



House of Commons  
Treasury Committee

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**Administration and  
expenditure of the  
Chancellor's departments,  
2006-07**

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**Seventh Report of Session 2007–08**





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*Report, together with formal minutes*

*Ordered by the House of Commons  
to be printed Tuesday 26 February 2008*

## The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue & Customs and associated public bodies.

### Current membership

Rt Hon John McFall MP (*Labour, West Dunbartonshire*) (Chairman)  
Nick Ainger MP (*Labour, Carmarthen West & South Pembrokeshire*)  
Mr Graham Brady MP (*Conservative, Altrincham and Sale West*)  
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)  
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)  
Mr Philip Dunne MP (*Conservative, Ludlow*)  
Mr Michael Fallon MP (*Conservative, Sevenoaks*) (Chairman, Sub-Committee)  
Ms Sally Keeble MP (*Labour, Northampton North*)  
Mr Andrew Love MP (*Labour, Edmonton*)  
Mr George Mudie MP (*Labour, Leeds East*)  
Mr Siôn Simon MP, (*Labour, Birmingham, Erdington*)  
John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)  
Mr Mark Todd MP (*Labour, South Derbyshire*)  
Peter Viggers MP (*Conservative, Gosport*).

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/treascom](http://www.parliament.uk/treascom).

A list of Reports of the Committee in the current Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are Colin Lee (Clerk), Sïan Jones (Second Clerk and Clerk of the Sub-Committee), Adam Wales, Jon Young and Jay Sheth (Committee Specialists), Phil Jones (Committee Assistant), Caroline McElwee (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

### Contacts

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# Summary

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## Overview

The Treasury Committee reports for the first time on its annual scrutiny of the Chancellor's departments, in this Report. It is essential for the success of Government that the Chancellor's departments carry out their role effectively. Therefore whilst other Government departments may sometimes fail to give a good account of their performance, we look to the Chancellor's departments, the engine of Government spending, to demonstrate clear progress against their targets. Sadly in some areas the Chancellor's departments fail to lead by example.

## Treasury as a central department

Reviewing the Treasury as a central department, we welcome the steps that have been taken in response to a call for "greater inclusiveness and humility" in the Treasury's dealings with others. We recommend that a summary of the results of the annual surveys of stakeholder opinion and the Treasury's response to stakeholders be published in the Treasury's annual reports. We recommend that the Treasury set itself a target to ensure that the Public Service Agreements finalised as part of the next Spending Review in 2009 or 2010 include a clear statement about the resources to be allocated across Government to the delivery of each Agreement. We criticise the Treasury's failure to meet its objective for the appointment of professionally-qualified Finance Directors in all departments by December 2006 and recommend that a relevant accountancy qualification be described as an essential criterion in all future advertisements for posts of departmental Finance Directors.

## Value for Money

Over the Treasury Group as a whole, we discuss the new Value for Money Delivery Agreements across Government, a feature of the efficiency programme, intended to give further detail about individual departmental efficiency programmes; we view the Treasury Group's own document as disappointing. We explore the issue of measuring service quality and recommend that the Government, state how it proposes to measure that the quality of service of the Treasury Group during the period from 2008-09 to 2010-11 and how it will identify whether efficiency savings have led to any detrimental effects on quality of performance. We recommend that the Government put in place arrangements for the Cabinet Office to perform the role of challenge and oversight in relation to the Treasury Group's own efficiency programme.

## Royal Mint

We welcome the Royal Mint's return to profitability and explore the methods the Mint used to improve its financial performance, but raise concerns regarding its ambitious government profitability target for next year.

## Office of Government Commerce

In respect of the OGC, we discuss its reduced role following the publication of Transforming Government Procurement. We highlight the importance of accurate annual reporting and raise concerns that OGC failed to publish a regular annual report. We explore the development of Gateway review process and the background to the forthcoming High Court case. And we reiterate our view that the exclusion of OGC buying solutions from the headcount reductions under the efficiency programme detracts from the overall credibility of the headcount statistics.

## HM Revenue and Customs

In evaluating HMRC's progress, we discuss the Department's continued areas of weakness. We also discuss the surprising 60% increase in senior civil servants bonus payments over this period of poor performance and headcount reductions. We note the worrying conclusions of HMRC's recent Capability Review and raise concerns that the headcount reduction under the efficiency programme has significantly reduced the quality of service. We discuss the progress made towards HMRC's Public Service Agreement targets and raise concerns about the slippage of a number of targets. We highlight the problems experienced in VAT registrations and note that the confusion surrounding HMRC's continued failure to meet its target of processing VAT receipts. We find that progress to improve the administration of tax credits has been poor—with complaints to the Adjudicator's office still increasing 5 years after the scheme was brought in.





















































































































































