department published baseline indicators of the independence and well being of older people in October 2006. It should use these indicators as a basis for devising a wider poverty reduction target for The Pension Service in the same way as the Government devised its target for reducing child poverty.**

3. The Department is currently discussing the Public Service Agreements for the next Comprehensive Spending Review. The Department's commitment to help the poorest pensioners will continue to be a key Government priority and will be reflected in our Public Service Agreement for later life.
4. As well as the more traditional Departmental areas such as help for the poorest pensioners, it is expected that the Public Service Agreements will be underpinned by indicators reflecting the wider aspects of independence and well being, such as healthy life expectancy and support to older people to live independently. The Department is working closely with the Department of Health, and the Department for Communities and Local Government to develop this later life Public Service Agreement.
5. In addition, the Department has a number of other measures, which provide an indication of progress in tackling pensioner poverty. The Department wants to ensure that these indicators are based on the best available data and is looking at how well different measures capture pensioner poverty, taking note of the differences between pensioners' lifestyles and those of the rest of the population. The Department's wider indicators of the independence and well being of older people, to which the Committee refers, will be monitored every two years, and



include the indicators of material well being, which are reviewed annually. The Department also publishes “Households Below Average Income”, which presents information on potential living standards as determined by disposable income, “Income Related Benefits Estimates of Take-Up”, which estimates take-up of Pension Credit, Housing Benefit and Council Tax Benefit and “The Pensioners’ Income Series”, which contains estimates of the levels and trends of pensioners’ incomes.

**PAC conclusion (ii): The Pension Service shares its objective of increasing older people’s well being with primary health and housing providers, but does not co-ordinate its approach sufficiently with these bodies. To achieve their own objectives of improving the quality of life of vulnerable older people, Primary Care Trusts need to work with the other local agencies such as social housing providers and local authorities as well as The Pension Service so that older people have a single access point to the range of services. Despite some recent progress, The Pension Service has found it easier to develop local joint working than reach national agreements. The Department should explore the scope for a shared target on pensioners’ well being, encompassing health and income.**

6. The Department accepts this recommendation and recognises the importance of ensuring that it reaches not only vulnerable older people to improve their quality of life but all customers who are not receiving the benefits and services that they are entitled to.

7. The Pension Service is increasingly joining up with a range of organisations in local areas to provide holistic responses to older people’s needs. The Department’s LinkAge Plus pilots, currently being run in eight local authority areas explicitly address the need for joining up with a range of local agencies, providing a single access point to a range of services. A good example is Nottinghamshire’s First Contact service, which trains workers from a number of public services (including benefits, fire, police, care, health) to identify a range of pensioner needs and refer on for further help where necessary.

8. As mentioned in response to PAC conclusion (i) the Department is leading the development of a new PSA as part of the Comprehensive Spending Review, which seeks to take a holistic view of improving independence and well being in later life.

9. The Chief Executive of The Pension Service is also the Customer Group Director for Older People. In this role she is working with the Department of Health and the Department for Communities and Local Government Department to develop services that are integrated around older people’s lives.

**The numbering for PAC conclusion (iii): The Department does not have sufficient information about pensioners’ individual circumstances to identify all their benefit entitlements. Since we last reported, The Pension Service’s use of data matching and sharing information between agencies has improved, but it does not include people outside of the benefits system. Reaching these people will require different approaches including outreach through trusted service providers and local voluntary groups, as well as more cooperation with health professionals. The best strategy will vary between areas and the Department should encourage discretion to develop imaginative ideas, which fit local needs.**

10. The Department recognises this recommendation but would like to highlight that a considerable amount of work has been done and different approaches adopted to reach its customer base and this includes reaching those outside the benefit system.

11. The Pension Service's Joint Working Partnerships accept referrals from a wide range of partners, for example social care workers, health professionals, carers, the voluntary sector and The Pension Service pension centres. There are currently 180 operational Joint Working Partnerships with a further 22 agreed or in implementation stages making a total of 202 (99.5 per cent of the 203 primary tier local authorities). By reaching potential customers who have not previously accessed the benefit system, Joint Working Partnerships have made a significant impact on benefit take-up across all benefits.

12. Over the last 12 months The Pension Service has been developing a multi-dimensional customer segmentation model to better understand and service our customers. The segmentation model is based upon a series of public and private sector data sources and will be used for further enhancing the current approach to targeting of appropriate benefits and services to those pensioners most in need.

13. This model will particularly be used to more effectively tailor communications and products to the needs of distinct individual customer groups.

14. Since the publication of the PAC report, The Pension Service has made use of advanced data analysis techniques to target eligible non-recipients of Pension Credit. The Department sourced data from Experian – a private company who are the UK's largest originators and owners of geo-demographic consumer data – and linked 15 million pensioner accounts to provide better insight into our customer base. This tool will help us reach customer groups with low Pension Credit take up.

**PAC conclusion (iv): Take-up of Housing Benefit and Council Tax Benefit, administered by local authorities, has declined in recent years despite The Pension Service providing pensioners with a full benefit entitlement check. The performance of local authorities in managing the benefits and in providing information and advice are likely causes of local variability in take-up. The Department should investigate how these factors impact on take-up of Housing and Council Tax benefits, and identify best practice, which can raise the level of service to customers in areas of poor performance.**

15. The Department wants to ensure as far as possible that pensioners who are entitled to Housing Benefit and Council Tax Benefit (HB/CTB) receive that entitlement. The Department is already working constructively to ensure that people applying for Pension Credit have access to HB/CTB and will continue to explore ways in which Housing Benefit and Council Tax Benefit might be made more accessible.

16. The Department has already made considerable inroads into making HB/CTB more accessible. As part of the new ways of working within the Department's pension centres and as a result of the strategy examining simplification of all government benefits, the Housing Benefit and Council Tax Benefit claim form has been shortened from 26 pages to three pages.

17. The Department's customers entitled to Pension Credit can now have access to five benefits in one telephone call (Pension Credit, State Pension, Housing Benefit and Council Tax Benefit and Carer's Allowance). And from September 2007 when customers contact the Department to report a change of circumstances, a check will be performed into their eligibility for HB/CTB.

18. In the long term, the Department's aim is to have HB/CTB delivered as accessibly, simply and securely as possible. This will involve carrying out research into the feasibility of using data held across government departments in order to build up profiles of people likely to be entitled.

**PAC conclusion (v): The complexity of the eligibility assessment for disability benefits makes it difficult to measure take-up rates, and the Department has no targets for its take-up. In our report on *Dealing with the complexity of the benefits system* we recommended a number of actions to reverse the increasing complexity of the benefits system. The Department has commissioned research into the feasibility of measuring Attendance Allowance take-up and exploring the reasons for non-take-up. The Disability and Carers Service should use the findings to set a target take-up level at least comparable with that of Pension Credit.**

19. Through increasing outreach activity the Department is developing closer working relationships with a range of partners such as public bodies, welfare and voluntary organisations who are able to advise people about disability benefits in a far more targeted and personal way than would be possible through any mass disability awareness campaigns.

20. The Department is working with partners such as Primary Care Trusts, Local authorities, Social Services and Welfare Rights organisations to increase awareness of DLA and AA. In addition, information and advice about disability benefits is provided by the Benefit Enquiry Line. For people with internet access information about all benefits and how these may be claimed is also contained on the DWP website and on the DirectGov website.

21. The Pension Service's Local Service teams have extended their remit to a much richer service offering across a wide range of benefits, providing a holistic, full benefit check service on all contacts. The holistic approach gives the customer access to information about benefits, such as State Pension, Pension Credit, Attendance Allowance, Disability Living Allowance, Housing and Council Tax benefit. The customer is offered a benefit entitlement check and is helped with claim completion across the range of DWP benefits.

22. As highlighted by PAC, the Department commissioned a feasibility study – which was published in September 2005 – to consider how long-term information requirements in the area could be met. This included consideration of the take-up rate for DLA and AA. This report outlined two possible methodologically complex options for further exploration. Consequently the Department has commissioned the Policy Studies Institute (PSI) to conduct a feasibility study to further explore the suitability of these options. One method will be based on the actual claims process to assess eligibility, and the other on developing a survey, which replicates the claim and decision-making processes.

23. It is difficult to set a target take-up level at present as it is not possible to calculate the proportion of people receiving Attendance Allowance compared with the overall eligible population (i.e. the take up rate). This is because eligibility is not established until entitlement is tested (at the point of claim). The assessment of eligibility is more complex than for other benefits, involving a detailed judgement of personal care and mobility needs. An estimate of take-up would need to test eligibility by carrying out this detailed assessment, which claimants undertake as part of the claim process.

**PAC conclusion (vi): The process for claiming pensioner benefits have been simplified but still involve a number of stages which require customers to understand complex links between disability and income-related benefits. The Department needs to allow customers to claim linked benefits through one, single transaction by:**

- **Removing the need for written documents in addition to telephone applications;**
- **Linking disability benefit claims automatically to related entitlements when systems permit; and**
- **Replacing repeat notifications of entitlement to linked benefits with a single explanation of the customer's entitlements.**

24. The Department recognises that the benefit system can be complex. Targeting help to the poorest customers through income related benefits such as Pension Credit, recognising additional needs people may have does mean that we need to have rules that to many can seem complex. However, the Department continues to review both rules and processes to consider how to minimise complexity and thereby reduce the scope for confusion and error. The NAO report in July 2006 acknowledged that The Pension Service has started specifically to design processes to reduce complexity, as well as removing anomalies, simplifying the information it requires its customers to provide, and using technology to provide better services for its customers.

25. In response to the National Audit Office and Public Accounts Committee inquiry into benefit simplification, the Department set up a dedicated Benefit Simplification Unit. The Unit was set up to:

- act as a catalyst in driving forward simplification across the benefits system;
- challenge existing complexity, and
- ensure that the benefits system operates in ways that customers and staff understand

26. Examples of benefit simplification measures introduced that have improved the service to the Department's customers include:

- As a result of new technology and streamlined processes within pension centres, applications for State Pension and Pension Credit are much quicker and more straightforward, and as they can be made over the telephone, there is no need to sign a form and the customer will usually be told their State Pension award at the end.

- Customers entitled to Pension Credit can now have access to five benefits in one telephone call. Those entitled to Pension Credit can also claim State Pension, Housing Benefit and Council Tax Benefit and Carer's Allowance during the same call.
- The Department has also made it easier for people claiming Pension Credit to claim Housing Benefit and Council Tax Benefit by shortening the claim form from 26 pages to three pages. From September 2007 when customers contact us to report a change of circumstances, their eligibility for HB/CTB will also be checked.

**PAC conclusion (vii): The geographical pattern of take-up shows that older pensioners, pensioners from ethnic minorities and from more affluent areas are less likely to claim Pension Credit. There are different approaches to encouraging take-up and different activities across the country, but only limited awareness of what works best. More can be achieved by sharing good practice, encouraging innovative practices and focusing on the areas with lower take-up. The Department should publicise the good practice identified by the National Audit Office and the evaluation of the Partnership Fund to all local authorities and alternative offices.**

27. The Department has made continual improvements to the data it uses to target its take-up activity. This collation of data, as a national central repository, has provided an underpinning knowledge base for local take-up activity.

28. The Department published a report in June titled: *Helping older people engage with benefits and services: an evaluation of the Partnership Fund* which sets out lessons learned and examples of good practice. A further specific publication of good practice guidance drawn from this report is expected to be available before the end of 2007, to encourage comprehensive use of this material.

29. During the Pension Credit campaign, The Pension Service specifically targeted ethnic minority elders and their friends and family. Advertising is now designed to promote The Pension Service Local Service. Campaign initiatives use local knowledge to focus on the needs of the local community.

30. The Pension Service has developed good relationships with partners in ethnic minority communities and has undertaken benefit awareness sessions, presentations and held regular Information Point appointments at a wide variety of locations including community and day centres for ethnic communities.

31. In London, Pension Service Local Service teams have delivered awareness talks to meetings of Black, Asian, Greek, Chinese, and Turkish elders groups. Talks have also taken place within Gurdwaras and at the Muslim Welfare House. Interpreters, bilingual staff and information sheets were available at each event.

32. In Nottingham and Leicester, Pension Service Local Service teams worked with partner organisations within the Sikh, Hindu, Gujarati and African Caribbean communities to provide talks to assist those customers to take-up Pension Credit and other benefits and services.

33. Since the PAC report, The Pension Service is utilising advanced data analysis techniques to target eligible non-recipients of Pension Credit. The Department has sourced Experian data and linked 15 million pensioner accounts to provide better insight into our customer base. This tool will help us reach customer groups with low Pension Credit take up.

**PAC conclusion (viii): Pensioners in rural areas are less likely to claim benefits. Home visits by the Local Service play a part in securing access to benefits, but the evidence indicates that take-up is still lower in rural areas. Where there are fewer other service providers for The Pension Service to work with, it needs to take advantage of the service outlets, which remain. Notwithstanding post office closures, the Department should use the remaining post offices as Alternative Offices and as sources of advice and information to encourage take-up and access to wider services.**

34. The Pension Service has a network of 468 Alternative Offices. The majority of these offices have some form of accreditation for providing advice and information services and already provides essential services in supporting our mutual customers, thus ensuring the quality and accuracy of the service they provide. The Pension Service is currently reviewing its strategy for Alternative Offices.

35. The LinkAge Plus pilot with Gloucestershire County Council is focused on providing holistic service deliver, including benefits and complementary services, to older people living in rural areas through a network of Village Agents. The pilots with Devon and Nottinghamshire County Councils also encompass working with older people in rural areas.



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