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Committee of Public Accounts

Achieving value for money in the delivery of public services

Seventeenth Report of Session 2005–06

Report, together with an Annex and formal minutes

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The Committee of Public Accounts

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Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Emma Sawyer (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee's email address is pubaccom@parliament.uk.

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Introduction

Attention is currently focused on making efficiency savings in the delivery of public services. The Committee of Public Accounts has an important responsibility for helping hold government bodies to account but it believes that it can also play a valuable and constructive role in drawing out the main lessons from the wealth of evidence presented to it. This Report contains findings arising from the Committee's work over the past decade in analysing the barriers to well thought through implementation of government programmes and efficiency in the provision of public services and how they can be overcome.

Although its work is largely concerned with United Kingdom departments and agencies of central government, the Committee hopes that this Report will assist in the successful implementation of the current reform agenda in all parts of the public service throughout the United Kingdom and in the devolved administrations.

1 Achieving value for money in the delivery of public services

1.   Government departments are responsible for planning and implementing a wide range of policies and programmes for the delivery of public services. One of the key strengths of the Committee of Public Accounts is its ability to examine the way in which public money is used to deliver these services right across Government. In the last 10 years, the Committee has issued over 400 reports, and questioned hundreds of senior officials. Witnesses, increasingly from the private as well as the public sector, have provided valuable insights into the challenges they face in improving public services, and have invariably committed themselves to further progress in the future. Subsequently, Governments have acted on most of our recommendations and in doing so, in many cases, have secured financial savings, improved the standards of public services and tackled the risks to successful delivery **(Figure 1)**.

Figure 1: Examples of the impact of implementing Committee recommendations

Committee recommendation	Impact
Medical assessments: In 2001, the Committee took evidence on the service for assessing the eligibility of claimants for incapacity and disability benefits. We found bottlenecks throughout the system were resulting in delays in paying some benefits and continued payment to people who were no longer eligible. Our Report (27th Report, Session 2001–02) expected improvements in the speed of benefit processing.	Our 16th Report, Session 2003–04 on *Progress in improving the medical assessment of incapacity and disability benefits* reported that, following our recommendations, the backlog had almost been eliminated, with a resultant saving to the taxpayer of some £29 million through withdrawing benefit from ineligible customers. Processing times for assessments had also come down, saving £21 million a year.
Refinancing Private Finance Initiative deals: Refinancing a PFI deal after the initial risks have been successfully overcome is one way investors can make financial gains. On occasion, these gains have been very large and not wholly attributable to private sector enterprise. They have not necessarily been shared with the public sector. We recommended (13th Report, Session 2000–01) that departments should expect to share in refinancing gains and that the Office of Government Commerce should issue new guidance on this.	The Office of Government Commerce issued new guidance and negotiated with the private sector a code of practice applying to past PFI deals under which a 70:30 split of refinancing gains would take place, even if no provision for sharing gains had been made in the original deal. In 2003, the OGC estimated that its new voluntary code would provide the taxpayer in the region of £175–200 million, assuming all contracts complied with the code.
Tobacco smuggling: In 2000–01 some £3.5 billion was lost in evasion of duty and VAT on all tobacco products. Most of the illicit imports were produced in the UK by three companies, exported and then smuggled back. Almost half were produced by the Imperial Tobacco Company. The Committee took evidence from Imperial Tobacco and Customs and Excise.	Following the Committee's hearing on HM Customs' strategy to combat the levels of smuggled cigarettes, Customs finalised an Memorandum of Understanding with Imperial Tobacco. This led to improved detection and a reduction in Imperial's distribution channels, leading to significant reductions in the levels of smuggled Imperial cigarettes, to the value of £11 million.
Inheritance tax: The Committee reported in 1999, recommending improvements in the way the Inland Revenue administered the tax, including strengthening its compliance checks and imposing penalties on those not complying; speeding up the processing of long-outstanding cases, and more rigorous enforcement of the conditional tax exemption scheme for heritage	The Committee reported again in 2005. Since then there has been a 66% improvement in the efficiency of administering cases and case backlogs have been more than halved. The checking of samples of cases now more closely reflects risk and improvements have been made to compliance checks on lifetime gifts. Following the Committee's Report, the Revenue and

assets.	heritage agencies have worked more closely in checking that exemption conditions are being met.
Protecting the financial interests of people with mental incapacity: In 1999, the Committee was highly critical in its 35th Report, Session 1998–99 of delays in the collection and review of accounts and concluded that the Public Trust Office was failing to ensure that the financial interests of patients were adequately protected. The Government accepted that the Committee's conclusions demanded a fundamental programme of change and the Public Trust Office was replaced by the Public Guardianship Office.	In 2005 the National Audit Office reported that since its establishment, the Public Guardianship Office has improved the quality of information it receives on receivers' management of the financial affairs of people with mental incapacity. Improvements could also be seen in the increased number of accounts collected on time and increased number of visits undertaken to see clients. The report identified further areas for improvement.
Managing risks to service delivery: Numerous reports by the Committee over many years have emphasised the need for departments to improve their risk management. In particular, the Committee had drawn attention to the importance of departments undertaking careful risk assessments before embarking on major new projects and programmes, of having strategies for managing risks, and of having reliable contingency arrangements in place for responding to the unexpected, so that service delivery for citizens can be maintained. In 2001, the Committee made a series of recommendations.	The Committee has continued to consider risk management in many of its hearings. This has helped to maintain attention on standards of risk management across government. In 2002 the Prime Minister launched a two year initiative – the Risk Programme – to bring focus and drive to departments' efforts to improve their risk management. The Chairman of the Committee of Public Accounts has spoken alongside the Chief Secretary to the Treasury at a joint NAO-Treasury conference on risk management for senior officials. In 2005 the Committee reported again on progress. We concluded that whilst significant progress has been made, it has yet to become an integral feature of the way most public services are planned and delivered.

2. However, whilst those organisations examined in our hearings act on our recommendations, there is less evidence of lessons being taken forward more widely across Whitehall. In addition, we are concerned that some of the projects and programmes we examine have not always been well thought through or planned as well as they could be, taking account of lessons learned elsewhere. This has implications for the quality and efficiency of public services. The purpose of this Report is to highlight the general areas for improvement, as well as the more positive messages from 10 years of our work. In doing this, the Committee recognises that service delivery in a modern society is complex and difficult and we do not underestimate the demands on organisations at a time when they are also seeking to make efficiency savings.

3. Over the last 10 years, the Committee has seen a great deal of progress. For example, we have drawn attention to the valuable steps forward in the use of new technology in the work of HM Customs,[1] to the introduction of an innovative scheme for encouraging emissions reductions to help combat climate change,[2] to the successful negotiation of

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1   24th Report, *Transforming the performance of HM Customs through electronic service delivery* (HC 138, Session 2003–04)

2   46th Report, *The UK Emissions trading scheme: a new way to combat climate change* (HC 604, Session 2003–04)

improved prices for computer software for the public sector[3] and to the significant expansion of 'early years' childcare provision.[4]

4. In other areas, the Government is now looking to improve efficiency or to enhance its ability to provide quality services to citizens. Last year, the Gershon Review[5] made proposals, which the Government accepted, to deliver over £20 billion of efficiencies in public spending by 2007–08 through improvements in back office functions, procurement practice, transactional services and policy-making functions, as well as increasing the productive time of staff in front-line services. Many of the areas highlighted coincided with those identified in the past by this Committee. More recently, the Government announced departmental capability reviews. We welcome this development, which addresses concerns expressed in many of the Committee's reports over the years that departments do not have some of the skills to implement policy effectively. We expect the reviews to take account of lessons highlighted in our reports.

5. Despite signs of progress, however, in too many areas we have seen too little progress over the last decade. In particular, the Committee continues to see cases of:

- policies not being properly planned or thought through;

- improvements not materialising or taking place slowly, despite promises;

- failure to apply more widely the lessons learned in one part of the public sector;

- the repetition of mistakes, even after the causes have been identified;

- failure to exploit commercial opportunities; and

- slow progress in making the most of opportunities offered by new developments in technology.

6. For many years, the Committee of Public Accounts, through its scrutiny of departments' use of public funds, has consistently highlighted practical ways to achieve better value for money for the taxpayer. The Committee has also emphasised the need for careful planning in order to increase the chance of successful implementation of policies, and urged government to act on the evidence in our reports that departments lack well developed capabilities in a range of skills. Many of our recommendations have not required radical change; indeed they are often about basic housekeeping and good management. This analysis of just a sample of Reports published by the Committee going back to the early 1990s suggests there are many areas where improvements could be made but also many lessons that could be acted upon more widely across government.

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3   10th Report, *Purchasing and managing software licences* (HC 306, Session 2003–04)

4   35th Report, *Early Years: progress in developing high quality childcare and early education accessible to all* (HC 444, 2003–04)

5   *Releasing resources for the frontline: independent review of public sector efficiency,* Sir Peter Gershon 2004

7. The Committee has identified seven key areas which departments need to focus on if improvements in the delivery of public services and their efficiency are to be achieved (**Figure 2**).

Figure 2: Seven key aspects of public service delivery which departments need to target to achieve better value for money

	Factors which need to be addressed or where greater progress is needed
• **Plan carefully** prior to implementation	• Ensure timetables are realistic and allow for early planning and detailed specification as this will save both time and resources in the long run. • Make full use of pilots to test schemes on a small scale prior to rolling out and testing on a larger scale. • Ensure that pilot schemes are subject to rigorous monitoring and evaluation.
• Strengthen **project management**	• More realistic business cases and timescales. • Better assessment and management of risk. • Breaking large complex projects into smaller more manageable components. • Having reliable contingency arrangements in place.
• Reduce **complexity** and **bureaucracy**	• Simplify and streamline complex processes which increase costs and the likelihood of error. • Reduce tiers of expensive bureaucracy and multiple funding streams which also complicate accountability for the use of public money.
• Improve public service **productivity**	• Better matching of resources to workload to meet the public's demand for services. • Benchmarking of services and support functions to identify and tackle excessive costs and poor performance. • Tackle bottlenecks in service delivery chains which contribute to inefficient use of resources and delays in service delivery. • Much greater drive to reduce unwarranted sickness absence.
• Be more **commercially astute**	• Taking greater advantage of departments' buying power to secure better deals. • Increased use of professional procurement expertise in framing contract strategies. • More awarding of contracts on achieving longer term sustainable VFM than simply lowest price. • Greater use of incentives and partnership working with suppliers where appropriate.
• Tackle **fraud**	• Better information to help determine the most effective responses to fraudsters and to understand the scale of the problem • Prompt use of penalties and greater publicity to heighten public awareness of risk of detection and punishment • Better use of IT to allow for greater use of data matching, for example, between DWP and HM Revenue and Customs
• Better and more timely **implementation of policies and programmes**	• More reliable information on which to base decisions about new policies. • Clearly thought through implementation plans. • Not losing sight of existing well established good practice. • Exercising strong management grip.

Properly prepare and plan project implementation

8. Careful planning is a pre-requisite of successful implementation. Failure to consider all the risks and business requirements of a specific programme has resulted in unnecessary delays which could have been prevented by more effective preparation. In the case of the Immigration and Nationality Directorate's Casework Programme,[6] for example, the failure to finalise the business requirement before Siemens (the contractor) had started to develop the system, resulted in significant delays to the project implementation and thus the planned efficiency savings. In the Ministry of Defence Support Vehicle projects, the Department's decision to proceed without a formal Assessment Phase resulted in slippage of 19 months which could have been avoided had it followed its own Smart Acquisition procedures.[7]

9. Similarly, rushed procurement can result in the loss of taxpayers' money. The Committee's Report on Home Office grants for Crime and Disorder Reduction Partnerships found that the Department's regional crime reduction teams had encouraged Partnerships to implement projects quickly, which led to inefficient use of resources. For instance, the Portsmouth partnership was allocated £300,000 in December 2002, which it was instructed to spend by the year end. The rushed procurement and subsequent lack of testing meant the new systems were not operational until August 2003.[8] In the Committee's Report on the early 1990s NHS Read Codes initiative, the lack of a sound project appraisal with a rigorous assessment of costs and benefits and business case resulted in considerable additional expenditure.[9]

10. The Benefit Payment Card – the contract for which was awarded in 1996 – is an example of an innovative initiative intended to harness IT to deliver better services and safeguard public funds. However, failure to adequately plan and design this major programme and manage risk resulted in abortive costs of up to £1 billion.[10] This included some £127 million in nugatory systems development which could have been avoided had the former Department of Social Security spent more time specifying the requirement and piloting the system.

11. Piloting is a good way of assessing whether a project is likely to work in practice. It allows observation of user reaction to the planned project as well as giving a more realistic indication of the costs of wider implementation. Most importantly however, pilot schemes allow departments to identify potential barriers to the implementation of the project which may not have been seen during the design stages. For instance, the Department of Work and Pensions' "ONE" initiative[11] used piloting to test a variety of alternative delivery

6   7th Report, *Home Office: The Immigration and Nationality Directorate's Casework Programme (*HC 130, Session 1999–2000)

7   43rd Report, *Ministry of Defence: Major Projects Report (*HC 383, Session 2003–04)

8   23rd Report, *Reducing crime – the Home Office working with Crime and Disorder Partnerships, (*HC 147, Session 2004–05)

9   62nd Report *The purchase of the Read Codes and the management of the NHS Centre for Coding and classification,* (HC 657, 1997-98)

10   3rd Report, *The cancellation of the Benefits Payment Card Project (*HC 358, Session 2001–02)

11   16th Report, *Improving Public Services through innovation: the Invest to Save Budget (*HC 170, Session 2002–03)

mechanisms. These were subject to regular monitoring and evaluation to identify the lessons as the scheme developed. A number of potential barriers were then addressed before the scheme was rolled out nationally. Another good example of good practice identified in Reports by the Comptroller and Auditor General was the Treasury Building Project, which demonstrated how planning in advance can help to negate risk.[12]

12. However, departments often do not appear to take advantage of the benefits of piloting and further, do not learn lessons from it. For instance, although the Department for Education and Skills undertook extensive piloting to test potential schemes during the development of the Individual Learning Accounts initiative, none of the schemes tested provided a workable solution. As a result, a different model was implemented. However, the Committee of Public Accounts concluded that the scheme – which had self-imposed tight time restrictions – "was not well thought through or tested and was implemented in too short a time."[13] This rushed implementation resulted in a system which was subject to high levels of fraud costing the taxpayer some £67 million.

13. Piloting programmes can lead to significant efficiency savings but only if they are used appropriately. The introduction of a new passport system in 1999[14] caused severe delays in the processing of applications. In order to test the new system the Passport Agency decided to launch it at their two largest sites. Problems at both sites severely reduced the Agency's processing capacity which resulted in lost production of **400,000 passports**. Additionally, the new system went live before the testing of its impact on productivity had been fully assessed and before questions which had been raised as a result of testing had been adequately resolved. The Committee highlighted the need for pilots to begin on a small scale and subject to satisfactory testing be rolled-out for testing at larger volumes as well as the importance of sound risk-management arrangements.

14. **Departments need to:**

- Ensure timetables are realistic and allow for early planning and detailed specification as this will save both time and resources in the long run.

- Make full use of pilots to test schemes on a small scale prior to rolling out and testing on a larger scale.

- Ensure that pilot schemes are subject to rigorous monitoring and evaluation.

Strengthen project management

15. A regular feature of many major government projects has been for them to incur increased costs or be completed later than planned. Many do not realise their full benefits in terms of better public services. Reports by the Committee have identified that a significant contributory factor to such poor performance is a lack of reliable project

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12   C&AG's Report, *Innovation in PFI financing: the Treasury Building Project* (HC 328, Session 2001–02)

13   10th Report, *Individual Learning Accounts (*HC 544, Session 2002–03)

14   24th Report, *The passport delays of summer 1999 (*HC 208, Session 1999–2000)

management. In many cases, some of the basic requirements of project management were lacking, such as determining and defining operational needs clearly; the development of a sound business case; assigning risk to whoever is best placed to manage it; monitoring progress; and having reliable contingency arrangements in place to maintain services for the public if something goes wrong. For instance, in 1996 the Committee found such a situation in the sale of the Directorate of Telecommunications (DTELS). The Home Office had not fully analysed the risks of DTELS's major relocation in 1991, even though privatisation was already being considered by that stage.[15] Likewise, in managing a PFI contract, let in 1995, to develop a new National Insurance Recording system (NIRS2), the Contributions Agency did not have any firm contingency plans for the late delivery by the contractor of this critical system even two and a half months before the planned delivery date.[16]

16. IT projects have over the last ten years have been prone to significant problems which the Committee believe should have been avoided. In its Report on 'Improving the delivery of IT projects'[17] in 2000 the Committee stated "that it had reported on problems with Government IT projects on more than 25 occasions during the 1990s." The Report set out a range of good practice which departments needed to follow to improve project performance. Subsequently, in 2003, the Committee considered the management of the LIBRA project by the then Lord Chancellor's Department which had doubled in cost to £400 million.[18] The National Probation Service's NPSISS system was reported as 70% above the expenditure forecast by the Home Office – to cost at least £118 million – even though many probation services found it hard to use.[19] These cases were not so different from those reported on by our predecessors. Back in 1996 they had noted that many of the integrated computer systems introduced in the NHS in the early 1990s had been delayed and did not build sufficiently on past experience.[20] More recently, the OGC has taken a number of initiatives to improve project management and the PFI route is no longer used to fund IT projects as it had been for LIBRA. Many of the inherent problems had, however, been identified by the Committee throughout the 1990s and might have been avoided if action had been taken sooner.

17. As well as IT projects, the Committee has also examined Departments' large-scale construction or refurbishment programmes. The Guy's Hospital Phase III Development, which was completed over three years late in 1997, was a case of poor project management in which costs spiralled out of control to a final sum £115 million higher than the original estimate of £35.5 million. The design was not finalised until five years after the initial

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15   28th Report, *Sale of DTELS* (HC 151, Session 1995–96)

16   46th Report, *The contract to develop and update the replacement National Insurance Recording System* (HC 472, Session 1997–98)

17   1st Report, *Improving the delivery of Government IT projects* (HC 65, Session 1999–2000)

18   44th Report, *New IT systems for Magistrates Courts: The LIBRA project* (HC 434, Session 2002–03)

19   32nd Report, *The implementation of the National Probation Service Information Systems Strategy* (HC 357, Session 2001–02)

20   7th Report, *The Hospital Information Support Systems Initiative* (HC 97, Session 1996–97)

estimate was approved, and at various stages the project was progressed without full funding.[21]

18. **Departments need to:**

- Have more realistic business cases and timescales.

- Understand and manage risk better.

- Break large complex projects into smaller more manageable components.

- Ensure that reliable contingency arrangements are in place.

Reduce complexity and bureaucracy

19. Many public services are unnecessarily complex and bureaucratic, which increases costs and reduces quality. Complex rules and processes are often expensive to administer (for example, it costs the Department for Work and Pensions £40 to deal with each application for Attendance Allowance[22]) and citizens are more likely to have difficulty understanding them, increasing the likelihood of errors which in turn have to be rectified at additional cost, including via costly appeals processes. Each year, for example, the total amount of errors in the Department for Work and Pensions' administration of benefits is some £1 billion.[23] Complex benefit rules can also be difficult to explain to citizens. Our Report on the Inherited SERPS problem noted the failure to adequately explain alterations to pension inheritance arrangements over a period of 10 years from the mid-1980s will cost the taxpayer £12 billion[24] between now and 2050.

20. Many of the errors in transactions across government arise from customers or staff failing to cope with complex regulations. This has been an ongoing problem for the Child Support Agency. The Committee reported in 1995 that 40% of the child maintenance assessments made by the Agency in 1993–94 contained errors. While recognising the difficulties facing the collection of this information, the Committee recommended that the Agency continue its efforts to explain the complexity to customers in order to provide an efficient service in the interests of children.[25] In 2004, however, the Comptroller and Auditor General qualified his opinion on the Child Support Agency's account for the 10th year running because of high levels of error in the amounts considered as recoverable from non-resident parents.[26]

21. The tax system is another complex area. In 1995, the Committee reported on the extent to which the then Inland Revenue got tax calculations right first time. Due in part to

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21 28th Report, *Department of Health: Cost over-runs, funding problems and delays on Guy's Hospital Phase III Development* (HC 289, Session 1998–99)

22 26th Report, *Difficult forms: how government departments interact with citizens* (HC 255, Session 2003–04)

23 Annual error is £1 billion – 55th Report, *Fraud and error in Income Support* (HC 595, Session 2001–02)

24 5th Report, *The Draft Social Security (Inherited SERPS) Regulations* (HC 243, Session 2000–01)

25 1st Report, *Child Support Agency* (HC 31, Session 1995–96)

26 C&AG's Report, *Child Support Agency: Client Funds Accounts 2003–04* (HC 782, Session 2003-04)

complexity in the tax system, the Department estimated at the time that errors resulted in a net undercharge to taxpayers of about £100 million, leading to a consequent loss of revenue to the Exchequer.[27] Eight years later, the Committee reported[28] that the Inland Revenue was relying on more sophisticated risk management structures for its new tax credit systems. The Committee hoped it would minimise the errors which have characterised comparable benefit schemes but in 2004, the Department had yet to demonstrate any reduction in errors in payments, which were 10–14% by value – between £500million–£700 million a year.[29]

22. Complexity can also manifest itself in additional tiers of expensive bureaucracy. For example, the Committee has highlighted that the South East England Development Agency had to devise an initiative to help applicants deal with problems created by over 40 different funding streams each with separate monitoring and evaluation criteria.[30] Elsewhere, the Committee has called for the Strategic Rail Authority to work with the rail industry to streamline the complex process for introducing new trains, noting "the industry does not share a common understanding of the process and this, together with its complexity contributes to the poor reliability of new trains. The Government should use the opportunity of its review of the industry to reduce the number of organisations involved in introducing new trains".[31] Complexity also shows itself in the extent to which organisations are interdependent on each other. Reports by the Committee in 1990 and 1998 on the Crown Prosecution Service highlighted how closely parts of the criminal justice system needed to work together, and the impact this had on performance of the Service. [32]

23. **Departments need to:**

- Systematically simplify and streamline complex processes which increase costs and the likelihood of error.

- Reduce tiers of expensive bureaucracy and multiple funding streams such as those involved with the Regional Development Agencies and Schools which also complicate accountability for the use of public money.

Improve public service productivity

24. Maximising the number of citizens who benefit from public services within a timescale acceptable to them depends significantly on how efficiently services are delivered. This will be influenced by the productivity of public sector workers and how well technology and

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27   4th Report, *Inland Revenue: Getting tax right first time, and dealing with more complex postal queries* (HC 105, Session 1994–95)

28   29th Report, *Inland Revenue: Tax Credits and Tax Debt Management* (HC 332, Session 2002–03)

29   14th Report, *Inland Revenue: Tax Credits* (HC 89, Session 2003–04)

30   51st Report, *Success in the Regions* (HC 592, Session 2003–04)

31   34th Report, *Strategic Rail Authority: Improving passenger rail services through new trains* (HC 408, Session 2003–04)

32   33rd Report, *Crown Prosecution Service* (HC 526, Session 1997-98)

assets such as buildings and equipment are utilised. Numerous Reports by the Committee have demonstrated the considerable scope to improve productivity. For example:

- A key focus of departments' resource management should be delivering better services but it can also help to identify and realise opportunities to improve efficiency – just a 1% efficiency improvement in the utilisation of the £1,447 billion of resources allocated to departments over the next three years would release just under £14.5 billion to redeploy to front line services.[33]

- In 1995, the Committee noted that sickness absence cost the Civil Service £419 million annually. More specifically, the Committee noted that the estimated cost of sickness absence for 1997–98 in the Prison Service was at least £56 million a year. Although sickness absence had been high for a long time, the Committee found that the Prison Service had not given sufficient attention to tackling it.[34] The position remained very poor when the National Audit Office reported again in 2004, and the Service had been slow to implement previous recommendations.[35] We also found a similar problem in 1996–97 in the Metropolitan Police Service where sickness absence amounted to around £96 million per year.[36] And in 2003–04, little had changed in the Department for Work and Pensions, where the direct annual cost of absence alone was £100 million.[37]

- Use of assets such as land and buildings and equipment needs significant improvement in some organisations. In 2001, the Committee noted that there had been £41 million abortive expenditure on vacant defence married quarters. We also pointed to the need to achieve much greater efficient use from the £36 billion worth of medical equipment[38] in the NHS. The Committee had previously reported that surplus accommodation in Government properties, mostly from empty offices, cost the Exchequer about £132 million in 1996–97.[39] Our predecessors also noted in 1997 that higher education institutions in Wales had an average space utilisation rate of only 19–22%, thus spending money on space that was not adequately used.[40]

- Inappropriate hospital bed use has also been a significant problem. For much of the last decade, we have seen thousands of elderly patients having to remain in costly and scarce acute hospital beds for days and sometimes weeks after doctors have

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33 C&AG's Report, *Managing resources to deliver better public services* (HC 61, Session 2003–04)

34 33rd Report, *Managing sickness absence in the Prison Service* (HC 453, Session 1998–99)

35 C&AG's Report, *The management of sickness absence in the Prison Service* (HC 533, Session 2003–04)

36 50th Report, *The management of sickness absence in the Metropolitan Police Service* (HC 594, Session 1997–98)

37 34th Report, *Her Majesty's Land Registry: The management of sickness absence,* (HC 307, Session 1995–96); C&AG's Report, *Managing attendance in the Department for Work and Pensions* (HC 18, Session 2004–05)

38 14th Report, *Ministry of Defence: Managing reductions in the number of vacant family quarters,* (HC 391, Session 2000–01); 20th Report, *NHS Executive: The management of medical equipment in NHS Acute Trusts in England* (HC Session, 1999–2000)

39 26th Report, *Vacant office property* (HC 395, Session 1997–98)

40 21st Report, *The management of space in higher education institutions in Wales* (HC 159, Session 1996–97)

said they were ready to go home as a result of poor communications between hospitals and social services – at a cost to the NHS of £170 million a year.[41]

25. **Departments need to:**

- Match resources better to workload to meet the public's demand for services:

- Benchmark services and support functions to identify and tackle excessive costs and poor performance.

- Tackle bottlenecks in service delivery chains which contribute to inefficient use of resources and delays in service delivery.

- Give much greater drive to reducing unwarranted sickness absence.

Be more commercially astute

26. Central civil service departments alone spend annually in excess of £15 billion **on goods and services**. Reports by the Committee of Public Accounts over the last 10 years have regularly emphasised the considerable potential to secure better value for money by departments and the wider public sector being much more commercially astute in their dealing with suppliers. In 1991 and 1996, for example, we reported concerns about the purchasing arrangements in the NHS where there was a clear need for better information about suppliers and the products purchased in order to get better value for money from the enormous expenditure involved.[42] In 2000, the Office of Government Commerce was set up to promote improvements and achieve value for money gains. The need for many of the subsequent initiatives and action taken by OGC had, however, been raised in earlier Committee Reports. And even when the scope for savings has been identified, we have seen evidence of a failure to act. Our Report on the purchase of professional services illustrated that six years after a 1994 Cabinet Office Efficiency Scrutiny had identified £65million potential savings, recommendations had not been implemented and nobody knew to what extent the savings had been achieved.[43]

27. In the field of defence procurement, successive hearings by the Committee on the Major Projects Report have highlighted significant cost increases – some £3.1 billion in just a year for the largest 20 projects and average slippage of 18 months in delivery date in our recent Report – which might have been avoided through the application of better procurement practices.[44] In 2000, our predecessors criticised the procurement by the Ministry of Defence of the Chinook Mark 2 helicopter in a contract worth £143 million. There were significant technical problems with accepting the Chinook into service, which may have contributed to the tragic crash of Chinook ZD-576 in June 1994.[45] The

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41   33rd Report, *Ensuring the effective discharge of older patients from NHS acute hospitals* (HC 459, Session 2002–03)

42   1st Report, *NHS Supplies in England* (HC349, Session 1997-98)

43   21st Report, *Better value for money from professional services (*HC 309, Session 2001–02)

44   43rd Report, *Ministry of Defence: Major Projects Report 2003* (HC 383, Session 2003–04)

45   45th Report, *Ministry of Defence: acceptance of the Chinook Mk2 Helicopter* (HC 975, Session 1999–00)

Committee's 2003 Report on *Ministry of Defence: Progress in reducing stocks*[46] concluded radical action was still needed to tackle long understood inventory management problems. The RAF, for example, had £1 billion in obsolete stock and £4.4 billion of stock with no forecast demand. The Committee had already noted that the Ministry of Defence needed to be more rigorous in its sale of stock. In its Report in 1994, the Committee expressed concern that the Department did not always maximise sale proceeds from those ships in operational condition, and did not routinely sell spare parts at the same time as the main equipment, meaning that they become less valuable.[47]

28. In its Report 'Improving Procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost effectively'[48] the Committee concluded that the Government's target to achieve a further £3 billion savings by 2006 depended on securing "reduced procurement transaction costs, greater use of e-commerce solutions, increased collaboration between departments and the wider public sector, and greater use of frame work agreements". Similarly, in the construction area, Reports by the Committee have highlighted the scope to achieve savings of around £1 billion in costs through more attention being given to getting the design of new buildings right at the outset; adopting a more collaborative approach and sharing of risk with industry; and awarding contracts on the basis of achieving sustainable value for money rather than simply lowest price.[49]

29. There are other aspects to being more commercially astute. One is ensuring that money owed is obtained. The Committee has reported on the failure to collect more than £150 million in penalties and fines in 2001–02, which were instead written off or cancelled because the offender could not be traced or because there was no chance of the penalty being collected.[50] Another recent Report highlighted that the Inland Revenue writes off £0.7 billion each year in debt, reinforcing the need to secure earlier receipt. Yet in 2004, Revenue debt of £3 billion was at least a year old, raising the likelihood of further larger sums having to be written off in the future.[51]

30. Being commercially astute also means being aware of potential threats to success. The Committee reported that the Public Trust Office – responsible for safeguarding the financial wealth of 22,000 people certified as mentally incapable – did not obtain accounts of how patients' income had been used from 40% of private receivers for 1996–97, thus leaving patients' money open to possible misuse.[52] This was despite the recommendations in our 1994 Report.[53] We have also seen slow progress by some bodies in exploiting

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46   13th Report, *Ministry of Defence: progress in reducing stocks* (HC 566, Session 2002–03)

47   27th Report, *Disposal by sale of defence surplus equipment and stores* (HC 194, Session 1993–94)

48   41st Report, *Improving procurement: progress by the Office of Government Commerce in improving departments' capability to procure cost effectively* (HC 541, Session 2003–04)

49   2nd Report, *Improving construction performance* (HC 337, Session 2001–02)

50   68th Report, *Collection of fines and other financial penalties in the criminal justice system* (HC 999, Session 2001–02)

51   49th Report, *The recovery of debt by the Inland Revenue* (HC 584, Session 2003–04)

52   35th Report, *Public Trust Office: protecting the financial wealth of people with mental incapacity* (HC 278, Session 1998–99)

53   39th Report, *Looking after the financial affairs of people with mental incapacity* (HC 278, Session 1993–94)

knowledge and skills. The Committee reported that the Department for the Environment, Food and Rural Affairs' income from commercialisation was less than 1% of its £100 million a year expenditure on research, suggesting that the Department lacked the leadership and enthusiasm to promote commercialisation.[54]

31. **Departments need to:**

- Take greater advantage of their buying power to secure better deals.

- Increase their use of professional procurement expertise in framing contract strategies.

- Award more contracts on basis of achieving longer term sustainable VFM rather than simply lowest price.

- Make greater use of incentives and partnership working with suppliers where appropriate.

Tackle fraud

32. Fraud has been a long term concern for the Committee. In 1998, our predecessors expressed dismay that seven years after the then Department of Social Security gave undertakings to tackle fraud and abuse in Housing Benefit, fraud still stood at £900 million a year.[55] A further six years on, benefit fraud remains as significant a problem as ever, with the C&AG qualifying the Department for Work and Pensions' accounts annually, in part due to fraud across the main benefits of £2 billion each year. Particularly problematic are Income Support and Jobseeker's Allowance.[56] In 2003, the Committee reported that Housing Benefit fraud was still estimated at £0.5 billion a year.[57]

33. In other areas covered by the Committee fraud also remains a major issue. HM Customs estimate VAT lost in 2002–03 was over £11 billion through non-compliance, non-registration and artificial avoidance schemes.[58] And Inland Revenue estimate that around £2.5 billion in Income Tax is at risk each year.[59] Both areas have been the subject of Committee attention – customs fraud, for example, back in 1998.[60] On top of the amounts lost to fraud, the cost of combating and monitoring it is high. In 2001–02, for example, the Inland Revenue alone spent more £0.4 billion on activities to tackle non-compliance.[61]

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54   18th Report, *Reaping the rewards of agricultural research* (HC 414, Session 2002–03)

55   27th Report, *Measures to combat Housing Benefit fraud* (HC 366, Session 1997–98)

56   55th Report, *Fraud and error in Income Support* (HC 595, Session 2001–02)

57   31st Report, *Tackling benefit fraud* (HC 488, Session 2002–03)

58   36th Report, *Tackling VAT Fraud* (HC 512, Session 2003–04)

59   1st Report, *Tackling fraud against the Inland Revenue* (HC 62, 2003–04)

60   54th Report, *HM Customs Appropriation Accounts* (HC 717, Session 1997–98)

61   1st Report, *Tackling fraud against the Inland Revenue* (HC 62, 2003–04)

34. **Departments need to:**

- Have better information to help determine the most effective responses to fraudsters and to understand the scale of the problem.

- Make prompt use of penalties and greater publicity to heighten public awareness of risk of detection and punishment.

- Make better use of IT to allow for greater use of data matching, for example, between DWP and HM Revenue and Customs.

Implement policies better and in a more timely way

35. Advances in technology and research mean that there are major opportunities to improve public services. Health care is a good example as many diseases and illnesses that before were largely untreatable, now have much improved recovery rates. At the same time, however, departments cannot ignore the basics. For example, the Committee's Report on hospital acquired infection highlighted that some 5,000 people a year died of infection picked up in hospital and that such infections cost the NHS as much as £1 billion a year. The Committee commented in 2000 that the NHS did not have a grip on the issues, having little information. But more than four years later, the Comptroller and Auditor General's follow-up Report showed the NHS still has little knowledge of costs involved and UK infection rates are amongst the worst in Europe. Having to care for patients who acquire infections in hospital is a huge waste of resources at a time when the NHS is stretched.[62]

36. While medical technology can offer great benefits to public health, the policies and public services must be delivered in a coherent and fair way. The NHS Cervical Screening Programme was one such valuable service. However, the Committee, on the basis of data from 1996–97, reported that there was apparent under-screening of women in lower socio-economic groups and those from ethnic minorities. The NHS Executive agreed to take steps to address these inequalities.[63]

37. Failure to consider the full implications of new policies or act quickly has cost the taxpayer money that might have been avoided. For example, in 2000 the Committee in its Report on Government on the Web[64] concluded that "while some departments were making good progress in using the internet to improve service delivery in others, however, it was not possible for citizens to down load simple forms, submit returns electronically or for citizens to interrogate websites to access better information." In its Report two years later, the Committee noted that departments currently had underway 100 major IT projects with a total value of £10 billion. The Committee concluded, that "Departments frequently justify their significant investment in IT projects by the potential to improve

62   42nd Report, *The management and control of hospital acquired infection in acute NHS Trusts in England* (HC 306, Session 1999–2000); C&AG's Report, *Improving patient care by reducing the risk of hospital acquired infection* (HC 876, Session 2003–04)

63   69th Report, *The performance of the NHS Cervical Screening Programme in England* (HC 757, Session 1997–98)

64   21st Report, *Government on the Web (HC 331, Session* 1999–2000)

their operational efficiency and release resources to redeploy to front line service delivery. But have very little information however on the extent to which such improvements are being achieved. To focus their efforts on encouraging citizens to access services, on-line departments should also develop realistic take-up strategies for on-line services supported by action plans to achieve them".[65]

38. More widely, the Committee reported in 2003 that Department for Work and Pension's inadequate information technology systems are still a major constraint in tackling fraud. Benefit data are held in 20 separate systems with no common access point to all the systems. Consequently, staff cannot readily detect incorrect information supplied by customers. The systems also rely on clerical interventions in the calculation of benefits.[66]

39. The late delivery of new programmes and projects can have significant cost implications, as the Committee has reported on many occasions. The Trawlerman project, an IT initiative accepted by the Ministry of Defence in 1995, was affected by rapid technological development in the IT industry. The Department failed to time the introduction of the system properly and so did not position itself to take advantage of technological improvements. The Department noted that, even had the project been delivered on time, it would soon have become obsolete. In the event, it was never used by the Department, and was abandoned in 1996 at the loss of £40.7 million.[67] The Eurofighter, as a further example, is now over four years late and £2.3 billion over budget. The introduction of the Apache helicopter into full military service was delayed by problems with the separate weapons and training contracts, despite reasonable progress being made with delivery of the basic helicopter. As a result, 40 of the helicopters, worth over £1.2 billion, had to be stored at considerable expense, and the Armed Forces experienced delays in benefiting from the enhanced operational capability that the helicopter will provide.[68] The Committee has also seen examples of where organisations have lost sight of key aspects of change; for example, GCHQ's estimated costs for moving its technical capability into its new building rose from £41 million in 1997 to £450 million in 1999.[69]

40. **Departments need to:**

- Have reliable information on which to base decisions about new policies.

- Have clearly thought through implementation plans.

- Not lose sight of existing well established good practice.

- Exercise strong management grip.

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65   54th Report, *Improving public services through e-government* (HC 845, Session 2001–02); 66th Report, *Progress in achieving Government on the Web* (HC 936, Session 2001–02)

66   31st Report, *Tackling benefit fraud* (HC 488, Session 2002–03)

67   18th Report, *Ministry of Defence: Appropriation Accounts 1997–98* (HC 207, Session 1998–99)

68   46th Report, *Ministry of Defence: Building an air manoeuvre capability: the introduction of the Apache helicopter* (HC 533, Session 2002–03)

69   23rd Report, *Government Communications Headquarters: New Accommodation Programme (*HC 65, Session 2003–04)

ANNEX

1   Examples of Reports on the need for proper preparation and project implementation

7th Report, Home Office: The Immigration and Nationality Directorate's Casework Programme (HC 130, Session 1999–00)

- We note that the Home Office consider that the original scope and goals of the project remain valid but they now recognise that the timetable for completion of the entire project had been much too ambitious. The business requirement took longer to finalise than either they or Siemens expected. As Siemens had started to develop the IT system before the business requirement was finalised, the two strands had diverged over time and this was a major factor in the delay to the entire project.

- We are concerned that, during the selection process, the Home Office underestimated the difficulty of scaling up existing applications, developed by Siemens in other fields, to the relatively large processing volumes needed for the Directorate's workload. We agree with the Home Office that careful phasing of the implementation of the separate elements of such projects is something that should be examined very carefully in the future.

43rd Report, Ministry of Defence: Major Projects Report (HC 383, Session 2003–04)

- **In a number of cases, such as the Astute submarine and the Support Vehicle, the Department and industry made poor decisions and committed to unrealistic programmes.** The Department is in a long lasting relationship with many of its suppliers where success will only be achieved by establishing programmes which hold the prospect of securing a fair risk and reward balance. The Department and industry should explore how better to share information on costs, risks and potential opportunities for mutual gain to help both partners to structure deals appropriate to the circumstances of individual programmes.

- Smart Acquisition principles were not fully applied to the Support Vehicle which is currently predicted to be a year late entering service. The Department decided to proceed without a formal Assessment Phase on the basis of three years work done to examine the suitability of the project for a Private Finance Initiative solution and because potential solutions were already available in the commercial sector. In retrospect, the Department accepts that it made a mistake in omitting the Assessment Phase and that both its and industry's understanding of the requirement was immature.

23rd Report, Reducing Crime – The Home Office Working with Crime and Disorder Reduction Partnerships (HC 147, Session 2004–05)

- Motivated by a desire to make sure that annual allocations were spent by the year end, Home Office regional crime reduction teams had encouraged Partnerships to implement projects quickly. Such a policy, based on end of year considerations had inevitably led to inefficiencies. The Home Office had allocated, for example, funding for a CCTV and automatic number plate recognition system to the Portsmouth Partnership in December 2002. It had then required the Partnership to spend the funds by March 2003. The rushed procurement led to the acquisition of a system which was not fully operational until August 2003. By making use of existing government flexibility for funding non-government organisations, the Home Office could have rolled forward funding for Partnerships from one year to the next, provided the programme money had not been spent and was still available for that project.

62nd Report, The purchase of the Read Codes and the management of the NHS Centre for Coding and Classification (HC 657, Session 1997–98)

- It is axiomatic that sound project appraisal includes a rigorous assessment of costs and benefits and a realistic assessment of any risks. In their purchase and development of the Read Codes, the NHS Executive failed to undertake such an appraisal and they did not produce a business case for a project on which they have now spent £32 million. It will cost much more to implement the project in full. This failure reinforces our concerns on other NHS information technology projects, such as the development of hospital information systems.

C&AG's Report, The cancellation of the Benefits Payment Card Project (HC 857, Session 1999–2000)

- Inadequate time was allocated for specifying the requirement and piloting. To save time and money, insufficient work went into specifying the project and for demonstrations by bidders. The result of skimping at the start was vast delay and as it turned out, wasted money. A key lesson is that allowing realistic timescales for early planning and detailed specification will pay dividends in time, cost and quality.

16th Report, Improving public services through innovation: the Invest to Save Budget (HC 170, Session 2002–03)

- The Department for Work and Pensions ONE project—by far the largest ISB project to-date—had, as one of its main objectives, the aim of increasing levels of employment by piloting new and innovative ways of getting benefit recipients into work. The Department's February 2003 evaluation of the project indicated, however, that it had made no difference to the chances of benefit recipients securing employment. While this is a disappointing outcome for an innovative project the Department did recognise from the outset the risks inherent in such a scheme, given the often difficult task of getting those on welfare back to work. It took steps to address these risks by regularly monitoring the progress of the pilot

and candidly evaluating its impact, so that clear lessons could be drawn as the initiative went forward. In this respect, the Department managed the project and its inherent risks well.

C&AG's Report, Innovation in PFI financing: the Treasury Building Project (HC 328, 2001–02)

- One of the risks in running a funding competition is that the procurement process will be lengthened, delaying the realisation of project benefits. This is because the funding competition represents a separate procurement at the end of the main contractual negotiations where a third party, that has not previously been involved in the negotiations, is required to sign up to the project agreement. However, the Treasury building competition showed that this risk can be negated if the competition is planned in advance and the process is well managed. By running the funding competition at the same time that the project was receiving planning and listed building permission, financial close was reached only two weeks later than if there had been no competition.

10th Report, Individual Learning Accounts (HC 544, Session 2002–03)

- The Department had 5 years to put in place arrangements to implement the Government's commitment to have 1 million individual learning accounts by March 2002. While the Department undertook extensive piloting to test innovative schemes, these did not provide workable solutions, and the scheme implemented was not well thought through or tested and was implemented in too short a time. While the tight timetable was of the Department's own making, after the pilots did not work it should have re-planned the project and ensured full testing before implementation, rather than over-ride sound project and risk management.

24th Report, The passport delays of summer 1999 (HC 208, Session 1999–2000)

- The origin of the crisis was the introduction in late 1998 of a new computerised system for processing passports. The Agency assumed that their new system, involving substantial changes in working methods, could be implemented over a few months without detriment to services. That assumption was far too optimistic. The flawed implementation of the Agency's new system had a major impact on productivity, which resulted in the lost production of 400,000 passports. The Agency should have been more realistic about the time, resources and management effort needed to secure the successful introduction of information technology and, just as importantly, the associated changes to operating procedures.

- There was a four month delay before testing of the new system was started, and testing of the new system's impact on productivity was not completed before it went live in late 1998. In addition, testing and initial implementation raised questions about the new system's effect on productivity, which were not adequately resolved. We found little evidence of any systematic evaluation of the risks of going ahead once these problems had emerged, or of timely consideration of alternatives.

We emphasise the importance of sound risk-management arrangements, especially for projects where mistakes could lead to major costs or disruption for the public.

- The Agency took the risk of launching the new system in their largest offices, at Liverpool and Newport, which together accounted for half of the Agency's normal processing capacity. The problems at these two pilot sites resulted in the lost production of 400,000 passports in late 1998 and the first half of 1999, and the Agency were never able to make up for this significant loss in processing capacity. The decision to continue the roll-out of the new system to a second office, at Newport, was crucial because it further diminished the Agency's processing capacity when they already needed to make up for shortfalls in production in Liverpool. The Committee emphasises the need for pilot testing of new computer systems should wherever possible begin on a small scale and be rolled-out for testing at larger volumes only when initial tests prove satisfactory.

2 Examples of Reports highlighting the need to strengthen project management

28th Report, Sale of DTELS (HC 151, Session 1995–96)

- We are surprised that, in October 1991, at a time when DTELS was being considered for privatisation, the Home Office entered into a legally binding commitment to a 25 year lease on a new headquarters building for DTELS which, in the event, was not required by the new owners and so remained a charge on the Home Office.

- We strongly urge that, where departments are considering selling a business or part of their operations, they should carry out a risk analysis of the likely costs and benefits to the taxpayer from a major relocation, on a range of assumptions, which include the possible timing of a sale and the possibility that a new owner might not require the premises concerned.

46th Report, The contract to develop and update the replacement National Insurance Recording System (HC 472, Session 1997–98)

- In May 1995, the Contributions Agency, an Executive Agency of the Department of Social Security, let a contract to Andersen Consulting to develop by February 1997 a replacement for the existing National Insurance Recording system (NIRS1). The successful development of the new system (NIRS2) is critical to provide necessary support for new pensions provisions which came into effect in April 1997. Under the original deal, Andersen Consulting were to develop the new system and operate it for a period of seven years from February 1997 and provide further enhancements by April 1999.

- Departments should ensure that they understand fully the potential impact of delay on their business and customers. The Agency were not able to transfer to Andersen Consulting the business risk of not having the new system fully operational by the date it was required. In those circumstances it was clearly the Agency's responsibility to draw up contingency plans to cover the risk that delivery of the system would be delayed. Yet, only two and a half months before the delivery date, the Agency had not made any firm contingency plans for this eventuality. And, in the face of the delay having actually occurred, the Agency have had to develop and operate contingency plans at the same time as managing their relationship with their contractor.

1st Report, Improving the delivery of government IT projects (HC 65, Session 1999–2000)

- The management and oversight of IT projects by skilled project managers is essential for ensuring that projects are delivered to time and budget. But the successful implementation of IT systems calls for imagination and well-conceived risk management, as well as sound project management methodologies.

- The increasing use of complex external contracts for the delivery of major public sector IT projects and the supply of strategic IT services has highlighted the need for a high degree of professionalism in the definition, negotiation and management of IT contracts. It is essential that public sector bodies get the right contracts in place. With large sums of public money at stake, any lack of clarity, or debatable interpretation in a contract can lead to expensive misunderstandings that might have to be resolved in the courts.

44th Report, New IT systems for Magistrates Courts: the LIBRA project (HC 434, Session 2002–03)

- The contract was renegotiated twice, each time ICL asking for more money. As a result of the first re-negotiation, a revised contract for 14.5 years at a price of £319 million was signed in May 2000. Within ten months ICL informed the Department it was in financial difficulties even at the price negotiated a year before. Negotiations for ICL to continue with the whole contract failed, and the Department reached agreement for ICL to deliver only the infrastructure at a cost of £232 million over 8.5 years. The Department has signed a separate contract with STL to provide the core software application. A systems integrator will be appointed towards the end of 2003 to roll out and run the application. The total cost of the project is now estimated at £390 million for just 8.5 years of service, rather than the original 10.5 years

32nd Report, The implementation of the National Probation Service Information Systems Strategy (HC 357, Session 2001–02)

- The full economic cost of the NPSISS programme, including CRAMS, was expected to be at least £118 million by the end of 2001 (£105 million at 1994–95 prices), 70% at constant prices above the expenditure forecast in the Home Office's original business case.

- The project management team assigned to the NPSISS programme was, however, badly under-resources; lacked the skills and capacity necessary to perform effectively; and, with seven programme directors in seven years, suffered from frequent changes of leadership. If future projects are to succeed, the Home Office needs to strike a better balance between developing and rewarding people for their breadth of knowledge, and developing people with specialist project management and other information technology skills.

7th Report, The Hospital Information Support Systems Initiative (HC 97, Session 1996–97)

- By the late 1980s, many acute hospitals in the National Health Service (NHS) had developed their own computer systems. These systems were based in hospital departments and were not linked together. As a result, the recording of information was slow and inefficient. During 1988, the NHS Executive concluded that NHS hospital trusts would need new, integrated, computer systems to support the reforms which were to be introduced in the 1989 White Paper "Working for Patients". The Executive launched the Hospital Information Support Systems

Initiative (the Initiative) in 1988 to explore the costs and issues involved in implementing integrated systems in NHS hospitals in England.

- The purpose of this Initiative was to learn lessons which would inform the development of integrated computer systems across the rest of the NHS. We are therefore concerned that there were delays in implementation in all six of the projects examined by the National Audit Office, ranging from eight months to more than three years.

- We are concerned that the Executive did not make the best use of the experience from the projects already in place before embarking on high risk and expensive pilot schemes. We note that by the time the Executive established the first three pilot projects, for which contracts were signed in 1990 and 1992, four hospitals including Winchester and the Wirral were already implementing integrated systems at their own initiative.

28ᵗʰ Report, Department of Health: Cost over-runs, funding problems and delays on Guy's Hospital Phase III Development (HC 289, Session 1998–99)

- What is clear from our examination is that the Guy's Hospital Phase III development was very poorly managed. The NHS Executive accept that the first sense of realism in controlling the costs of the development came in 1994, when costs had risen to £147 million. It is unacceptable that a project of this magnitude should have spiralled out of control without effective management for nine years. The net effect of this incompetence is that the cost to the taxpayer rose by over £98 million, at the expense of other expenditure on NHS services.

- The Guy's Hospital Phase III project cost £115 million more than the original estimate of £35.5 million and was delivered over three years late. It is a disgrace that the original estimate was so inadequate, and was approved by both the Department of Health and the Treasury quickly, even though both had strong reservations about it.

- The design was not finalised until 5 years after the initial estimate was approved, and by leaving key aspects—such as atria, mental health and asthma and allergy services—open, significant extra costs were incurred in client and design team variations. We are concerned that although they recognised the value of freezing the design as soon as possible, the NHS Executive failed to do so and allowed this uncontrolled situation to develop against the interests of the taxpayer.

- In addition to failing to control the costs of the project, and delivery on time, those responsible for Guy's Phase III also proceeded at various stages without full funding for the project. This was reckless. The net outcome was that the public sector contribution rose from £19.5 million to £117.9 million including a £25.3 million funding gap; a total cost increase to the taxpayer of £98.4 million. While it is not possible to link this extra cost to specific delays to other patient services and projects elsewhere, it is clear that there must have been a considerable adverse impact in other parts of the country. The NHS Executive put the impact of

financing the funding gap as equivalent to each NHS trust receiving a one off reduction of about £58,000, or a large capital project being delayed by one year.

3 Examples of Reports highlighting the need to reduce complexity and bureaucracy

26th Report, Difficult forms: how government departments interact with citizens (HC 255, Session 2003–04)

- It costs the Department for Work and Pensions, for example, just over £40 to deal with each application for Attendance Allowance. If forms are well designed and easy to handle, then errors will be fewer and the administrative load reduced, leading to considerable efficiency gains.

- Departments should determine the administrative costs of processing forms. For example, the Inland Revenue's introduction of the short tax return to three customer segments offers considerable benefits in reducing citizens' compliance costs and improving administrative efficiency. Yet at present the Inland Revenue does not know the relative costs of processing the short form as against the standard one.

- Provision of a premium service should not become a substitute for improving basic forms and processes. For example, the difference in error rates between people paying £5 for the Post Office to check their passport application form against those submitted directly by customers (1% and 15% respectively) show that people do have difficulties with this form. The Passport Service should devise ways of improving its form and business processes to reduce this differential.

55th Report, Fraud and error in Income Support (HC 595, Session 2001–02)

- The Department for Work and Pensions pays some £100 billion a year in benefits. In broad terms across all benefits, there is likely to be fraud of around £2 billion and customer and official error of £1 billion. The Department have more reliable figures for some benefits, notably Income Support and Jobseeker's Allowance, where some £1.2 billion was lost through fraud and error in 2000–01.

- PAC conclusion (iii) Many of those receiving benefits find it difficult to understand complex system and rules. Our predecessors have recommended simplification on a number of occasions, but limited progress has been made. The Department should undertake analytical work designed to identify options for change, based on the needs of specific client groups.

5th Report, The Draft Social Security (Inherited SERPS) Regulations (HC 243, Session 2000–01)

- The Department have estimated the cost of the new proposals to be £12 billion to 2050. The assumptions made in the costings, and the costs of alternative options, such as varying the taper arrangements, have not yet been published. In their response to our earlier Report the Department did however agree that this

Committee and Parliament would be provided with all available information before being asked to approve the scheme

1st Report, Child Support Agency (HC 31, Session 1995–96)

- We are gravely disturbed that 40% of the child maintenance assessments made on absent parents in 1993–94 contained errors. We severely criticise the Department and the Agency for allowing this state of affairs to arise. While recognising the difficulty the Agency face in getting accurate information from up to four parties, not all of whom may wish to be cooperative, achieving accuracy in maintenance assessment is essential if the Agency are to provide a fair and efficient service in the interests of children. We therefore urge the Agency to continue their efforts to explain to parents why the law requires the information concerned and to pursue non compliance tactfully but firmly

4th Report, Inland Revenue: Getting tax right first time, and dealing with more complex postal queries (HC 105, Session 1994–95)

- We are concerned that the Department is not yet meeting its main objective of getting tax right first time, particularly for Schedule D taxpayers. The Department's broad estimates are that errors are resulting in a net undercharge to taxpayers of about £100 million and a consequent loss of revenue to the Exchequer.

- We note that the complexity of tax legislation causes problems for taxpayers and Inland Revenue staff. We recommend that the Department continues to use every opportunity to simplify the tax system to make it easier for taxpayers to comply with the rules, reduce taxpayer compliance costs and limit the scope for costly errors. We recognise, however, that a balance needs to be drawn between legislating to promote equity and to reduce tax avoidance, and keeping the system simple and easy to use.

29th Report, Inland Revenue: Tax Credits and Tax Debt Management (HC 332, Session 2002–03)

- The new Tax Credit schemes operating from April 2003 are very different in scale and scope from the previous schemes and the systems developed by the Department have been informed to an extent by the lessons of past schemes, including deficiencies pointed out by the C&AG. The Department are relying on more sophisticated risk management structures to minimise the errors and fraud that have characterised comparable benefit schemes in the past, and will need to demonstrate their effectiveness.

14th Report, Inland Revenue: Tax Credits (HC 89, Session 2003–04)

- The Department estimated the level of overpayments at between 10% and 14% by value, equivalent to between £510 and £710 million for a full year. The Department did not disclose these results until August 2003. As the procedures were not changed significantly in subsequent years, it is reasonable to assume overpayments continued on broadly the same scale

51ˢᵗ Report, Success in the regions (HC 592, Session 2003–04)

- ODPM should further streamline the array of funding sources available to support regional development. South East England Development Agency had to devise an initiative to help applicants deal with problems created by over 40 different relevant funding streams with separate monitoring and evaluation criteria. ODPM agreed with us that there are still far too many individual funding streams. The need to make repeated applications and to satisfy a range of monitoring regimes, often with different requirements, creates a bureaucratic burden and is highly wasteful.

- ODPM should adopt a presumption against establishing new organisations unless its policy objectives are not achievable though existing bodies. In the Thames Gateway strategic area, three RDAs have to work with two new urban development corporations as well as partnerships of local authorities, three Government Offices and the Ministerial Committee on Housing Growth and Sustainable Communities.

34ᵗʰ Report, Strategic Rail Authority: improving passenger rail services through new trains (HC 408, Session 2003–04)

- Bringing a new train into service is a complex process, involving more than 60 key stages and at least nine organisations. This complexity has contributed to delays in bringing new passenger trains into service.

- The SRA should work with the rail industry to streamline the complex process for introducing new trains. The industry does not share a common understanding of the process and this, together with its complexity, brings delays and contributes to the poor reliability of new trains. The Government should use the opportunity of its review of the industry to reduce the number of organisations involved in introducing new trains.

33ʳᵈ Report, Crown Prosecution Service (HC 526, Session 1997–98)

- In 1990 our predecessors reported on the establishment and early performance of the CPS. Their report highlighted considerable scope for improvements in collaboration between the CPS and the police. The Committee endorsed the CPS's intentions to reduce dependence on lawyer agents to present cases in the magistrates' courts and to improve its performance indicators, and expected the CPS to give priority to installing its new computer system. In February 1998 we took evidence from the CPS on the basis of a follow-up report by the Comptroller and Auditor General.

- We are struck by the extent to which the performance of other agencies, and the interdependence of different parts of the criminal justice system affect the performance of the CPS. The CPS and police, for example, are working closely together, but only one third of police files meet both timeliness and quality guidelines. And the time taken to process cases (some 20 weeks for magistrates' courts' cases) is unacceptably long.

- Examples of Reports highlighting the need to improve public service productivity

C&AG's Report, Managing resources to deliver better public services (HC 61, Session 2003–04)

- A key focus of departments' resource management should be delivering better services but it can also help to identify and realise opportunities to improve efficiency – just a one% efficiency improvement in the utilisation of the £1,447 billion of resources allocated to departments over the next three years would release just under £14.5 billion to redeploy to front line services.

33rd Report, Managing sickness absence in the Prison Service (HC 453, Session 1998–99)

- Where staff, particularly prison officers, are unavailable for duty, the prison's ability to maintain a safe environment and to ensure that prisoners spend time on purposeful activity can be affected. The estimated cost of sickness absence in the Prison Service is at least £56 million a year. The additional cost of medical retirements—525 in 1997–98—is not known.

- In 1997–98 Prison Service staff recorded on average 12.6 working days sickness, and prison officers 13.8 working days. Although sickness absence has been at these high levels for a long time, we found that the Prison Service had not in the past given sufficient attention to tackling it. Drawing on the work of the National Audit Office's team, the Prison Service has more recently been developing a strategy for managing sickness absence and now sees sickness reduction as a key management priority. There are three weak areas which we consider require particular attention.

50th Report, The management of sickness absence in the Metropolitan Police Service (HC 594, Session 1997–98)

- The Metropolitan Police Service (the MPS) employs some 27,000 officers and 16,000 civil staff to police the Greater London area at around £1.6 billion a year. Managing sickness absence in the police service is important because high levels of absence can reduce police efficiency, morale and the number of "feet on the beat". Sickness absence costs an estimated £96 million a year in the MPS, and a further £26 million is spent on medical retirements.

- The MPS has only recently set targets for reductions in sickness absence despite the fact that such absences have been a problem for some years. The targets are aimed at generating savings of nearly £10 million in 1998–99, and show a commitment to managing sickness absence more effectively. We expect the MPS to monitor the achievement of these savings and to set challenging targets for future years.

34th Report, Her Majesty's Land Registry: the management of sickness absence (HC 307, Session 1995–96)

- We note that sickness absence cost the Civil Service as a whole £491 million in 1994. Better management of staff leading to a reduction in such absences could therefore lead to worthwhile gains. We accept the Registry's evidence that the great

majority of people are way from work for reasons of genuine illness. Within the Civil Service sickness absence in 1994 averaged 9.2 working days per staff year.

C&AG's Report, Managing attendance in the Department for Work and Pensions (HC 18, Session 2004–05)

- Across the civil service, rates of sickness absence have been a concern for some time. Annual surveys by the Chartered Institute of Personnel and Development and the Confederation of British Industry consistently show public services have higher than average rates of sickness absence. In 1998, the Cabinet Office set a target to achieve a reduction in the overall average Civil Service sickness absence rate of 20% by 2001, rising to 30% in 2003. They recommended this be measured in terms of the number of days lost out of the number of days employees were expected to work, or average working days lost. For the then Department of Social Security, this translated into sickness absence targets of 9.3 days for 2001 and 8.0 days for 2003. The Department did not meet these targets and the average for 2003–04 was 12.6 days.

14th Report, Ministry of Defence: Managing reductions in the number of vacant family quarters (HC 391, Session 2000–01)

- The proportion of quarters that are vacant is disturbingly high, at 24% of the estate. The cost to the taxpayer of vacant quarters is £41 million annually. This proportion has risen in recent years, and while there are signs that the Department are on course to reduce the scale of the problem, their track record in hitting their targets on vacant housing is poor. We have asked for quarterly monitoring Reports so that we can monitor their progress on reducing vacancy levels.

20th Report, NHS Executive: The management of medical equipment in NHS acute Trusts in England (HC 173, Session 1999–2000)

- We recognise that unexplained variations in trusts' holdings of medical equipment, and in maintenance costs, identified by the Comptroller and Auditor General, do not necessarily match the scope for savings in costs. However, there is strong evidence that by adopting good practice, and learning from the successes some trusts have achieved, trusts can deliver major savings, which can then be used to improve healthcare.

26th Report, Vacant office property (HC 395, Session 1997–98)

- In April 1996 the newly formed executive agency, Property Advisers to the Civil Estate (PACE), assumed responsibility for disposing of some 830,000 square metres of surplus leasehold and freehold accommodation in 384 Government properties. This surplus accommodation, largely offices, and over one and a half times the size of the Canary Wharf office development, cost the Exchequer about £132 million in 1996–97.

21st Report, The management of space in higher education institutions in Wales (HC 159, Session 1996–97)

- The Higher Education Funding Council for Wales (the Funding Council) was created by statute in the Further and Higher Education Act 1992. From 1 April 1993 the Funding Council assumed responsibility for the funding, oversight, and assessment of quality in the country's higher education institutions. Since August 1996 there have been 13 institutions within the sector. Funding Council grants provided £232 million of the Welsh higher education sector's total income of £490 million in the year ending 31 July 1995. Of these grants, approximately £13 million represented capital allocations dedicated for estates purposes. In addition, institutions themselves spent some £29 million on providing, maintaining and running their non-residential estate in 1994–95. The way in which institutions manage their space is a key factor in the efficient application of the resources at their disposal.

- We note that the Funding Council consider that a target of at least 30% utilisation of space is achievable in the next four years, which compares with achieved utilisation rates of 19 to 22% found by the National Audit Office. We recommend that the Funding Council should encourage institutions to set themselves challenging targets for improving utilisation of space and that the Funding Council should monitor performance against those targets

33rd Report, Ensuring the effective discharge of older patients from NHS acute hospitals (HC 459, Session 2002–03)

- On any given day, some 3,500 older patients remain in National Health Service (NHS) acute hospitals after medical staff have declared them fit and safe to be discharged, because arrangements are not complete for them to move on. Many delays are for a few days, but about one-third are for more than 28 days. The Department of Health estimate that delayed discharges cost the National Health Service around 170 million a year (or around 0.5 million for every day of the year), and account for 1.7 million lost bed days annually. Reducing delays has become a Government priority, and was the subject of legislation during the winter of 2002–03.

1st Report, NHS Supplies in England (HC 349, Session 1997–98)

- In October 1991 the Committee of Public Accounts reported the outcome of their examination of National Health Service supplies in England. They recommended, in particular, that the NHS Executive needed better information about their main suppliers and about the lines they purchased, so that they could tighten their grip on supplies activities and get better value for money from the enormous expenditure involved. They also expected the NHS to attain a position where the price levels they achieved stood comparison with the very best of purchasing organisations, and that action taken on supplies should be related to financial or service targets and closely monitored.

21st Report, Better value for money from professional services (HC 309, Session 2001–02)

- Departments spend over £600 million each year purchasing from external suppliers financial support and advice, legal services, management consultancy and human resource advice and assistance. In 1994 a Cabinet Office Efficiency Scrutiny into departments' use of external consultants recommended how their procurement and management could be improved to achieve savings, mainly in consultancy fees, of £65 million. Many of the Efficiency Scrutiny's recommendations were, however, not implemented and nobody knows to what extent the savings of £65 million were achieved.

4 Examples of Reports highlighting the need for departments to be more commercially astute

43rd Report, Ministry of Defence: Major Projects Report 2003 (HC 383, Session 2003–04)

- In the past, the relationship between the Department and its contractors has too often been characterised by an emphasis on what to do in case of failure and a culture based on the apportionment of blame. In agreeing future programmes the Department and industry should define commercial arrangements which provide a financial incentive to both parties to improve on cost, time and performance estimates, without setting targets which are easy to beat and so provide a false impression of success.

45th Report, Ministry of Defence: Acceptance of the Chinook Mk2 helicopter (HC 975, Session 1999–2000)

- The Chinook Mark 2 helicopter is the product of a programme to upgrade 32 Mark 1 helicopters which was undertaken by Boeing Helicopters under a contract worth £143 million placed by the Department in 1990. The upgrade encompassed various structural and mechanical modifications including fitting new engines with a computerised fuel control system, known as the Full Authority Digital Electronic Control (FADEC) system. There were significant problems accepting the Chinook Mark 2 into Service which centred on the FADEC system software, which the Department's test and evaluation agency—Boscombe Down—found to be "unverifiable".

13th Report, Ministry of Defence: Progress in reducing stocks (HC 566, Session 2002–03)

- The Department still needs to take radical action to tackle its long-standing inventory management problems. Some 19 years after the first fire at Donnington, the C&AG's Report shows that the Department's inventory still contains large amounts of obsolete and very slow moving stock. Yet other Reports from the National Audit Office have revealed shortages of key items on exercises and deployed operations and instances where the stock issued has been of poor quality. The Department needs to get a grip on its inventory, ensuring that it holds what it genuinely needs and gets rid of what it does not.

27th Report, Disposal by sale of Defence surplus equipment and stores (HC 194, Session 1993–94)

- Sales of ships in operational condition are potentially the most profitable disposals. We are concerned, therefore, that the Department have achieved this in relatively few cases. We note that the ships now becoming available for sale are newer than in the past and, with useful life left, have better prospects for sale as operational

vessels. There should therefore be an increase in the number of such sales, and it will be important to take measures aimed at maximising sales proceeds in a highly competitive market.

- We are concerned that the sale values of ships and aircraft have often been reduced by removing items for use as spares to meet the Services' operational requirements. Spares are often then put on the market later than the equipment to which they relate. We emphasise the importance of ensuring that decisions to remove items for spares have regard to the potential sales value of the main equipment. This is especially important now that newer and more valuable ships and aircraft are becoming available for disposal.

41st Report, Improving procurement: Progress by the Office of Government Commerce in improving departments' capability to procure cost effectively (HC 541, Session 2003–04)

- Against the backdrop of the need to achieve a further £3 billion savings by 2006, together with a drive towards improved efficiency across the public sector, there is a greater need than ever for departments to measure their existing procurement practices against OGC good practice guidance to see where improvements can be made. There will for example be the scope for significantly reduced transaction costs, greater use of e-commerce solutions, increased collaboration between departments and the wider public sector, and greater use of framework agreements.

2nd Report, Improving construction performance (HC 337, Session 2001–02)

- Business generated by the UK construction industry is worth some £65 billion a year, of which direct expenditure by government departments and their agencies accounts for £7.5 billion. Government departments and agencies can have a major influence on the construction industry as sponsors, regulators and purchasers of building and repair and maintenance projects.

- A recurring feature in traditional construction projects is the acceptance by departments of lowest price tenders, following which contractors seek to recoup their profit margins through variations and claims for additional work. This often results in poor performance, made evident by confrontation, delay and substantial cost overruns. Better value for money may therefore be found by looking beyond the lowest price, as long as the improvements to be secured are clearly identified and closely monitored.

68th Report, Collection of fines and other financial penalties in the criminal justice system (HC 999, Session 2001–02)

- In 2001–02, financial penalties imposed totalled £387 million and collections amounted to £228 million, some of which related to impositions made in previous years. In the same year, penalties totalling £58 million were written off, largely because the offender could not be traced, and a further £90 million was cancelled because, for example, the defendant had successfully appealed against the

imposition or because the offender's circumstances had changed to such an extent that there was no prospect of the penalty being collected. These figures suggest therefore that around 59% of impositions are collected.

49th Report, The recovery of debt by the Inland Revenue (HC 584, Session 2003–04)

- The longer a debt remains outstanding the more costly and difficult it becomes to collect. The Department may reach a point where it has to write off a debt because there is no longer any prospect of recovery. Around £0.7 billion is lost in write-offs each year. Preventing the accumulation of debt is therefore important in securing earlier receipt of taxes owed and keeping collection costs to a minimum.

35th Report, Public Trust Office: Protecting the financial wealth of people with mental incapacity (HC 278, Session 1998–99)

- The Public Trust Office did not obtain accounts of how patients' income has been used from 40% of private receivers for 1996–97, and around 90% of the accounts received were late. And it reviewed less than one third of accounts within its four-week target in 1997–98. It must do better than this if it is to fulfil its responsibility to protect patients' money from misuse. The Public Trust Office also needs to improve its supervision of patients' investments by introducing more comprehensive and rigorous measures to assess brokers' performance in handling patients' funds.

39th Report, Looking after the financial affairs of people with mental incapacity (HC 278, Session 1993–94)

- We are seriously concerned that the Public Trust Office has failed to keep up-to-date in reviewing receivership accounts, since this check is vital to protect patients' funds and help prevent fraud and abuse. It is particularly unsatisfactory that such a large backlog of unreviewed accounts has been allowed to build up in cases where the Public Trustee is receiver, and that over the last twelve months no progress at all has been made to clear it. We note that the rate at which the Office reviewed private receivership accounts even deteriorated in 1993–94

18th Report, Reaping the rewards of agricultural research (HC 414, Session 2002–03)

- The Department's income from commercialisation is less than 1% of its expenditure on research, suggesting that the Department lacks the leadership and enthusiasm to promote commercialisation. The Department needs to specify the outcomes expected from commercialisation, drawing for example on achievements by research bodies, other departments and universities. It should monitor trends in commercialisation activity to help determine whether enough is being done to identify opportunities for exploitation of research.

5 Examples of Reports highlighting the need to tackle fraud

27th Report, Measures to combat housing benefit fraud (HC 366, Session 1997–98)

- It is totally unacceptable that seven years after we last looked at this issue, Housing Benefit fraud should exceed £900 million, and the Department still do not have information to show whether fraud is increasing, or all the information they need on the types of fraud, including landlord fraud, and variations at regional and local level. The absence of reliable information must cast doubt over the decisions the Department have taken to invest in anti-fraud work and over the achievements they have claimed

55th Report, Fraud and error in Income Support (HC 595, Session 2001–02)

- The Department have developed annual estimates of the level of fraud and error in Income Support and Jobseeker's Allowance, which underpin Government targets for a progressive reduction in fraud and error by 2006. The Department are undertaking work to develop robust estimates for Housing Benefit. On other benefits, their estimates are out of date. Until they have robust estimates for all benefits, it is difficult to measure their performance in reducing this substantial drain on public funds – in the order of £2 billion in fraud alone.

31st Report, Tackling benefit fraud (HC 488, Session 2001–02)

- The Department's best estimate of the level of fraud on Housing Benefit was in the region of £500 million, based on data collected in 1997–98. Since April 2001 they had been seeking to measure the level of fraud and error, using the same techniques as those used on Income Support and Jobseeker's Allowance. Because of the failure of the pilot, however, the results of the 2001–02 exercise, which cost £3.2 million, were not sufficiently accurate to be published.

36th Report, Tackling VAT fraud (HC 512, Session 2003–04)

- Customs' work to measure the losses from fraud and error on VAT is an important first step in determining the size and nature of the problem, as well as providing a benchmark for judging progress. Customs produces annual estimates for missing trader fraud but only has one-off estimates, made in 2001–02, for the other main areas of loss. It should regularly updates these estimates, so that it can assess progress in tackling the different types of loss, alongside progress in meeting its overall target.

1st Report, Tackling fraud against the Inland Revenue (HC 62, Session 2003–04)

- The low number of fraud investigations and prosecutions is not commensurate with the potential sums at stake in lost revenue. Nor has the overall scale of work

kept pace with the expansion in the Revenue's business. Investigation work on tax fraud appears to have reduced as work on tax credit fraud has increased, despite additional resources being provided. The financial returns on investigations suggest that it would be cost-effective to do many more. The Revenue should increase the level of investigations and prosecutions sufficiently to permit a meaningful evaluation of the effects of doing so. They should also seek to increase the effectiveness of such work by greater publicity to heighten public awareness about the risk of detection and punishment for those who commit fraud.

54th Report, HM Customs Appropriation Accounts (HC 717, Session 1997–98)

- The large amount of revenue lost suggests that there remains considerable scope for cost-effective deployment of resources to bring cross-channel smuggling and other excise fraud under better control. In addition, we would encourage the Department to continue to:

  - increase the use of criminal prosecution of smugglers;

  - supplement fines and penalties with other sanctions such as the removal of driving and haulage licences, which may have a greater impact on some offenders; and

  - seek further tightening of controls and procedures, both within the United Kingdom and the European Union, to combat fraudulent abuse of warehousing and transit arrangements.

1st Report, Tackling fraud against the Inland Revenue (HC 62, Session 2003–04)

- In 2001–02 the Revenue spent £428 million on activities to tackle non-compliance and achieved an overall yield to cost ratio of 8.3:1. This ratio was lower than in previous years but the Revenue expected recent initiatives to result in increased yield in future years. Over 80% of these resources are deployed on compliance work by local tax offices which carry out targeted enquiries on tax returns. These activities generate a yield: cost ratio of 3.6:1 in additional settlements and penalties. The remainder is spent on compliance activities by the Revenue's Specialist Offices, which deal with enquiry work on large and specialist businesses and on tax credits, and the Special Compliance Office whose main role is to investigate serious fraud and complex non-compliance.

6 Examples of Reports on the need for better and more timely implementation of programmes and policies

42nd Report, The management and control of hospital acquired infection in acute NHS Trusts in England (HC 306, Session 1999–2000)

- Hospital acquired infections are those that are neither present nor incubating when a patient enters hospital. Their effects vary from discomfort for the patient, to prolonged or permanent disability and even death. This is a very serious subject in terms of the impact on patients and costs to the National Health Service. The best estimates we have suggest that each year there are at least 100,000 cases of hospital acquired infection in England causing around 5,000 deaths, and the cost of the NHS may be as much as £1 billion a year.

- The NHS do not have a grip on the extent of hospital acquired infection and the costs involved and are unlikely to have the information they need for a further 3 to 4 years.

C&AG's Report, Improving patient care by reducing the risk of hospital acquired infection: A progress report (HC 876, Session 2003–04)

- Implementation of our and the Committee's recommendations has been patchy. There has been notable progress at trust level in putting the systems and processes in place and in strengthening infection control teams, but wider factors continue to impede good infection control practice and there has been limited progress in improving information on the extent and costs of hospital acquired infections. Progress in preventing and reducing the number of infections acquired whilst in hospital is dependent on changing staff behaviour, but change continues to be constrained by the lack of data, limited progress in implementing a national mandatory surveillance programme that meets the needs of the NHS, and a lack of evidence of the impact of different intervention strategies.

69th Report, The performance of the NHS Cervical Screening Programme in England (HC 757, Session 1997–98)

- There are considerable variations in deaths from cervical screening across regions, and research indicates that women in the lower socio-economic groups and ethnic minorities are under-screened. While the NHS Executive are taking action to address these inequalities, the fact remains that the NHS is failing many of the most vulnerable in our society. We are therefore looking for new initiatives and renewed vigour in tackling these issues.

21st Report, Government on the Web (HC 331, Session 1999–2000)

- Government Web sites make feasible new forms of service provision for the benefit of citizens and businesses. Realising these benefits requires departments to be

innovative and look afresh at existing ways of doing things to determine if by delivering services electronically they can improve for example, the speed of service delivery; provide services at times more convenient to citizens; reduce the cost of services by streamlining the number of forms which citizens have to complete and reducing other unnecessary procedures; or provide services in completely new and innovative ways. While some departments are making good progress in using the Web to improve service delivery in others however it is not possible for citizens to down load simple forms, submit returns electronically or for citizens to interrogate Web sites to access basic information.

54th Report, Improving public services through e-government (HC 845, Session 2001–02)

- Government departments currently have underway 100 major IT projects with a total value of £10 billion. This expenditure is part of the Government's strategy to make the full range of services which departments and their agencies provide for citizens and businesses accessible electronically. To achieve this the Government has set the target that 100 percent of services should be available on-line by 31 December 2005. Harnessing new technology is also intended to enable departments to improve their operational efficiency by replacing labour intensive processes with electronic systems.

- Achieving such a change in the way in which departments deliver services involves risks which need to be carefully managed. Previous Reports by this Committee have stressed the need for departments to improve the management of their IT projects which have often experienced significant implementation problems with an adverse impact on the quality of services for citizens. There is also the risk, however, that departments provide services on-line but the public do not use them because they see no benefit in doing so. Should this happen the significant investment in e-government would be wasted.

66th Report, Progress in achieving Government on the Web (HC 936, Session 2001–02)

- Many of the recommendations in our previous Report on Government on the Web published in June 2000, which were accepted by the Government, have yet to be fully implemented. In particular the Office of the e-Envoy has made limited progress in collecting and publishing systematic information on the development of government Web traffic, the take-up of electronic services by the public, and the condition of government Web sites, and in developing a methodology for justifying expenditure on Web provision.

- Departments need to consider how information technology can be used to streamline current ways of working, reduce time consuming procedures and improve productivity. Simply converting conventional processes to Internet-based applications will not realise the significant improvements in efficiency which IT can make possible.

3rd Report, The cancellation of the Benefits Payment Card Project (HC 358, Session 2001–02)

- Successful delivery of innovative and complex projects involves risks that need to be identified and managed. This project had special features that added to its risks; notably its status as a pioneering PFI project and the need to join up the systems of two purchasers with differing business objectives. While various parties identified many of the risks at various stages, they underestimated the difficulty of attempting to tackle a huge and complex project, at the heart of improving benefit delivery and Post Office automation, in one exercise using relatively untried PFI arrangements. There were also many basic project management failures, which mirror those referred to in our Report in January 2000.

31st Report, Tackling benefit fraud (HC 488, Session 2002–03)

- The Department's inadequate information technology systems are a further constraint in tackling fraud. Benefit data are held in 20 separate systems with no common access point to all the systems. Consequently staff cannot readily detect incorrect information supplied by customers. The systems also rely on clerical interventions in the calculation of benefits.

18th Report, Ministry of Defence: Appropriation Accounts 1997–98 (HC 207, Session 1998–99)

- When procuring computer systems it is essential that the complexity of the requirement is properly recognised at the outset. The Committee conclude that the Department failed to do this in the case of Trawlerman, and that this was a key factor in the eventual decision to abandon the project and write off some £40 million.

- We note that the Trawlerman project was affected by rapid technological progress as regards the security and interconnectivity of commercial off-the-shelf systems. By failing to phase the introduction of the system the Department did not position themselves to take advantage of technological advances.

46th Report, Ministry of Defence: Building an air manoeuvre capability: the introduction of the Apache helicopter (HC 533, Session 2002–03)

- The introduction of the Apache into full military service has been delayed by problems with the separate weapons and training contracts, despite reasonable progress being made with delivery of the basic helicopter. As a result 40 of the helicopters, worth over £1.2 billion, will have to be stored at considerable expense, and the Armed Forces will not benefit from the enhanced operational capability that the helicopter will provide. If the Department had met its original timetable the Apache would now be in service. Under current plans, Full Operating Capability will not be delivered until August 2006.

23rd Report, Government Communications Headquarters: new accommodation programme (HC 65, Session 2003–04)

- Independently of the PFI deal, GCHQ retained responsibility for moving its technical capability into the new building, largely for security reasons. In 1997 GCHQ estimated the costs for this technical transition, that are additional to the PFI deal, at £41 million. By 1999 GCHQ's estimate had risen to £450 million.

Formal minutes

Wednesday 30 November 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Kitty Ussher
Greg Clark	Mr Alan Williams

Draft Report (Achieving value for money in the delivery of public services), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 40 read and agreed to.

Introduction read and agreed to.

Annex agreed to.

Resolved, That the Report be the Seventeenth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 5 December at 5.00 pm.

List of Reports from the Committee of Public Accounts
Session 2005–06

First Report	Managing National Lottery Distribution Fund balances	HC 408
Second Report	The regeneration of the Millennium Dome and associated land	HC 409 *(Cm 6689)*
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410
Fourth Report	Fraud and error in benefit expenditure	HC 411
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 *(Cm 6689)*
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413 *(Cm 6689)*
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414
Eighth Report	Navan Centre	HC 415
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563
Tenth Report	Jobskills	HC 564
Eleventh Report	Local Management of Schools	HC 565
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601
Thirteenth Report	The Office of the Deputy Prime Minister: Tackling homelessness	HC 653
Fourteenth Report	Energywatch and Postwatch	HC 654
Fifteenth Report	HM Customs and Excise Standard Report 2003–04	HC 695
Sixteenth Report	Home Office: Reducing vehicle crime	HC 696
Seventeenth Report	Achieving value for money in the delivery of public services	HC 742

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number