Treasury Minutes on the Fortieth, and the Fifty First to the Fifty Third Reports from the Committee of Public Accounts Session 2008-09

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

TREASURY MINUTES DATED 28 JANUARY 2010 ON THE FORTIETH, AND THE FIFTY FIRST TO THE FIFTY THIRD REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS SESSION 2008-09

Fortieth Report

Ministry of Justice (MOJ)

The National Offender Management Information System

1.   In 2003, Lord Carter's Correctional Services Review recommended bringing together prisons and probation services and introducing 'end-to-end offender management'. This change was designed to improve the supervision of individual offenders throughout their sentence by a single offender manager, whether the sentence was served in prison or in the community. The National Offender Management Service (NOMS), initially part of the Home Office and since May 2007, part of the Ministry of Justice (the Department), was created in June 2004 to bring this about. Some five years later, the information systems required to support offender management are still not in place.

2.   C-NOMIS is a singular example of comprehensively poor project management, and roll out of the re-scoped programme has only just begun. The C-NOMIS project, initially envisaged by the Home Office for delivery in January 2008 for £234 million, was stopped in August 2007 because costs had trebled. The NOMS programme was revised and scaled back to three offender databases for £513 million, for delivery by 2011. The original concept was ambitious but still technically feasible. NOMS significantly underestimated the technical complexity of the project and the need to standardise ways of working to avoid excessive customisation. There was also poor planning, poor financial monitoring, inadequate supplier management and too little control over changes.

3.   The Committee of Public Accounts (PAC) examined the NOMS on why the C-NOMIS project, intended to deliver a single offender management IT system across prison and probation services, failed badly and what NOMS has done to retrieve the situation through a redesigned NOMIS programme.

> **PAC Conclusion (1): The C-NOMIS project has been handled badly, resulting in a three year delay in programme roll-out, reductions in scope and benefit, and a doubling of programme costs. The way the C-NOMIS project was managed and monitored was completely unacceptable. It is deeply depressing that after numerous highly critical PAC reports on IT projects in recent years, the same mistakes have occurred once again. We question the purpose of our hard work if Whitehall accepts all our recommendations but still cannot ensure a minimum standard of competence. In this report we make further recommendations for how other organisations can avoid mistakes made on C-NOMIS through identifying risks, monitoring progress properly and taking action to mitigate risks as they emerge.**

4.   The Department agrees with the Committee's conclusion. The revised NOMIS Programme has introduced measures to ensure that lessons have been learned. The revised NOMIS Programme is subject to monthly high level scrutiny. There are dedicated teams in place for all aspects of the programme, including change, risk, planning and finance. Risks are actively documented, mitigations agreed, owners identified and progress reviewed fortnightly. Risks are assessed for criticality against the agreed NOMS/MoJ criteria with red and black risks (these are risks that if materialised have a severe and very severe impact on the programme) being automatically escalated to the NOMIS Programme Board through the highlight report.

5.   The revised Programme has a clear escalation route through the Programme Board to the NOMS Agency Board, chaired by the NOMS Director General. Tolerances are set for Project Boards regarding time, cost and quality. The Programme Board is automatically alerted if these are likely to be exceeded. The Programme Board has an agreed budget, scope and timescale. If these are likely to be exceeded, it is automatically escalated to the NOMS Agency Board. The *'Programme Highlight'* and *'Finance'* reports are both produced monthly and detail progress, risks and key information, which are then discussed at the monthly Programme Board meeting. The *'Programme Highlight'* report is disseminated to the NOMS Portfolio Team, which in turn issues it to the NOMS Agency Board and the Department.

6.   The NOMS Portfolio Team attends Programme Boards and has regular meetings with the NOMIS Programme Manager to provide independent assurance to the NOMS Agency Board. Quarterly submissions are provided to the Minister, and briefing meetings are held to discuss these submissions, attended by the Senior Responsible Owner (SRO) and the Programme Director. If there are any important issues or developments arising from the quarterly submission, further meetings and submissions are arranged with the Minister.

7.   The NOMIS Programme is part of the Department's *Mission Critical Portfolio*. The recently formed Transforming Justice Committee (made up of all of the Department's Director Generals) is now also responsible for providing scrutiny and support for the NOMIS Programme. This oversight is mainly achieved through regular progress reports, which are backed up by an *'Exceptions'* process. This process dictates that any significant concerns are escalated to the Committee for information or direction as necessary.

8.   The NOMIS Programme has made significant progress:

- the roll-out of the prisons case management system (Prison-NOMIS) is proceeding to schedule and at time of writing, the new system has been deployed to 63 public prisons;

- a fixed price contract for the probation case management system has been placed with a prime contractor;

- the Data Share System (DSS) project is on course to undertake a pilot in early 2010 and;

- the Offender Assessment System-Replacement (OASys-R) project has reached preferred bidder stage.

9.   In November 2009, the Programme underwent an OGC Gateway 0 Review, which found the Programme had addressed previous concerns and gave it a delivery confidence rating of amber/green. The report stated 'The NOMIS Programme has made substantial progress in the eight months since its previous Gateway 0 Review. Most visibly, it has rolled out Prison-NOMIS to almost 50% of public prisons and is on track to complete rollout to all public prisons by May 2010; this is a significant milestone in its own right and a particularly noteworthy achievement given its predecessor programme's troubled history. The Programme has also taken less visible but equally important steps to address areas of concern identified at the previous review.'

> **PAC Conclusion (2): Planning for the C-NOMIS project was unrealistic, in part because of an over optimistic 'good news' culture which was not challenged with sufficient rigour by senior management with in-depth knowledge of the business. Major projects should be reviewed at the outset and periodically thereafter by senior management with sufficient rigour and scepticism to ensure that proposals are well-focused, realistic and take full account of uncertainties in their budgeting and timescales.**
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> **PAC Conclusion (6): Accountability arrangements changed several times over the course of the project and upward reporting was weak. Too much rested on the performance of a few key individuals to deliver success. It should not have been possible for the project to drift for three years without those in charge being aware of it. Departments should monitor key projects closely using reporting systems that are fit for purpose, based on actual evidence of performance, together with managers' reports and assessments.**

10.   The Department agrees with the Committee's conclusions. The revised NOMIS Programme now has robust governance structures and escalation procedures in place. It follows PRINCE2 (Projects in Controlled Environments) and Managing Successful Programmes (MSP) principles. There is a clear escalation route through the programme: Project Boards to Programme Board to NOMS Agency Board; and Senior Business Owners (SBOs) and Programme Manager to Programme Director to SRO. Tolerances for cost, time and quality are agreed and formally reviewed for progress and change. This information is in reports that go to the NOMS and the Department as part of the assurance on the Programme.

11.   From 01 February 2010, the current Director of Finance and Performance, NOMS will become the interim Director General of Finance and Commercial for MoJ. However, they will continue as the SRO for the NOMIS Programme. The current SRO is experienced in delivering large and complex programmes and reports directly to the Director General of NOMS. The SRO chairs the monthly Programme Boards and also chairs a wide variety of ad hoc meetings. Business representatives from both Probation and the Prisons are members of all Project Boards and the Programme Board.

12.   Informal progress meetings are held weekly between the SRO, Programme Director and Programme Manager. The Programme Director also holds fortnightly meetings with the SBOs of the projects. The Programme Manager holds fortnightly meetings with Project Managers and team leads to discuss issues, risks, resolutions and escalations. The Project Boards report into the Programme Board on a monthly basis and the Programme Manager attends all Project Board meetings to ensure consistency and adherence to governance. The revised Programme has delivered Programme Board training to its Board members to ensure it remains focused on its purpose and new members are clear about their remit.

13.   Additional scrutiny to provide assurance that the NOMIS Programme remains well focused and realistic, is provided to the Project and Programme Boards through quality reviews at each formal stage of the projects, internal audit and OGC Gateway reviews.

14.   It should be noted that due to protracted commercial negotiations, to ensure a fit-for-purpose and value for money proposal was achieved, the Probation Case Management System (PCMS) project has re-forecast the completion of implementation to be the end of 2011 rather than February 2011.

> **PAC Conclusion (3): The individuals who took the key decisions on C-NOMIS and were responsible for its monitoring and oversight have all retired or moved on, and no-one has been held to account for the estimated £41 million wasted due to delays and cost overruns. It is not enough to wait for blame to follow failure. There needs to be proper performance management at all levels in organisations, with delivery of major projects to time and cost forming part of the annual performance objectives for the Senior Responsible Owner and Project Manager.**

15.   The Department agrees with the Committee's conclusion. The Department has recently appointed a Project and Programme Management (PPM) Head of Profession and a PPM Leader. These two key posts have been specifically tasked with improving PPM capability across all areas of the Department. They are currently reviewing the core competencies for SROs and Programme/Project Manager roles. This is being followed up by discussions with SROs around capability and skills initially concentrating on programmes in the Department's *Mission Critical Portfolio*.

16.   The Programme Manager and Project Managers' objectives clearly identify their responsibility for escalating risks and issues early enough to enable the Project and Programme Boards to take corrective action. The successful delivery of the NOMIS Programme is also included as a performance objective for the SRO.

> **PAC Conclusion (4): NOMS should have thought through its business processes and introduced new, standardised ways of working in conjunction with new IT support systems to deliver end to end offender management. Before making a case for an IT-based solution, NOMS should have identified and planned the changes to its business needed to deliver end-to-end offender management. A plan showing how business change and new IT are to be integrated should be upfront in the Full Business Case for all major IT projects.**

17.   The Department agrees with the Committee's conclusion. This has been partially addressed in respect of one of the projects (Prison-NOMIS) within the Programme. The remaining projects will be addressed by Summer 2010. NOMS has made a concerted effort to simplify and standardise business processes, rather than change the IT. The Prison-NOMIS product has been developed and establishments are being supported in undertaking business process mapping going through a nine month preparation period, prior to receiving the system. In regard to the PCMS project, the legacy environment of multiple, stand alone, case management systems supports a range of disparate, although similar, business processes in Probation. A standardised national system will bring with it the potential for simpler processes that can be mandated or planned from the centre.

18.   The PCMS project is addressing a common approach to loading data within National Delius. Each Probation Area or Trust will undertake a process review in order to establish the changes required to comply with the data input requirements of the national system. Support for this is being provided by the central project team, drawing on the lessons learned from early adopters. Future requirements will be agreed at a national level and, as National Delius is a national system, they will apply to all Areas or Trusts at the same time.

19.   Each Project business case follows Treasury guidance and includes explanations of the project management approach and the approach to business change.

> **PAC Conclusion (5): NOMS lacked the capacity at senior levels to manage this complex project effectively and the Senior Responsible Owner did not have the right experience for the role. Departments should assess and, where appropriate, strengthen their capacity to manage major projects. In particular, the Senior Responsible Owner should have sufficient relevant project management experience, training, capacity and support to perform the role effectively. If necessary, Departments should appoint a candidate from another government body or elsewhere.**

20.   The Department agrees with the Committee's conclusion. The Department's PPM Head of Profession and PPM lead, are currently reviewing the skills and experience of all the Department's SROs, in order to ensure that the most appropriate person is in place. The initial focus of the review will be upon providing full support and training where required to those SROs who are responsible and accountable for delivery of the *Mission Critical portfolio*. The Department has previously employed mentors or Programme Directors, where appropriate in order to support SROs, and has also funded both general and targeted SRO Master Classes.

21.   The Department has:

- created a PPM & Change Network made up of senior change delivery experts. The purpose of this group is to offer SROs and PPM leads access to mentoring, peer support and problem fixing expertise at all times;

- put together a PPM training framework for implementation across the Department in order to ensure that all SROs and other PPM staff are able to access relevant training as and when it is needed (and at a reduced cost);

- developed some key guidance products for SROs and members of programme boards. These are designed to support these critical roles in understanding their roles and responsibilities; and

- lessons from the recent reviews of NOMIS will continue to be examined by the Department to ensure improvements in future policy.

22.   Following an external competition with the Civil Service Commission, the role of National Offender Manager was filled by a suitable candidate based on their skills and probation background. However, the role of SRO of the C-NOMIS project was added onto this job. The Department accepts that this was not the correct approach in appointing a SRO for a programme of this size and complexity. The current SRO had been the SRO responsible for the delivery of PHOENIX, a major IT-enabled change programme in Prisons.

> **PAC Conclusion (7): NOMS did not respond with sufficient vigour to the Gateway review in 2006 that raised serious concerns about the delivery of the project. Accounting Officers should ensure that swift and robust action is taken when an OGC review identifies concerns or shortcomings in the management or progress of a project.**

23.   The Department agrees with the Committee's conclusion. The Department has recently implemented a policy, which ensures that all amber/red and red gateway reports are subjected to an independent '*Assurance of Action Plan*' review. This is in accordance with OGC best practice guidelines. This process will help to ensure that all action plans are created and acted upon quickly, and with an appropriate level of rigour and followed up by the necessary support.

24.   An OGC Gateway 0 review of the programme took place in March 2009. The Programme Board agreed an action plan and a way forward to address the review's recommendations. A further review of the programme took place in November 2009, and a revised action plan was developed to take forward the recommendations. All recommendations and actions from reviews are included within the Programme Issues Log to ensure they are monitored at fortnightly Programme Management Team (PMT) meetings.

> **PAC Conclusion (8): The C-NOMIS project did not have a dedicated financial team leading to poor budgeting and cost control, uncertainty over the extent of cost escalations and inadequate reporting of the financial position. Avoidance of the problems experienced on C-NOMIS does not require new learning. The Treasury sets demanding standards for Accounting Officers and guidance is available, for example, the Treasury's *Managing Public Money*, and the *Doing the Business* guides issued as part of the Treasury's financial management reform agenda. To avoid repeating the mistakes of the past, Departments must use existing guidance.**

25.   The Department agrees with the Committee's conclusion. The finance model for the Programme was extensively updated in January 2008 and was further enhanced in early 2009. A dedicated finance team (staffed by permanent civil servants) is in place, headed by a qualified accountant. By the end of January 2010, the NOMIS Programme finance team will have completed a compliance check, using the Treasury's *Managing Public Money* and the *Doing the Business* guides, to ensure the Programme is in line with these practices where appropriate.

26.   The Programme has a cost model that is a set of integrated spreadsheets and this financial tool is progressively being improved. Updates (actuals and re-forecasts) are entered monthly and an analysis of trends (progress versus expenditure) and status against budget and forecast is provided each month to the Programme Board. Each project also monitors its budget in detail ensuring delivery matches spend. In recent months, the cost model has been enhanced to provide greater clarity and transparency of contingency usage and separation of one off investment and live service costs in the aggregation of figures, which provide the project and programme summaries. Earned value analysis is being employed on contracts awarded since 2009, where appropriate.

> **PAC Conclusion (9): NOMS still cannot easily match its spending on the NOMIS programme against what has been delivered. To help it monitor costs against progress to date and to forecast time and cost to completion, NOMS should negotiate contracts which require suppliers to match expenditure against deliverables.**

27.   The Department agrees with the Committee's conclusion. The Programme has improved its ability to act as an intelligent client by relying less on supplier knowledge and by bringing in experienced staff and independent experts (internal and external) for assurance and challenge. Members of the senior management team meet with suppliers regularly to discuss progress and any arising issues. In addition, suppliers are also represented at project checkpoint meetings, project boards and programme board meetings.

28. Where appropriate the programme is negotiating fixed price contracts, it awarded a fixed price contract for the PCMS and OASys-R projects in November and December 2009 respectively. In some cases this means a mix of time and materials with fixed price elements. For example, the Prison-NOMIS Technical delivery contract had an element of fixed price worth approximately 30% of the contract value. To reduce integration risks, NOMIS is seeking contracts that are Prime rather than multiple contracts. The Programme is including earned value analysis in future contracts, where possible, to be able to align expenditure to deliverables.

> **PAC Conclusion (10): Despite the intentions, there will not be an integrated information system providing a single offender record that will be accessible by all service providers who come into contact with an offender. C-NOMIS was initially developed with the intention of having a single shared record for each offender. Now that there will be three databases, each recording different information about an offender, together with limited data sharing, it is essential that the programme is developed with the desirability for data sharing enhancements in mind. Once delivered, NOMS should assess the adequacy of its current limited data sharing capacity with its partners and third party providers.**

29. The Department agrees with the Committee's conclusion. The NOMIS Programme is addressing data sharing enhancements, by providing the ability to share core offender information between both prison and probation services, through its Data Share System project.

30. In the longer term, the Department will ensure that technical standards for the development of systems to facilitate the creation of future database links, is clear, and that there is potential for future enhancements to build interoperability. NOMS will also be examining whether the Programme should be achieving more joining-up. The Programme will ensure this is followed up within the Department's Information and Communications Technology organisation, once the Programme completes delivery at the end of 2011.

> **PAC Conclusion (11): The business case for NOMIS makes no provision for the cost of carrying out data cleansing to remove duplicate records created by the merger of 42 existing probation databases. NOMS should carry out an assessment of the potential effects of failing to amalgamate records, and of the likely cost and duration of the data cleansing effort required, including the implications for front line delivery of probation if cleansing has to be accommodated within existing probation service budgets.**

31. The Department agrees with the Committee's conclusion. The PCMS proposal to implement a redeveloped Delius as a single modernised case management system for Probation requires only minimal data cleansing. Records will be identified against the area they originate from and natural de-duplication will occur during business as usual processes. For example, as and when duplicate records are found, through searches, they can be amended. Significant data cleansing is not required, and costs are reduced.

> **PAC Conclusion (12): NOMS has promised substantial progress with the NOMIS programme and said that all of the Comptroller and Auditor General's recommendations will be clearly achieved should he repeat his review in early 2010. We welcome this assurance and expect that improvements should be both made and easily identifiable to a future Committee hearing. To help demonstrate progress and improvement to its processes, NOMS needs to monitor the implementation of the NOMIS programme, and record and validate benefits and financial savings.**

32. The Department agrees with the Committee's conclusion. The Prison-NOMIS and DSS projects have agreed benefits realisation plans, whilst the PCMS and OASys-R projects are refining theirs, and are due to be completed in Spring 2010.

33.   The revised NOMIS Programme has sought and received advice from OGC, which led to a Benefits Strategy being produced that maps the Programme objectives through to NOMS objectives and relevant Public Service Agreement targets. Each project will deliver a benefits realisation plan, which is agreed with the business. Sign off of these benefits is sought at senior level in NOMS. The Programme has a dedicated benefit realisation lead in place to identify, quantify and monitor realisation of benefits. Directors of Offender Management will monitor the realisation of these benefits.

34.   The NOMIS Programme will continue to be part of the Department's *Mission Critical portfolio* and will be subject to OGC Gateway Reviews until Programme closure.

Fifty First Report

Ministry of Justice (MOJ)

National Offender Management Service: Maintenance of the prison estate in England and Wales

1.   The National Offender Management Service Executive agency of the Ministry of Justice (the Department) is responsible for maintaining the 129 public sector prisons in England and Wales. Maintaining the prison estate in England and Wales presents considerable challenges and, with continuing population pressures, it is difficult to move prisoners around to allow maintenance work to be carried out. Furthermore, the estate varies considerably in size, age and purpose. Nearly 50% of the 129 prisons in use were built before 1900. In 2007-08, the National Offender Management Service spent around £320 million maintaining the prison estate, down from £330 million in 2005-06.

2.   The National Offender Management Service needs to improve the way it manages its assets and gain a better understanding of whole life costs and, therefore, when it is most cost effective to switch from maintaining an asset to replacing it. There are also gaps in the way the National Offender Management Service manages its external contractors and its knowledge of how contractors are performing. The Service does not enforce standardisation of parts where it could, and handovers from external contractors to local maintenance teams were not working as effectively as they should have been and were characterised by poor information on ongoing maintenance requirements. Lastly, the Service should consider developing cell availability as an overall measure of its success in maintaining the estate.

3.   The Committee of Public Accounts (PAC) examined the National Offender Management Service (NOMS) on its management processes, its understanding of whole life costs, and the way it works with external contractors.

> **PAC Conclusion (1): NOMS has secured good value for money maintaining the prison estate in the face of the challenges of ageing properties, high turnover of prisoners in some establishments and continuing population pressures. To maintain physical security, secure prisoner and staff safety, and maximise prison capacity, all against the backdrop of a rising prisoner population, as well as make improvements in the estate, NOMS should develop better insight into its long-term maintenance needs.**

4.   The Department accepts the Committee's recommendation. The National Offender Management Service (NOMS) recognises that it should develop better insight into its long-term maintenance needs. NOMS does have a system for prioritising and ranking maintenance projects, but it is recognised that this could be more robust and consistent. This will be addressed in the context of an *Asset Review*. Phase 1 of this review started in May 2009, and is due to complete by end of March 2010, with Phase 2 completing by the end of March 2011.

5.   The *Asset Review* will assess the condition of estate asset in each prison establishment by a phased programme of facilities assessment surveys. The condition of the estate will be determined by the surveys, which will also consider the age and economic life of these assets, so that long-term maintenance needs can be identified, and maintenance plans developed to meet those needs. The overall risk assessment and the targeting of resources to the areas of greatest risk identified by this method will be completed by March 2011, at the conclusion of Phase 2 of the *Asset Review*.

6.   NOMS is also consulting the Ministry of Defence (MoD) about its Estate Planning Tool and Estate Performance Measurement System to determine possible use and lessons learnt in the identification of long-term maintenance needs and the development of maintenance plans. MoD is demonstrating their estate asset planning system in December 2009, and a decision will be made as to applicability of the MoD system to NOMS requirements, by March 2010. The outcome of this consultation will also inform the *Asset Review*.

> **PAC Conclusion (2): NOMS does not have the performance and expenditure data it needs to assess maintenance performance in prisons and across Areas, and to manage its assets more effectively. Prisons are supposed to produce performance data through the NOMS Service Delivery Agreement framework, yet only half of the data asked for by the National Audit Office was provided. NOMS should ensure that the data necessary for effective management is produced by staff when required and on a consistent basis across the Service.**

7.   The Department accepts the Committee's recommendation. NOMS acknowledges that it requires full and consistent data in order to be able to assess maintenance performance and track maintenance expenditure across the prison estate. The current maintenance data storage tool, Planet FM, was installed using 12 separate databases representing each area. NOMS is currently moving to the next generation of Planet FM, called Planet FM Enterprise, which is due to be fully installed and operational across the prison estate by March 2010 and fully functional by end of March 2011.

8.   A primary improvement of the new system is that it will operate on a single database, which will allow easier service wide data analysis. This single database will facilitate data analysis across the estate, utilising an estate asset planning system (programmed for 2010). The new performance system with the ability to track maintenance expenditure across the estate will be fully functional by the end of March 2011, with the completion of Phase 2 of the *Asset Review*.

9.   The new database will also have mandatory fields, and training for implementation of the new system will stress the need for accurate recording. Use of the system will be monitored and quality assured centrally by the NOMS Asset Management Unit (AMU). To address the problem of inconsistent data, NOMS has set up a Planet FM principal user group, with membership drawn from NOMS AMU and appropriate representatives from the NOMS regions, to share best practice and work towards consistent recording and reporting of data.

> **PAC Conclusion (3): NOMS does not analyse, either at Area level or centrally, the performance and cost data relating to its estates in order to gain an overall view of organisational performance. NOMS should collate all performance and cost data and use it to analyse performance across the prison estate, with the aim of driving up performance, reducing costs and identifying and disseminating best practice. They could also use this data to benchmark the different structures used in Areas to identify the best performing model.**

10.   The Department agrees with the Committee's conclusion. NOMS recognises that it should make better use of the performance and cost data to improve performance and efficiency. NOMS has collated data to inform a review of the regional estate management structure, and the resultant report and recommendations submitted in October 2009, are currently under consideration. This review has now been subsumed into a wider MoJ *'Estates Transformation Review'*, which is planned to complete by the end of 2010.

11.   Phase 2 of the *Asset Review* will make available accurate data across the estate, which coupled with the new planning system to process the data, will provide asset performance information.

PAC Conclusion (4): The existing Key Performance Target for prison maintenance staff gives no indication of real achievement because it automatically generates 100% performance since uncompleted tasks are not included. NOMS has committed to developing new targets for its maintenance staff in order to incentivise performance, and identify best practice and poor performance. The new target for local maintenance staff should include uncompleted tasks, so that it gives a clearer impression of how prisons are coping with their maintenance workload. At the same time, NOMS should consider using the percentage of cells available for use at any given time as a way of improving performance.

12.   The Department agrees with the Committee's conclusion. NOMS recognises that meaningful Key Performance Targets (KPTs) are needed. The shortcoming of the current KPT is recognised. The introduction of Service Focussed Maintenance (SFM – implemented across the prison estate) will see the introduction of a 100% completion of red tasks' during Phase 2 of the Asset Review. Regional KPTs, based upon yellow tasks, will also be introduced as well as improved maintenance targets and reporting systems.

13.   Service Focussed Maintenance (SFM) operates in the context of delivering essential maintenance. This means that if funds or resources change, the impact of those actions can be measured, which is achieved by a traffic light system:

- red task, which is a legislative or statutory piece of work, i.e. electrical testing or gas safety checks. Failure to maintain these assets could end in prosecution for individuals within the Department, specifically responsible for maintenance and censure;

- yellow task, deemed business critical i.e. general lighting or compressor tests. Failure to maintain these assets could incur significant cost and disruption. This list will vary between establishments. For example, prisons with a great deal of workshop activity will feature in this category; and

- green task, classed as non-essential, i.e. wash hand basins or small extract fans. Failure to maintain these assets would have little impact on regimes and could cost more to maintain.

PAC Conclusion (5): NOMS' lack of knowledge of the causes of reactive maintenance work undermines its preventative work. A particularly stark example is the wide disparity in the estimates of vandalism in prisons produced by staff in the centre, Areas and individual prisons. NOMS has committed to rolling out the new national Planet FM system as soon as possible and training all staff to use it. Once sufficient data is available, NOMS should use it to identity the main causes of maintenance work, and develop preventative maintenance programmes to respond to them in the long term.

14.   The Department agrees with the Committee's conclusion. NOMS recognises that the causes of maintenance work need to be identified to inform the development of preventative maintenance programmes. The new Planet FM Enterprise system will assist with addressing the problem of inaccurate reporting of the causes of maintenance. It will enable the AMU monitoring and compliance unit to monitor maintenance spend by viewing the databases and identifying inconsistency in data (for example, whether young offender establishments, which have a high frequency of vandalism, are recording low levels of minor repairs) and challenge the relevant maintenance teams. The development of preventative maintenance programmes will be considered during Phase 2 of the *Asset Review*.

PAC Conclusion (6): NOMS does not analyse whole life costs systematically to help it decide when it is most cost effective to patch, refurbish, or replace prison wings, plants and facilities. NOMS should implement systematic processes for considering whole life costs when making purchasing decisions. The full review of assets NOMS is carrying out will help by giving it up to date information about the current condition of the prison estate.

15. The Department agrees with the Committee's conclusion. NOMS recognises that whole life costs should be a factor in making purchasing decisions. The introduction of appropriate processes to achieve this will be considered during Phase 2 of the *Asset Review*.

> **PAC Conclusion (7): NOMS has developed standard specifications for parts and materials used in prisons, but has not included them as requirements when offering maintenance work out for tender. As a result, contractors have used a diverse mix of parts, which can be difficult and expensive to acquire both in individual prisons and across the estate. Where possible, NOMS should increase the standardisation of parts and materials in order to reduce costs through achieving economies of scale, with due regard to reducing whole life costs and without standardising on a poor, inefficient or obsolete design.**

16. The Department accepts the Committee's recommendation. NOMS recognises that it should increase the standardisation of parts and materials where possible. There needs to be a balance between seeking to achieve consistency with existing buildings on a site, to minimise maintenance and introducing products which provide design enhancements and/or improved whole life costs.

17. The issue will be considered during Phase 2 of the *Asset Review*, where a working group will be commissioned from January 2010, to look into the issue of increased design standardisation of custodial building types. In particular, the current working practices will be reviewed to try to ensure that there is close working between those responsible for the technical standards and performance specifications, and the project sponsors (and their design teams) responsible for delivering individual projects.

18. NOMS have consulted Defence Estates (DE) in the MoD and established that the DE approach is similar. Having used performance specifications where possible as part of this regional prime contracting strategy, DE are planning to use in-house produced technical specification rather than performance specifications. NOMS has also contacted the Olympic Delivery Authority (ODA) to find out how they have approached the issue of commonality of product. The information from both the DE and ODA will inform the consideration of the issue by the NOMS Asset Management Unit.

> **PAC Conclusion (8): Prison maintenance staff are not always consulted or made aware of their maintenance responsibilities for new capacity when external contractors hand over new or refurbished prison wings, plants and facilities. NOMS should make sure that the new checklist system for contractors is being used consistently and use the information emerging to improve handovers.**

19. The Department agrees with the Committee's conclusion. NOMS acknowledges that the new checklist system for contractors needs to be used consistently to improve handovers. The new handover procedures were implemented in January 2008, and introduced for the first time a formal co-ordinated and comprehensive set of mandatory actions with a checklist, to ensure that none of the actions required in the handover procedures are overlooked. This removes the risk of elements of the knowledge transfer not taking place and ensures that assets, such as heating, lighting and alarm systems, are working effectively, and that defects have been corrected or an action plan put in place.

20. The problem of consistent use of the procedures will be addressed by a working group led by NOMS AMU. They will review the handover guide and consider whether changes to the documentation or process is required in order to ensure more effective handover procedures. A review of the handover procedures is planned for completion by the end of January 2010.

Fifty Second Report

Department of Health (DH)

Reducing Healthcare Associated Infection in Hospitals in England

1.   Healthcare associated infections are caused by a variety of organisms and lead to a range of symptoms from minor discomfort to serious disability. It is estimated they cost the NHS more than £1 billion a year.

2.   Healthcare associated infections are a key indicator of quality and safety of NHS care, and this is the Committee of Public Accounts third report on this issue. In 2000, the previous Committee's view was that the NHS did not have a grip on the extent and costs of hospital acquired infection and that without robust data it was difficult to see how they could target activity and resources to best effect. In 2005, this Committee found that the progress in improving infection prevention and control had been patchy and there was a distinct lack of urgency on key issues such as ward cleanliness and compliance with good hand hygiene.

3.   Since 2004, the Department of Health (the Department) hands on approach to the serious problem of healthcare associated infections, has been successful in reducing Meticillin resistant *Staphylococcus aureus* (MRSA) bloodstream and Clostridium difficile infections. Hospitals cleanliness has improved and the priority given to reducing these two targeted infections has started to have an impact on hospital trusts overall infection prevention and control. This progress has not, however, been matched on other healthcare associated infections. Evidence from voluntary reporting of other healthcare associated bloodstream infections suggests that these infections may be increasing.

4.   The Committee of Public Accounts (PAC) examined the Department and NHS on progress in reducing healthcare associated infections in hospitals.

> **PAC Conclusion (1): The Department has delivered significant reductions in MRSA bloodstream and *Clostridium difficile* infections, the two healthcare associated infections that have had national reduction targets, and it has also helped improve cleanliness of hospitals. The Department has achieved this using a combination of mandatory surveillance, national targets, legislation, inspection and close performance management and support of hospital trusts. It has also provided additional resources and direct support and guidance to hospitals to help them achieve these reductions.**

5.   The Department agrees with the Committee's conclusion and notes the Committee's acknowledgement on the significant reductions in MRSA bloodstream and *Clostridium difficile* infections, which the NHS has delivered through achievement of the national targets.

6.   Data for England, for July to September 2009, show MRSA bloodstream infections down 76% from the quarterly average in 2003-04 (the baseline period for the national target). The figures also show a 9% reduction in comparison with the previous quarter (April to June 2009) and a 36% reduction in comparison with the same quarter in 2008 (July to September 2008). From April 2010, NHS organisations will be set an Objective for reducing MRSA infections. The MRSA Objective sets a new performance standard for the NHS and reflects the Departments zero tolerance approach to preventable infections. The MRSA Objective, developed through close working with the NHS, will require organisations with the highest rates to make the biggest reductions and challenge the best-performers to sustain their low rates of infection and strive for further reductions where possible.

7.   Between April 2008 and March 2009, *Clostridium difficile* infections reduced by 35% – meaning the NHS achieved its 30% target two years ahead of schedule. Data for England, for July to September 2009, show a 6% reduction in *Clostridium difficile* infections in comparison with the previous quarter (April to June 2009) and a 28% reduction in comparison with the same quarter in 2008 (July to September 2008). With early achievement of the *Clostridium difficile* target, in 2010, the Department will consider how to renew its ambition to support the NHS deliver further sustainable reductions in *Clostridium difficile* infections beyond March 2011.

> **PAC Conclusion (2): The Department has not achieved measurable reductions in other, avoidable, healthcare associated bloodstream infections. The Department and Health Protection Agency should adopt the approach to mandatory surveillance of MRSA bloodstream infections for other healthcare associated bloodstream infections. Primary care trusts should benchmark the performance of their hospitals trusts and agree local reduction targets for these infections. The Department should report back to the Committee on what they have done to extend surveillance.**

8.   The Department does not agree with the Committee's conclusion. Not all bloodstream infections are healthcare associated and any new surveillance systems need to be subject to a cost benefit analysis before implementation. The Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infections (ARHAI) have been asked to provide the Department with their expert advice on surveillance priorities for healthcare associated infections. At a recent meeting, ARHAI reinforced the point that the benefits of surveillance must outweigh the burden. ARHAI are expected to report early in 2010. The Department will update the Committee on this matter by the end of 2010, once consideration and discussions on the detail of the report have concluded.

> **PAC Conclusion (3): The Department's approach to mandatory national surveillance means there is still no grip on hospital acquired surgical site infections, pneumonias, skin and urinary tract infections. This lack of robust comparable data on around 80% of healthcare associated infections is limiting the NHS's ability to reduce the risks to patients acquiring a healthcare associated infection whilst in hospital. The Department should work with the Health Protection Agency to develop a risk-based approach to national and local surveillance that enables all patients to understand their infection risks, and provides staff with a consistent and co-ordinated evidence base to help them eliminate all avoidable healthcare associated infections.**

9.   The Department does not agree with the Committee's conclusion. Expert advice is that mandatory surveillance of all infections – healthcare associated and non-healthcare associated – is not appropriate. However, data on the overall position is available from intermittent prevalence surveys. The challenge of healthcare associated infections varies according to local circumstances.

10.   In recognition of this, the *Health and Social Care Act 2008 Code of Practice for the NHS on the prevention and control of healthcare associated infections and related guidance (Code of Practice on the prevention and control of healthcare associated infections)* expects NHS organisations to provide evidence of local surveillance of healthcare associated infections for all appropriate clinical settings. There should be timely feedback of these data to clinical units, with a record of actions taken and achievements as a result of surveillance. This process ensures the NHS can reduce risks, which are relevant to their local population.

11.   The Department recognises that surveillance is an important tool that used effectively can drive improvements in patient care, outcomes and safety and support the NHS to deliver these. To be effective, data collection needs to be targeted and the results fed-back regularly on a timely basis to trusts to inform local actions. Amendments to the current surveillance system need to be carefully considered in the light of this. The Department will carefully consider the expert advice and recommendations of ARHAI on priorities for the surveillance system in the coming months.

> **PAC Conclusion (4): One of the greatest threats to infection control is the increase in antibiotic resistance but generally hospitals do not yet have robust electronic prescribing systems that enable them to monitor whether antibiotics are being used effectively. All hospital trusts should provide their boards with assurance that there is effective surveillance and control over antibiotic prescribing, underpinned by evidence from regular clinical audits of compliance with antibiotic protocols. The Department should expedite immediately our previous recommendation on developing the National Programme for IT to include the hardware and software needed to support the collection of national surveillance data, including effective links between microbiology, pathology, prescribing and patient administration. It should also report back to us on this issue by the end of 2009.**

12.   The Department has consistently sought to improve prescribing practice and the Department's initiatives have included the *Code of Practice on the prevention and control of healthcare associated infections*. This requires NHS organisations to have policies on antimicrobial prescribing. Prescribing is an important part of the Department's strategy to prevent antibiotic resistance, published in 2000 (*UK Antimicrobial Resistance Strategy and Action Plan*). Measures to support prescribing, include guidance in the *Saving Lives* programme and work by ARHAI. ARHAI has produced advice for prescribers and recently lead on an *Antimicrobial Self Assessment Toolkit*[1] for hospitals. The Department also works with other stakeholders, which include the Health Protection Agency (HPA) and the Royal College of General Practitioners to promote good practice.

13.   The National Programme for IT is introducing a new national infrastructure to support the exchange of information between the NHS's many different sites and information systems, and to support the interoperability of systems. This National Spine infrastructure has developed very significantly since the Committee's previous recommendation, and it currently facilitates the exchange of over seven million messages per day in support of national applications like 'Choose and Book', electronic transfer of prescriptions, validating patient demographic details and the transfer of GP records when patients move GP practices.

14.   This infrastructure has recently been further developed to provide the capacity and capability to transfer all pathology requests and results. A number of pilot projects are now being worked on which will lead to the introduction of pathology messages during 2010. To facilitate this introduction, a new national catalogue of pathology tests has been developed, which will be assured by the Royal College of Pathologists. The Department and the HPA will be looking at how the HPA's information systems can link into the National Spine and pathology infrastructures, and the potential benefits of availing of these developments.

15.   Electronic prescribing (ePrescribing) is one of the most complex and challenging areas of clinical IT systems being addressed by the National Programme for IT. Recognising the need to address the needs of different professional groups and clinical specialties, the Department has engaged with healthcare professionals to develop specifications and standards to guide this work, including an ePrescribing functional specification. The Department has already supported the introduction of oncology ePrescribing systems into 18 cancer networks and trusts following work with frontline clinicians to identify available systems that met their needs.

16.   The Department is additionally working with the National Programme for IT Local Service Providers to deliver ePrescribing within both the iSoft Lorenzo and Cerner Millennium systems. It is also supporting those NHS trusts in the South of England involved in the procurement of ePrescribing systems under the ASCC (Additional Supply Capability and Capacity) procurement initiative through the provision of advice and guidance. Research has been commissioned and published relating to the challenges faced, and lessons learned, by trusts that have implemented ePrescribing[2]. The Department, with ARHAI, is exploring how it will support the creation of implementation guidance on prescribing practice and healthcare associated infections, once ePrescribing systems have been implemented more widely across the NHS.

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[1] http://www.researchdirectorate.org.uk/asat/asat.asp

[2] http://www.connectingforhealth.nhs.uk/systemsandservices/eprescribing/challenges.

> **PAC Conclusion (5): Better understanding of the impact of patient movement within and between hospitals and the community, underpinned by a health economy wide approach to infection prevention and control, is needed to sustain and deliver further improvements. All health and social care commissioners and providers need to be aware of the risks to patients, particularly those who are elderly, of acquiring a healthcare associated infection as a result of a hospital admission, and should work together to identify ways of avoiding admission and unnecessary movement between wards. Hospital trusts and primary care trusts should provide advice, guidance and support to residential and nursing homes on preventing and controlling healthcare associated infections.**

17.   The Department agrees with the Committee's conclusion. Acute trusts and primary care trusts should work with all their local providers to prevent and control healthcare associated infections across the whole health and social care system. Health and social care organisations working more closely together to prevent and control infection is key to delivering further improvements in clean, safe care for patients. These processes will be facilitated by the introduction of the new version of the *Code of Practice on the prevention and control of healthcare associated infections*. This new version of the Code will apply to the NHS from April 2010, and to independent healthcare providers and social care from October 2010.

18.   The MRSA Objective, (effective April 2010), reflects the Department's emphasis on a whole health economy approach to infection prevention. For the first time, responsibility for reducing MRSA bloodstream infections will be shared between acute trust and primary care organisations. This will introduce a greater focus on infections that could have originated in community and primary care settings.

19.   The Department has produced a range of guidance to support social care providers implement clean, safe care. *Essential Steps* and the Department's guidance on infection control for care homes are currently being updated. The latter will include user friendly summaries for social care workers and the e-learning tool on infection control is now available to social care providers. The Department is working with stakeholders to ensure these materials are useful in all settings.

20.   The Department has carried out work with the Prime Minister's Delivery Unit on a review of *C. difficile* that focussed on those infections attributed to the community. The report (due January 2010) will seek to implement recommendations to support a quicker rate of reduction in infections outside of the non-acute setting.

> **PAC Conclusion (6): The Department's efforts to improve recording on deaths certificates where MRSA or *Clostridium difficile* infection was a contributory factor or underlying cause has led to better data on these deaths, but the NHS still does not have any idea how many patients are dying from other healthcare associated infections. We reiterate our recommendation that the Department should work together with the Health Protection Agency and Office of National Statistics to identify all deaths linked to healthcare associated infections, and take action to reduce such deaths.**

21.   The Department notes the Committee's conclusion and will be discussing options for improving data on deaths linked to healthcare associated infections, at national and local levels, with the HPA and Office of National Statistics. The Department will report back to the Committee during Summer 2010.

> **PAC Conclusion (7): Trusts continue to believe that wider factors, such as high bed occupancy and the four hour A&E target, are barriers to further improvement and compromise good infection prevention and control. There is limited research on the impact of bed occupancy on infection rates. There is a need for trusts to understand the impact of their bed occupancy levels on infection risks and to adopt more effective bed management practices which avoid patients moving too frequently. The Department should commission research to determine whether there is a link between bed occupancy and other healthcare associated bloodstream infections and *C. difficile*.**

22.   The Department does not agree with the Committee's conclusion. Respondents to the National Quality Board's stakeholder engagement exercise on the MRSA Objective did not cite either of these issues as barriers to further improvement.

23.   Analysis published by the Department in December 2007, showed that there is no correlation between MRSA rates and high rates of bed occupancy. The data shows that trusts with high bed occupancy can reduce their infection rates. The Department acknowledges that a high bed occupancy rate can challenge trusts, but good local bed management is key to addressing the challenge and the role of the Department is to support trusts in achieving this. As the data demonstrates that good management can reduce MRSA infection rates in organisations with high bed occupancy, the same principle should apply to other infections. On this basis, the Department does not believe it is necessary to commission further research on this issue at this time.

> **PAC Conclusion (8): The Department's decision to implement MRSA screening has not been fully evaluated and there is confusion about implementation and cost effectiveness. There is wide variation in implementation of this initiative and a lack of clear communication to staff and patients on how to respond to a positive result. The Department should commission a robust review of both the cost-effectiveness and impact on patients of the first year of operation of the screening, and publish the results to provide trusts' with a better understanding on cost-effectiveness and how best to implement the policy.**

24.   The Department does not agree with this conclusion. The decision to introduce MRSA screening was made on the best available information at the time and like all policy, it will be reviewed as new data become available. The requirement to implement MRSA screening is set out in the Operating Framework and several sets of guidance were issued. The cost effectiveness of screening was examined in an Impact Assessment, (published December 2008) which clearly made the economic case for screening.

25.   The Department has produced generic information leaflets for local NHS bodies to use, both on MRSA screening generally and on what happens when there is a positive result. It is the responsibility of individual trusts to ensure that their staff are adequately trained and to ensure that patients are given relevant information about their care in the event of a positive result. Screening is only one element of the Department's strategy to help the NHS tackle healthcare associated infections. Measuring the impact of screening on patients would therefore be difficult. However, the Department is currently collating a series of case studies from acute trusts about their experience of implementing MRSA screening.

Fifty Third Report

Department for Business, Innovation and Skills (BIS)

Oversight of the Post Office Network Change Programme

1. The post office network has been in decline since 1965 and, since 2000, Post Office Ltd has been making operating losses. In 2007, the Department for Business, Innovation and Skills (the Department) and Post Office Ltd agreed a £1.7 billion strategy to make the network financially sustainable, including a £150 million annual subsidy. One element of this plan was the Network Change Programme to close up to 2,500 post offices branches mitigated by the opening of 500 Outreach branches.

2. The Network Change Programme was expected to initially cost £176 million, mainly in compensation to sub-postmasters. Annual savings of £45 million were forecast, but the Programme was expected to generate a £17 million loss in the 2006-07 to 2010-11 period of the strategic plan. The formulation of the programme and the decision as to the number of post offices to be closed focused principally on the size and spread of the network that could be obtained for a particular level of funding. The Department had access to earlier research on the social value of the rural post office network, which informed its subsequent decision that the £150 million annual subsidy represented value for money.

3. A large proportion of the benefits of the programme and the annual savings are not being separately monitored. Even if the forecast savings are achieved, there is still a need for Post Office Ltd to expand its government-related revenue if the network is to become financially sustainable. There have been positive developments in this area and the company is planning to extend further its range of local and central government business. The Department is also taking action to monitor the service delivered by the post office network, which is important in ensuring that the network provides value for money and informing future strategic decisions. However, there are presently some gaps in this monitoring, particularly around the impacts of closures and setting national standards of quality of service.

4. The Committee of Public Accounts (PAC) examined the Department, Post Office Ltd, and Consumer Focus on planning the Network Change Programme, the undertaking to protect users and performance against them, and monitoring the progress and impact of the programme.

> **PAC Conclusion (1): Of the four elements comprising Post Office Ltd's strategy to achieve financial sustainability, the Network Change Programme was the only one expected to make a loss during the period 2006-07 to 2010-11, and it had the smallest expected impact on profitability thereafter. In view of the distress for users, the upheaval for communities, and the relatively modest financial benefits caused by the programme, in any future planning of changes to the post office network, every effort should be made to explore alternatives to compulsory closures.**

5. In 2006-07, the Post Office was losing £4 million a week. These losses had doubled over a period of a few years. Four million fewer customers were using the network compared to previous years. The subsidy for some transactions reached a high of £17 per transaction. Despite the Government's view that the post office is not just a commercial service and its commitment to subsidising the non-commercial network, losses of this nature could not be sustained. For this reason, a reduction in the size of the network, was planned. The General Secretary of the National Federation of SubPostmasters accepted this proposal.

6. The Department agrees with the Committee's recommendation. Every effort is made to explore alternatives to compulsory closures and Ministers have made clear that they will not support a further programme of post office closures. The Department however, does not accept that the Network Change Programme had only a modest impact on profitability.

7.   The cumulative benefits were not planned to exceed the total Network Change Programme costs until 2011-12, due to the high upfront costs. The Department expects that the full annual savings of £45 million will be achieved from 2010-11 onwards. In addition to these direct savings to Post Office Ltd, the programme has significantly strengthened the viability of remaining Post Offices through the very high migration of custom (88%) to them from offices, which closed under the programme.

> **PAC Conclusion (2): The Department's research on the social and economic benefit provided by post offices has to date been largely limited to the rural network. The Department should also assess the equivalent benefit provided by the urban network, especially in deprived areas.**
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> **PAC Conclusion (3): The Department's assessment of the social and economic costs of the closure programme was inadequate. The Department did not undertake any specific economic and social research to support its decisions in 2006. Instead it drew on older work, largely completed in 2003. This analysis simply assessed the economic benefits provided by the network as a whole and did not consider the impact of closures.**

8.   The Department agrees that there has been more research into the social and economic benefits of the rural network than of the urban network. However, in formulating its decisions in 2006, the Department was able to take in to account a range of independent research including some specific to urban and urban deprived areas[3].

9.   Though the Department's analysis in support of its decisions in 2006 focused on an assessment of the network's social and economic value, the Department also clearly recognised the potential impact of post offices closures and took into account experience of the '*Urban Reinvention*' programme. However, it also recognised that the impact of closures would vary widely according to the individual circumstances of each office. Therefore, in addition to setting access criteria, the Department also required Post Office Ltd to take account of a range of geographical and socio-economic factors in assessing the potential impact of its closure proposals, and in developing its area plans prior to local consultation.

10.   As the Department recognised the importance of up to date research on the social and economic value of the network to all post office users, in autumn 2008, the Department asked Postcomm to commission new independent research. The recently published report '*The Social Value of the Post Office Network*', commissioned by Postcomm from NERA Economic Consulting, drew its findings from surveys covering urban, deprived urban and rural households as well as small and medium sized enterprises.

> **PAC Conclusion (4): The Department must now rectify the weaknesses in its evaluations by considering the impacts of closure on rural communities. It must evaluate the benefits from its £150 million annual subsidy, and the benefits lost through closures. This work must compare the economic and social characteristics of communities with, and without, post offices, and the differential impact made by Outreach services.**

11.   The Department does not agree that it did not consider the potential impact of post office closures on rural or urban communities. There is a substantial body of research on this subject which the Department assessed and which informed its decisions on the legal requirements placed on Post Office Ltd to protect consumers, in particular, by ensuring that careful consideration was given to the impact of closure in the specific context of the local circumstances of each community affected. This consideration could best be given in the course of the development of area plan proposals by Post Office Ltd, rather than in the context of the Department's development of the overall programme strategy.

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[3] 'The Last Post' (for Manchester City Council) new economics foundation; 'Deprived Urban Post Office Fund' (for ODPM) Middlesex University; 'Post Office Urban Reinvention – One Year On' (for Postcomm and Postwatch) NERA Economic Consulting

12.   The £150 million annual subsidy, for which state aid clearance has been received, supports the non-commercial network of some 7,500 offices, a high proportion of which are small rural branches. This ensures that reasonable access to services of general economic interest continues to be available on a nationwide basis. The subsidy is independently audited to ensure that funding provided by Government is justified on the basis of the costs of operating the non-commercial network.

13.   The Department acknowledges that the programme was strongly opposed by many post office customers. However, the Department also considers that the impact of the closure programme needs to be viewed in context. Over 90% (91.7%) of customers nationally were unaffected by the closure programme, and the high rate of migration of custom (88%) shows that most of those who were affected, adapted to using an alternative office. In addition, over 500 Outreach outlets have been established to mitigate the impact of closures in rural areas.

> **PAC Conclusion (5): The Postal Services Bill currently before Parliament includes provision for the annual publication of information about the post office network. In view of the potential value of such information, the Department should secure annual publication of this information irrespective of the future progress of the Bill.**

14.   The Department agrees with the Committee that it is important to ensure continuing provision of post office network information on an annual basis. The existing arrangements for an annual report on the network from Postcomm and an annual list of post offices by parliamentary constituency from Post Office Ltd will continue. The Department will ensure that any legislation proposing to alter current protections around network information flow (for example: by removing the current powers of Postcomm, as was envisaged by the Postal Services Bill referred to by the Committee) would include proper provision for network information to be published on an annual basis.

> **PAC Conclusion (6): The aim of a consultation process is to allow stakeholders the opportunity to contribute their views at a time when they could have some effect on the final decision. However, only a small percentage of people were even aware of the consultation, and because the total number of closures had already been determined, local concerns about the scale of the Programme were in effect ignored. There is a danger that the whole process of consultation will be brought into disrepute if key questions such as this have already been determined. In the future, the Department and Post Office Ltd should carry out consultation early enough in the decision making process for the public's view to have a real influence on outcomes, rather than make just minor adjustments to details of implementation.**

15.   The Department undertook a national 12 week consultation in 2006-07 on proposals for the post office network. Proposals for specific closures were to be developed by Post Office Ltd on an area plan basis, with input from Postwatch, local authorities and other local stakeholders, before being put out to local consultation. The Government accepts that some people thought the local consultation should have been on the question of whether or not closures should take place. However, that was not what the consultation was about. It was never intended to be a referendum on the idea of post office closures. The decision on this issue had already been taken, following the national consultation. Rather, local consultations were about how best to achieve a necessary closure programme in that area, given that the prior decision to close up to 2,500 offices had been taken.

16.   The Department believes that there was strong public awareness of the process. As previously noted, 91.7% of customers were unaffected by the closure programme. Over 190,000 consultation responses were received by Post Office Ltd and Postwatch received a further 15,000 written comments on local proposals. Recent research undertaken for Consumer Focus, published in December 2009, indicates that around 2.7 million people responded in some way to the local consultations by letter, signing a petition or attending a meeting. Other Consumer Focus research findings indicate that, as the programme progressed, 28% of

people were aware of the formal local consultation process and 85% of the population as a whole, were aware that a closure programme was taking place. There was also very extensive coverage of closure proposals by local media.

17.   261 closure proposals (over 10%) were changed in the pre-consultation stage in the light of input from Postwatch and other local stakeholders. A further 92 proposals (over 4%) were withdrawn in the light of responses to the local consultation. In addition, 619 receiving offices have had improvements made in respect of disabled access or increased capacity, again widely reflecting comments and views from local consultations.

> **PAC Conclusion (7): Post Office Ltd have undertaken to hold similar consultations on any future permanent closures of branches or Outreach services. To ensure better communication and stakeholder participation, the Department should extend the minimum consultation period of six weeks when required by local responses and public holidays. Consumer Focus should also be given the power to enforce changes to Post Office Ltd's communication material and processes.**

18.   The Department agrees with the Committee on the importance of good and clear communication with customers and stakeholders, where closures or other significant changes in service provision are being put to public consultation. From 1 April 2009, a new Code of Practice on public consultation and communication with respect to the Post Office Network has been in place. This Code has been agreed between Post Office Ltd and Consumer Focus. Whilst the Code does not give Consumer Focus the power to enforce changes to Post Office Ltd's communication material and processes, as it remains the proper function of the company to communicate with its customers, it does provide for Consumer Focus to monitor how the company consults on its proposals and for a joint review of the Code and its application in March 2010.

19.   The Code covers the agreed position between Post Office Ltd and Consumer Focus as to what kinds of communications will be carried out, depending on the type of differing network change. However, there will be no further closure programme. The Code also has an appendix, which covers the circumstances where there will be an extension to consultation timescales (for example – over Christmas and New Year, during Easter and over July and August as appropriate).

> **PAC Conclusion (8): The Department and Post Office Ltd are monitoring savings in sub-postmasters' pay from the programme, but these are only two-thirds of the annual savings expected from the Programme. They should extend their monitoring to include the remaining savings expected from the Programme, both to provide assurance that it is delivering all the forecast benefits, and to allow corrective action to be taken if it is not.**

20.   The Department has reviewed the sub-postmasters pay savings from the Programme through regular scheduled (typically monthly) meetings that have taken place through to November 2009. Once the savings have been made and realised, ongoing monitoring reverts to the general overview that the Department has about whether Post Office Ltd is achieving the financial outcomes as indicated in its strategic plan. The monitoring of central cost savings that resulted from the network change programme is similarly encompassed within this overall monitoring of Post Office Ltd's financial performance.

> **PAC Conclusion (9): Under vigorous commercial leadership, Post Office Ltd appears to have begun to improve its range of central and local government business. We are glad to see that the company is not relying solely on the Post Office Card Account, but seeking out new opportunities to enlarge the range of government services and revenue streams it offers, and to win new customers, such as in local government. The Department should support Post Office Ltd in seeking such business and in encouraging the innovation and entrepreneurship that is necessary if the network is to become financially sustainable.**

21.	The Department agrees with the Committee's conclusion. Initiatives are under way to develop and extend the range of central and local government services include a conference for local authorities in January 2010, jointly promoted by the Department, Post Office Ltd and the Local Government Association.

22.	On 2 December, the Department launched a 12 week national public consultation on '*Post Office Banking*'. This sets out proposals, and invites comments on developing banking and financial services available at the post office. The proposals build on the post office as one of fastest growing providers of such services. It is also ideally placed, through its extensive network, to extend the range of banking and financial services to be locally accessible to all communities, thereby increasing an important revenue stream.

23.	The Department is keen for the post office to increase revenues by taking advantage of new opportunities. One area of potential growth is for the post office to act as a centre for the capture of biometric data for passports, driving licences, and ID cards. The post office recently announced a contract with the DVLA to provide a one-stop biometric data capture facility for the ten-year renewal of driving licences at 750 branches around the country. The Government also announced that it is working with the post office to allow biometric recording for ID cards/passports in post office branches.

> **PAC Conclusion (10): The Department expects there to be future voluntary post office closures, while Post Office Ltd has expressed its strong desire to do everything possible to open replacement offices. However, the enquiry did not produce a clear picture of what the Department and Post Office Ltd expected a sustainable post office network to look like. The Department should set out its expectation on the size, spread and composition of post office network it is working to achieve.**

24.	The Department does not accept that it has not made clear what size spread and composition of network it is working to achieve. The Department had set out its expectation for the network before the start of the Network Change Programme. In its May 2007 response to the national consultation on the Post Office Network, the Department confirmed that support would be available, in the form of the annual £150 million subsidy to 2011, for the social network thereby maintaining a nationwide network at its post Network Change size of around 11,500 outlets. The access criteria ensure that minimum levels of accessibility are maintained in all parts of the country and therefore underpin network spread and also ensure continuing reasonable access to service provision in remote and sparsely populated areas, as well as in urban, deprived urban, and in rural areas more generally.

25.	The Department recognises that the network forms an important part of the national social infrastructure and Ministers have made clear that they will not support a further programme of post office closures. The Department recognises that there will be a continuing need to support the social network beyond 2011. Continuing compliance with the access criteria will be required, notwithstanding any future voluntary post office closures, for example, resulting from a retirement or resignation.

> **PAC Conclusion (11): Post Office Ltd intends to undertake internal reviews of each Outreach service after one year in place. Users are concerned that this review will result in such services being withdrawn. We recommend that the Department clarifies its position and intentions over the future of any Outreach outlets that may be closed after this one year period.**

26.	The Department wishes to make clear that Post Office Ltd's internal reviews of its Outreach services are not undertaken with a view to withdrawal of services. These reviews, undertaken after one year, are to check that the contractual and practical arrangements with the core subpostmaster operating the Outreach service are working as all parties envisaged. They are not about whether the service should continue to exist for that community – that issue was determined by the decision that followed the Network Change consultation.

27.	As at end December 2009, all 433 Outreaches established under the Network Change programme and in place for nine months or more, have had internal reviews undertaken. In 14 cases, the operating model has

been changed (for example: hosted to partner or mobile service). In nine cases, the Outreach service has been temporarily closed for a number of different reasons. Post Office Ltd intends to re-establish each of these and its field teams are working with the local communities to find the most appropriate alternative solutions.

28.   Where any operational issues emerge in these reviews, they will be typically resolved by Post Office Ltd and the subpostmaster. If, theoretically, the issues were such that the core subpostmaster could no longer deliver the outreach service, then Post Office Ltd would put in place new arrangements to continue to provide the Outreach service to that community. However, this has not been a significant issue – the reviews are suggesting that the internal operational arrangements between Post Office Ltd and the core subpostmasters are working well with respect to Outreach, as borne out by the figures above.