



National Audit Office

# Fourth Validation Compendium Report: Volume 2

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 22-II Session 2007-2008 | 19 December 2007

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# Fourth Validation Compendium Report: Volume 2

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# PART ONE

## Introduction

**1.1** This volume presents the detailed results of our examination of the data systems used by the 11 Departments<sup>1</sup> to monitor and report progress against their 2005-2008 Public Service Agreement (PSA) targets.

### The Department and their PSA targets

**1.2** Under the 2004 Spending Review the Departments agreed 110 PSAs for the period 2005-08. A Department's PSA sets out for Parliament and the public their top level aims, objectives and targets. The Department's Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the PSA targets. The underlying data systems are an important element in this framework of control.

### The purpose and scope of this review

**1.3** The Government invited the Comptroller and Auditor General (C&AG) to validate the data systems used by the Departments to monitor and report performance against their PSA targets. This involves, for each individual data system, a review of the processes and controls governing:

- The matching of data to the PSA target. The data system should measure the progress of all key elements of performance referred to in the PSA target.
- The selection, collection, processing and analysis of data. Control procedures should mitigate all known significant risks to data reliability. In addition, system processes and controls should be adequately documented to support consistent application over time.

- The reporting of results. Outturn data should be presented fairly for all key aspects of performance referred to in the target. Any significant limitations should be disclosed+ and the implications for interpreting progress explained.

**1.4** Our conclusions are based on the extent to which Departments have:








- a put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved; and
- b explained clearly any limitations in the quality of its data systems to Parliament and the public.

**1.5** The categories of conclusion that we provide are outlined in **Figure 1**. The findings for each individual data system were reviewed by an internal panel for consistency of analysis and judgements. Conclusions for each data system are also summarised in Appendix 3 of Volume 1, alongside its corresponding reference colour.

**1.6** The remaining sections of this report provide a description of the findings and conclusions for each individual data system. Our assessment does not provide a conclusion on the accuracy of the outturn figures included in the Department's public performance statements. This is because the existence of sound data systems reduces, but does not eliminate, the possibility of error in reported data.

<sup>1</sup> Cabinet Office PSA target 4 has also been validated as part of this year's examination, as it was transferred to the Department from the Home Office after we had completed our validation of the Cabinet Office's PSA targets (published in the Third Validation Compendium Report).

## 1 Summary of validation conclusions

The data system is fit for the purpose of measuring and reporting performance against the target	
Or	(Fit for purpose)
The data system is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled	
	(Disclosure)
The data system addresses the majority of risks to data quality but needs strengthening to ensure that remaining risks are adequately controlled	
Or	(Systems)
The data system addresses the majority of risks to data quality but includes limitations that cannot be cost-effectively controlled; the Department need to explain the implications of these more clearly to the reader	
	(Disclosure)
The data system is not fit for the purpose of measuring and reporting performance against the target	
	(Not fit for purpose)
The Department has not yet put in place a system to measure performance against the target	
Or	(Not established)
The system is not sufficiently established to form a view on its fitness for purpose	
	(Too early to form a view)

# PART TWO

## Department for Transport

### PSA Target 1

**By 2007-08, make journeys more reliable on the strategic road network**

#### Conclusion – Green (fit for purpose)

**2.1** The data system is fit for the purpose of measuring and reporting performance against the target.

#### Characteristics of the Data System

**2.2** The target is based on the 10 per cent worst daytime journeys on each of certain specified routes on Highways Agency roads. The target is met if, average vehicle delay across the network, in 2007-08, is less than during the baseline period (August 2004 – July 2005 for most routes). Delay is the difference between observed journey time and a reference journey time (the time that could theoretically be achieved when the traffic is free flowing).

**2.3** Data is collected from four separate sources including vehicle sensor loops in roads, Highways Agency's traffic control cameras and sources external to the Agency.

#### Findings

**2.4** As fully disclosed in the Department's Autumn Performance Report (December 2006) and in the Annual Report in May 2007, there were problems with the data in respect of a significant number of the 103 specified routes such that they were excluded temporarily from the monitoring statistics. The baseline included 87 routes and data are included or excluded depending upon the quality of the data from each route. By the late spring of 2007 the problems over data from most routes had been resolved, and 91 routes were covered by the monitoring. A small number of the routes had to use a slightly different

baseline period. Following resolution of the problems, the Department issued a revised Technical Note covering the changes.

**2.5** An annex to the Department's Annual Report shows detailed graphical representations of performance and lists changes in delay on each of the 91 routes.

**2.6** The Department's Annual Report also notes that figures so far show overall deterioration in delays of some 5.6 per cent. This equates to 12 seconds per 10 miles on the 10 per cent worst journeys, equivalent to one minute on a 50 mile journey. Whilst recognising that the travelling public may not be able to notice directly changes of this magnitude, the monitoring data and associated focus upon managing delay is found useful by the Highways Agency when superintending individual projects and working with contractors.

### PSA Target 2

**Improve punctuality and reliability of rail services to at least 85 per cent by 2006, with further improvement by 2008**

#### Conclusion – Green (fit for purpose)

**2.7** The data system is fit for the purpose of measuring and reporting performance against the target.

#### Characteristics of the Data System

**2.8** The long-standing systems that measure punctuality and reliability are highly automated systems that record train arrivals and departures, feeding into the Public Performance Measure (PPM). Every franchised passenger train journey is measured against the daily timetable, and is on-time if within four minutes 59 seconds of the timetabled arrival time, nine minutes 59 seconds for long-distance journeys. Rail use is measured in passenger kilometres mainly by



the independently audited ticketing system owned by the Association of Train Operating Companies (ATOC). Estimates are necessary to account for journeys made on season tickets.

**2.9** Data from both systems are used widely by the rail industry, including for commercial purposes, and by the Office of Rail Regulation (ORR). These uses create a strong focus of attention that help ensure their integrity and reliability.

## Findings

**2.10** Responsibility for rail performance data lies with Network Rail, and rail statistics are published quarterly by ORR. Consultants AEA Technology Rail were used by ORR to review the data systems in 2006, reviewing the data sets and testing the draft heads of terms in the Data Code and reviewing how they work in practice. The reviews confirmed the fitness for purpose of the systems and made a number of recommendations for improvement, none of which were significant. The reviews demonstrated continued commitment to maintaining data quality.

**2.11** Subsequently, Scott Wilson was appointed as the Independent Reporter for Rail Data on behalf of ORR and Network Rail, to review the fitness for purpose of data within Network Rail systems, so as to enhance the reliability of rail industry information for decision making. This work further enhances the reputation of the data systems underpinning the PSA measures.

**2.12** The Department's Annual Report in May 2007 explained that work was then continuing to confirm the quantification of the target for 2008, and it was expected later in 2007. The target has now been set to reach 89.4 per cent (moving annual average) punctuality at March 2008 and a new technical note was being prepared at the end of August.

## PSA Target 3

**By 2010, increase the use of public transport (bus and light rail) by more than 12 per cent in England compared with 2000 levels, with growth in every region**

### Conclusion – Green (disclosure is adequate)

**2.13** The data system is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.

## Characteristics of the Data System

**2.14** Performance indicators comprise: numbers of passenger journeys; percentage of vehicles with low floor wheelchair access; bus reliability; and accessibility. The Department continues to survey bus and light rail operators annually to measure reliability and physical accessibility. Data in returns is collated with returns from local authorities as part of the Department's validation of the data overall. Light rail data is provided by annual returns to the Department from operators. Some of the data sources - including those for light rail - from which the Department draws information for this PSA, are themselves National Statistics and so subject to the associated quality assurances processes.

## Findings

**2.15** A previous NAO review of this PSA expressed reservations based mainly upon the Department not having sufficient assurance over the bus data provided by Transport for London. The Department has remedied this gap and has responded appropriately to other lesser observations.

**2.16** The Department's Annual Report (May 2007) noted that, set against the historic trend of declining patronage outside London, there was no expectation that growth in all regions could be achieved during the SR2004 period, up to March 2008. Instead, the aim would be for year-on-year growth in every region during the period April 2008 to March 2011.

**2.17** Bus punctuality data for London uses a different definition of "on time" from the rest of the country. one minute early to five minutes 59 seconds late is counted as on time outside London, whereas in London two minutes 30 seconds early to four minutes 59 seconds late counts as on time. These different definitions frustrate the production of an estimate for England overall, as is acknowledged fully in the Department's Annual Report.

**2.18** The Department actively manages the risks to data quality in the system, for example by holding regular discussions with the large operators who account for the majority of bus journeys, to help ensure that they understand the importance of the data and provide assurance to the Department over data quality.

**2.19** The Department acknowledged and researched a question about inadequate recognition of passengers who do not pay cash fares, and subsequently in 2006 adjusted patronage figures accordingly.

## PSA Target 4

**By 2010-11, the 10 largest urban areas will meet the congestion targets set in their local transport plan relating to movement on the main roads into city centres. The target will be deemed to have been met if, on target routes in the 10 largest urban areas in England, an average increase in travel of 4.4 per cent is accommodated with an average increase of 3.6 per cent in person journey time per mile**

The local targets on which this is based include:

- in London, accommodate an increase in travel of three per cent with an increase in journey time of 1.5 per cent;
- in Manchester, accommodate an increase in travel of 1.5 per cent with no increase in journey time; and
- in the west Midlands, accommodate an increase in travel of four per cent with an increase in journey time of five per cent

### Conclusion – Amber (systems need strengthening)

**2.20** The data system is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.

### Characteristics of the Data System

**2.21** Monitoring is carried out locally in respect of 166 defined routes across the 10 largest urban areas in England: London; Manchester; Merseyside; South Yorkshire; West Yorkshire; Tyne and Wear; West Midlands; Bristol; Leicester; and Nottingham.

**2.22** Measures are of people journeys rather than vehicles, so that, for example, buses are weighted much more than cars. Targets relate to the morning peak period and are set by the local authority that is responsible for delivery against their targets.

**2.23** Targets and performance monitoring refer to academic years to avoid using journey time data for the summer, when traffic is lighter, and so journey time data and survey data collected in the autumn and spring match as closely as possible. This also overcomes the impact of the timing of Easter holidays on school-related traffic, where a March year-end to be chosen for comparison purposes.

**2.24** Journey time data from GPS tracking systems installed in some fleets of vehicles are supplied to the Department by a contractor, and is then passed on by the Department to local authorities. The Department reviews the contractor's quality assurance arrangements and keenly pursues any apparent anomalies in data series. There are a small number of buses and coaches in the GPS data, but the Department excludes them as they are unrepresentative of buses in general. Instead, their journey times and occupancy rates are collected by local authorities.

### Findings

**2.25** The Department has not yet measured progress against the target and the Annual Report said that performance against the target will be reported first in the 2007 Autumn Performance Report.

**2.26** The Department is heavily dependent upon the local authorities for setting constituent elements of the targets, for operating data systems and providing data to the Department, and for managing initiatives to manage congestion.

**2.27** The Department provided financial assistance to the 10 local authorities and issues guidance and assistance to help them develop and implement local delivery plans. The Department reviews and challenges plans, and disseminates best practice and good examples. A shared, access-controlled, internet site eases the transfer of knowledge in both directions.

**2.28** The Department scrutinises data as it comes in from local authorities and applies informed validation and reasonableness checks, querying as necessary.

**2.29** The Department intends, in due course, to conduct targeted visits to local authorities to review their local procedures in practice, in part to assess risks to data quality, and ensure reliability. However the extent, detail and timing of these inspection visits have yet to be defined. These visits will represent an important part of the overall controls over the quality of the data systems, particularly in the early years.

## PSA Target 5

**Reduce the number of people killed or seriously injured in Great Britain in road accidents by 40 per cent and the number of children killed or seriously injured by 50 per cent, by 2010 compared with 1994-98, tackling the significantly higher incidence in disadvantaged communities. (Disadvantaged communities are taken as the 88 local councils that are eligible to receive Neighbourhood Renewal Funding)**

### Conclusion – Green (fit for purpose)

**2.30** The data system is fit for the purpose of measuring and reporting performance against the target.

### Characteristics of the Data System

**2.31** The data systems are the long-standing statistics collected by Police on all reported road accidents involving death or injury.

**2.32** Statistics show a clear, long-run reduction in numbers of people killed or seriously injured since 1994. There is a greater reduction in the number of children killed or seriously injured, and in disadvantaged communities.

### Findings

**2.33** Responsibilities for data collection and quality assurance procedures are well established in police forces. The Department undertakes monitoring and validation visits to ensure data quality and compliance with required recording and quality assurance procedures, with satisfactory results.

## PSA Target 6

**Improve air quality by meeting the Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide (NO<sub>2</sub>), particles (PM<sub>10</sub>), sulphur dioxide (SO<sub>2</sub>), benzene and 1,3-butadiene. (Joint target with DEFRA)**

### Conclusion – Green (disclosure is adequate)

**2.34** The data system is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.

**2.35** This is a joint target between DEFRA and the Department for Transport. The target is under DEFRA's strategic priority of climate change and energy.

## Characteristics of the Data Systems

**2.36** In all material respects the wording and systems are the same as for the target set in the 2003-06 PSA period. The data systems are well established.

**2.37** Casella Stanger, an environmental consultancy firm, is contracted to collect data from a mix of automatically run and manually run sites measuring a number of pollutants and particulate levels. The measurements cover the requirements for the target.

**2.38** Casella Stanger submits data to AEA Energy & Environment (formerly NETCEN). AEA Energy & Environment is contracted to undertake validation procedures on the data and query any unexpected results. AEA Energy & Environment provides the data to DEFRA in a format suitable for publication.

### Findings

**2.39** DEFRA employs a third party to carry out validation procedures and has defined the scope, frequency and depth of those procedures as part of the contractual arrangements.

**2.40** Information disclosed in Departmental reports includes detail on the uncertainties within the data.

## PSA Target 7

**To reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with our Kyoto commitment and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. (Joint target with DEFRA and the former DTI)**

### Conclusion – Green (disclosure is adequate)

**2.41** The data system supporting the measurement of this joint target is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost effectively controlled.

**2.42** The target is shared with DBERR (the former DTI), and with DEFRA who leads in this area. The DEFRA 2005-08 PSA data systems were validated by the NAO in 2005-06, as reported last year.

**2.43** The data system is well established and DEFRA carries out suitable monitoring of the AEA Energy & Environment (formerly NETCEN) who produces the data on DEFRA's behalf. Appropriate disclosures are made in the reporting regarding the uncertainties over the data quality. However improvements should be made in the reporting of the measures on energy efficiency and renewable energy.

## Characteristics of the Data System

**2.44** The target is very similar to the equivalent in the earlier PSA period (2003-06), with some minor changes in wording and a new emphasis on “energy efficiency and renewables”.

**2.45** The target is split into two separate measurements: reduction of greenhouse gases; and reduction in carbon dioxide emissions. There are also measures implicit in the target on use of renewables and energy efficiency.

**2.46** The AEA Energy & Environment provides data on the level of greenhouse gases and carbon dioxide emissions. AEA Energy & Environment obtains the data from a variety of sources and the system has been in place for several years. Data are provided in their final form with no further work required by DEFRA and the DFT.

## Findings

**2.47** The key findings from the NAO review of DEFRA 2005-08 PSA data systems validation were:

- DEFRA's contractual arrangements with AEA Energy & Environment reflect the requirements of the United Nations Framework Convention on Climate Change (UNFCCC). The contract is assessed for renewal every three years and DEFRA reviews AEA Energy & Environment's compliance with the requirements of ISO 9000 as part of the process. DEFRA holds quarterly meetings with the contractors to ensure compliance with the standard.
- DEFRA also takes appropriate assurance from external audits and reviews of AEA Energy & Environment's work, verifying that recommendations have been followed up as required under the terms of the contract.

**2.48** The DFT's performance statements report the most recent results and are consistent with the reporting of the other Departments which share this target.

**2.49** The 2006 Autumn Performance Report discloses information on the statistical uncertainties within the data and directs the reader to full information which is given in the annual UK Greenhouse Gas Inventory. This report gives a significant amount of detail of the uncertainties relating to different sectors and the different gases, in accordance with a methodology stipulated by the UNFCCC.

# PART THREE

## Department for International Development

### PSA Targets 1 and 2

#### Target 1: Progress towards the Millennium Development Goals (MDGs) in 16 key African countries demonstrated by:

- a** A reduction of four percentage points in the proportion of people living in poverty across the entire region, against the 1999 baseline;
- b** An increase in primary school enrolment by 18 percentage points and an increase in the ratio of girls to boys enrolled in primary school by five percentage points, both against their year 2000 baseline;
- c** A reduction in under-five mortality rates for girls and boys by eight per 1000 live births, against the year 2000 baseline; and an increase in proportion of births assisted by skilled birth attendants by 11 percentage points, against the year 2000 baseline;
- d** A reduction in the proportion of 15-24 year old pregnant women with HIV from 16 per cent; and
- e** Enhanced partnership at the country and regional level, especially through the G8, to increase the effectiveness of aid and ensure that international policies support African development.

#### Target 2: Progress towards the MDGs in nine key countries demonstrated by:

- a** A reduction in the proportion of people living in poverty of five percentage points in East Asia and the Pacific, and of eight percentage points in South Asia, both against the 1999 baseline;
- b** An increase in net primary school enrolment by eight percentage points and an increase in the ratio of girls to boys by five percentage points, both against their year 2000 baseline;

- c** A reduction in under-5 mortality rates for girls and boys by 24 per 1000 live births and an increase of 15 percentage points in the proportion of births assisted by skilled birth attendants, both against their year 2000 baseline; and
- d** Prevalence rates of HIV infection in vulnerable groups being below five per cent; a tuberculosis case detection rate above 70 per cent; and a tuberculosis cure treatment rate greater than 85 per cent.

#### Conclusion – Green (disclosure is adequate)

**3.1** The first two PSA targets are centred on progress against the Millennium Development Goals (MDGs) with target 1 focusing on Africa and target 2 on Asia. Due to the overlap of systems these targets have been reviewed together.

**3.2** We found that there was a good match between the PSA targets and the source data being used to measure progress. The Department recognises that there are weaknesses in the internationally published poverty data which underpin the targets and these are disclosed in the Technical Note. As such, for both targets we consider that the data systems are appropriate for the targets and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.

#### Characteristics of the Data System

**3.3** The MDGs were set by the United Nations in 2000 as the focus for the global development agenda. In the UK, the Department take the lead for the delivery against the MDGs. The data systems supporting the MDG PSA targets (1 and 2 a-d) generally utilise statistical data from the World Bank or the UN Agency with responsibility for the indicator. Whilst these databases provide the most comprehensive and comparable sources of data, in most cases they rely on weak national statistical services to provide country-level data.

**3.4** PSA Target 1 has an additional sub-target (1e) which focuses on the Department's work through the Group of 8 (G8) developed countries to improve the effectiveness of aid and other support to Africa. There is no single measure to assess the implementation of the G8 Plan. Instead the Department's approach includes progress made on the implementation of the 2005 G8 summit outcome and other indicators covering the G8's partnerships with and within the recipient countries. The majority of the commitments in the Africa Action Plan relate to the MDGs and as such the data systems are therefore derived from those referred to above.

## Findings

**3.5** We found that the Department has a good understanding of the data underlying the targets and its limitations. These limitations have been clearly disclosed in the PSA Technical Note and primarily relate to data quality, timeliness and coverage.

**3.6** The quality of statistics relating to development indicators is widely recognised to be limited by the low capacity of developing countries, as outlined above. The Department and the wider international development community have taken action to improve the availability and quality of data, but such action is limited by two main factors. The benefits of implementing improved data collection systems in countries are outweighed by the cost. In addition it is considered better for countries to develop their own monitoring arrangements rather than having them imposed. The Department has therefore focused efforts to enhance data quality on supporting statistical capacity building initiatives in developing countries. Internally, it has also raised awareness amongst country teams of the role and importance of collecting timely and reliable poverty statistics.

**3.7** The practicalities of data collection and the need for quality assurance checks mean that poverty data can be two or more years old at the time of publication.

**3.8** The PSAs focus on 16 key countries in Africa and nine in Asia where the Department are particularly active. The NAO found that data are not available for all the Department's target countries, for all of the PSA targets. For example, because of their conflict or post conflict status, the Department was unable to generate and include country targets for the Democratic Republic of the Congo, Sudan and Sierra Leone within the overall Africa target.

**3.9** For the 2005-08 PSAs the Department has revised the baselines used for the MDG targets. The Department has explained that baselines fluctuate as new or improved data become available. The Department also decided to redesign the empirical targets in terms of percentage point movements from the most up to date baseline figures rather than the movements from one overall position to another as within the 2003-2006 PSAs. This is a satisfactory solution to ensure that data is meaningful.

## PSA Target 3

**Improved effectiveness of the multilateral system as demonstrated by:**

- a** A greater impact of EC external programmes on poverty reduction and working for agreement to increase the proportion of EC ODA to Low Income Countries from its 2000 baseline figure of 38 per cent to 70 per cent by 2008;
- b** Ensuring that 90 per cent of all eligible Highly Indebted Poor Countries (HIPC) committed to poverty reduction that have reached Decision Point by end 2005, receive irrevocable debt relief by end 2008 (Joint target with HMT);
- c** International partners are working effectively with poor countries to make progress towards the United Nations 2015 Millennium Development Goals (Joint target with HMT); and
- d** Improved effectiveness of United Nations agencies and the humanitarian aid system.

**Conclusion – 3a Amber (disclosure needs strengthening); 3b-d Green (disclosure is adequate)**

**3.10** PSA target 3 consists of four sub-targets, each focusing on a different international institution or set of institutions, with which DFID or the UK is a member or partner. We found that for sub-targets 3b, c and d, the data systems were appropriate for the targets and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled. However, for the sub-target related to the European Community (EC), we consider that although the Department has added additional disclosure to the Technical Note since the 2003-06 PSA, assumptions remain in the target which are not clearly outlined in either the target itself or in the Technical Note. For this reason we have determined that the data system for this sub-target, and therefore for Target 3 as a whole, is broadly appropriate, but includes limitations that cannot be cost-effectively controlled; the Department should explain the implications of these.

## Characteristics of the Data System

**3.11** PSA target 3 addresses the need to increase the impact of key multilateral agencies in reducing poverty. Each of the four sub-targets is measured using different data systems. Sub-targets on the effectiveness of EC programmes and the progress of Highly Indebted Poor Countries (HIPC) are primarily measured through external data and information sources, whereas the effectiveness of UN Agencies and International Finance Institutions (IFIs) utilise DFID's own assessment methodology as well as the institutions own performance measures. Sub-targets b and c are joint targets with the Treasury.

## Findings

**3.12** Target 3a requires the Department to work for agreement to increase the proportion of EC Overseas Development Aid (ODA) to low income countries. We found that the methodology used to calculate this proportion is robust, with low income countries identified from the OECD and World Bank classifications, and EC ODA to these countries through OECD financial statistics.

**3.13** The target also requires the Department to work towards the achievement by EC programmes of a greater impact on the reduction of poverty. There is therefore an implied assumption within the target i.e. that targeting ODA on the poorest countries will lead to increases in the impact of that aid on poverty reduction. For 2005-08 the Department amended its Technical Note disclosures to state, with reference to the four sub-targets:

“Together we think that these are the key mechanisms for improving the effectiveness of the international system in reducing poverty in low income countries.”

**3.14** We consider that this disclosure is not sufficient to clarify the assumption in Target 3a. Therefore, there remains inadequate explanation that the proportion of aid to low income countries is an appropriate measure for the impact of programmes. While DFID have provided us with some evidence to support this as a measure, we note that there is a similar indicator under Target 3c (improved effectiveness of EC development aid), for which targeting of aid is only one measure of impact. Other measures include the adoption of a policy framework and of best development practises.

**3.15** We consider that DFID should further clarify the wording and associated technical disclosures for this target to avoid the risk of misinterpretation. DFID should also consider whether measures used for Target 3c might also be valid for this target.

**3.16** Sub-target 3b, which focuses on debt relief to HIPC, is shared with the Treasury. The HIPC data is collected by the World Bank and IMF on a rolling six-month basis and includes both countries that have reached decision point and future projections for countries that will reach this point in future months. Data on debt relief following the G8 summit in summer 2005 is provided by six-monthly progress reports by the World Bank and IMF.

**3.17** We have highlighted above, with respect to targets 1 and 2, the limitations of international statistics. However, we remain of the view that the Department has a good understanding of the data relating to this sub-target and has adequately disclosed its limitations in the Technical Note.

**3.18** Sub-target 3c is shared with the Treasury. For DFID the sub-target is under the overall PSA of 'Improved effectiveness of the International System' whereas for the Treasury it is under 'promoting increased global security and social justice'. In previous periods this has led to differences in interpretation of the sub-target by the two Departments and therefore a lack of direct comparability. For this PSA period the two Departments have brought their Technical Notes into line and now both cite four indicators:

- i** Commitment of poor countries and development partners to poverty reduction strategies.
- ii** Continued progress in closing the global financing gap (between required and available Overseas Development Aid to support the MDGs).
- iii** Improved effectiveness of European Community development assistance.
- iv** Improved institutional effectiveness of four International Finance Institutions (IFIs).<sup>2</sup>

<sup>2</sup> This indicator represents a change from the 2003-06 PSA target where this sub-target included UN Agencies. These are now separated out into a new sub-target, Target 3d which is examined below.

**3.19** The indicators derive from the idea that improvements in institutional effectiveness should lead to improvements in the institutions' performance in-country, and thereby enhance the impact of their work towards the achievement of the MDGs. Given that this sub-target is demonstrating the overall target of increasing the effectiveness of the international system, rather than focusing directly on the achievement of the MDGs, these measures are considered appropriate.

**3.20** Primary data for measuring achievement against most of these indicators is from the World Bank, IMF and OECD. The institutional effectiveness of the four IFIs is measured by progress against institutional strategies combined with three criteria identified for each Institution through the DFID Multilateral Effectiveness Framework (MEFF). Details of the MEFF are disclosed on the DFID website.

**3.21** The enhancements to the Technical Note and increased alignment with the Treasury have improved the system and disclosures relating to this target.

**3.22** Sub-target 3d concerns the effectiveness of UN Agencies and was formally part of target 3c on working with international partners. Success is determined by two indicators. The first indicator is the improved effectiveness of the humanitarian aid system and has clear empirical markers to demonstrate progress. The second indicator is improvements in the institutional effectiveness of nine UN and humanitarian agencies. This indicator is again measured by progress against individual institutional strategies and three criteria identified for each institution through the MEFF detailed above. Again this system is considered robust.

## PSA Target 4

**Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe (Joint target with the former DTI)**

- a **Secure further progress via CAP and WTO negotiations in reducing CAP trade-distorting support.**
- b **Reduction in EU barriers to trade.**
- c **Reduction in non-EU developed countries barriers to trade.**
- d **Increase in the value of EU imports from Least Developed Countries (LDCs) by at least \$6.5 billion by 2010.**

<sup>3</sup> These are taken from the WTO framework.

## Conclusion – Green (disclosure is adequate)

**3.23** This target, relating to reducing trade barriers, is shared with the former Department of Trade and Industry (DTI). The data systems have been significantly improved since the 2003-06 PSA and with a clearer focus on desired outcomes, measurable impacts and defined data streams. However, the Department is unable to use the data streams due to the lack of progress in the Doha negotiations following the suspension of negotiations in July 2006. Instead, the Department has provided a qualitative assessment of progress which is consistent with that provided in DFID's Autumn Performance Report.

**3.24** The lack of progress against the target has not impacted on our ability to assess the data system. We consider that the data system is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.

## Characteristics of the Data System

**3.25** PSA target 4 is broken down into four sub-targets addressing different aspects of trade relating to both progress in removal of barriers and the level of trade with developing countries. The data system again requires utilisation of international data, with customs data being the key source.

## Findings

**3.26** For the measurement of sub-target 4a on trade negotiations, the Department has used the three categories of trade and agricultural support currently in place within the EU: export subsidies; domestic support; and restrictions on access third countries have to EU markets<sup>3</sup>. The Department has specified measures for progress within the three categories as detailed in **Figure 2**.

### 2 Categories and measures for target 4a

Category	Measure
Reductions in EU export subsidies	EU expenditure on export subsidies as recorded in the annual 'Depenses' document.
Reductions in EU production-linked domestic support	The sum of EU notifications to the WTO of support under the Amber and Blue boxes representing EU 15 support
Reductions in barriers to access to EU markets	An average tariff calculated for a range of important agricultural commodities.



**3.27** The categories and measures are appropriate indicators for the overall target and are clearly measurable, based on outcomes and are underpinned by well defined baseline figures. The Department has also disclosed within its Technical Note the steps to be taken to address the direct limitations of the data streams on which it intends to place reliance.

**3.28** Sub-targets 4b and 4c focus on reductions to importation tariffs to EU countries (4b) and non-EU developed countries (4c). For EU countries tariff rates are calculated from customs data for duty paid and the value of imports. For non-EU countries data is taken from estimates by international institutions and academics of the impact of the Doha Round on developed countries average tariff levels. Clear disclosure is given in the Technical Note detailing these processes and associated limitations.

**3.29** Sub-target 4d focuses on EU trade with developing countries and is measured using UN data on EU exports. While this is an appropriate measure and data source, there are two main limitations on the data system. Firstly, due to slow data compilation processes, export data can be subject to delays of up to a year for some EU countries. In addition there is a time lag between the achievement of trade agreements and the impact of these agreements on trade flows which inhibits the ability to measure performance within the short PSA cycle. As a result the Department has detailed both limitations in the Technical Note and has also set the date for achievement of the target as 2010; two years after this PSA period. This is considered a reasonable approach to reduce the risk of inaccurate reporting.

## PSA Target 5

**By 2007-08, improved effectiveness of UK and International Support for Conflict Prevention through addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction where the UK can make a significant contribution in particular Africa, Asia, The Balkans and the Middle East. (Joint target with FCO and MoD)**

## Conclusion – Amber (systems need strengthening)

**3.30** The Department, together with the Ministry of Defence (MoD) and Foreign and Commonwealth Office (FCO), have worked to strengthen the data systems for this joint target since the review of the 2003-06 PSA systems. Whilst there have been improvements in the metrics to assess the target, there remain some weaknesses in the measurement of indicators and in the reporting of the joint target by individual Departments. As such data systems are considered to be broadly appropriate, but need strengthening to ensure that remaining risks are adequately controlled.

## Characteristics of the Data System

**3.31** This target requires the Department to work with the FCO and the MoD to improve the effectiveness of the United Kingdom and the international community in conflict prevention and post conflict reconstruction. Progress is assessed against two sets of sub-targets:

- a** progress towards durable peace in nine countries and regions; and
- b** increased capacity and effectiveness of UN and African peace keeping, conflict prevention and peace support capacity.

**3.32** Progress against each of the sub-targets or country pool is reported in biannual narrative reports by the relevant Strategy Manager. These assessments are made using a variety of data sources including international organisations, non-governmental organisations, academics and the Departments' own reporting systems. The reports are reviewed by the tri-Department Steering Group, which also makes the overall assessment of progress against the PSA target. This overall assessment is considered by the individual Departmental Management Boards.

## Findings

**3.33** As is recognised within the Technical Note, conflict prevention is a complex area in which it is difficult to measure outcomes. The data systems are based upon evidence collected in the field, often under difficult circumstances, and this may compromise data quality and reliability. It is also difficult to identify and track potential sources of future conflict and determine where such conflicts have been prevented, or to attribute the contribution made by the United Kingdom. These risks to the accuracy of the data system cannot be cost-effectively mitigated and have been clearly disclosed in the Technical Note.

**3.34** For the 2003-06 PSA, delays and uncertainties in the data and data collection system for part of the target, led the NAO to give a 'white' rating. The Departments have now redesigned the basis for measuring performance and introduced the two categories of sub-targets outlined above. The Technical Note sets out the progress to be made by the end of 2007-08 for both elements of the target, and states the baseline positions for each of the nine areas and for the expected increases in capacity and effectiveness. This new approach represents an improvement in the metrics for assessing progress against the PSA target.

**3.35** However, there are some risks to the data system that have not been mitigated by the Departments. The narrative reports by the Strategy Managers represent a subjective, albeit expert, assessment of progress. The report compilation process is not prescribed or documented. Nor are the processes for setting the traffic light indicators on the individual sub-targets, or for deriving the overall assessment of progress against the PSA target, documented. This creates a risk to the rigour and consistency of the assessment process. The Departments should mitigate this risk by providing further guidance on these processes.

**3.36** The three Departments are jointly responsible for the target but report individually, creating a risk that the published reports may not agree. We reviewed the Department's and the FCO's 2006 Autumn Performance Reports and noted that the narrative disclosures for six of the 12 sub-indicators were different. The most significant difference was that the Department had split the assessment of the Sudan into two parts; Sudan Darfur and Sudan North and South, providing separate traffic light indicators for each. The rating for Darfur was "Red – slippage" and for Sudan North and South "Amber – on track". The FCO, however, did not disaggregate the reporting on the Sudan sub-indicator and classified progress as "Amber – on course". The Departments have now met to discuss the procedures for drafting the texts for the 2007 Departmental Reports to ensure greater consistency.

## PSA Target 6

**Ensure that the proportion of DFID's bilateral programme going to low income countries is at least 90 per cent, and achieve a sustained increase in the index of DFID's bilateral projects evaluated as successful**

Conclusion – Green (disclosure is adequate)

**3.37** This is a two-part target focusing on both the proportion of aid to low income countries, and on evaluation of projects. For the first aspect, systems are clearly fit for purpose. For the second, the Department has in the past relied significantly on assessments made by project teams on their own projects. This led to the NAO highlighting the absence of independent assessment within its report on the systems underpinning the 2003-06 PSAs. The Department has subsequently introduced improvements to the scrutiny of its project scoring systems, to its methodology for assessing the quality of project portfolios and to the level of assurance provided on its data systems. We can therefore conclude that data systems underpinning both aspects of the target are fit for the purpose of measuring and reporting performance against the target.

## Characteristics of the Data System

**3.38** This target has been referred to in the past as the "value for money target" as it focuses on the outputs and outcomes achieved by its bilateral programmes. Unlike the other five PSA targets, the data systems are internal to the Department. The first element, addressing the proportion of the Department's bilateral spend targeted towards low income countries, relies on financial reporting and management systems; and the second, which focuses on the level of success recorded within the Department's portfolio of bilateral projects, is measured using internal evaluation mechanisms.

## Findings

**3.39** For sub-target 6a, the Department monitors bilateral programme expenditure to low income countries, using data from its internal financial management systems. Expenditure is recorded in the accounting system against projects linked to country programmes. The Department classify country income levels in accordance with the OECD's Development Assistance Committee methodology, as set out in their Technical Note. The summary results from these data systems are published annually within the Department's Annual Report.

**3.40** We found that there is a clear management framework for monitoring progress on this target and that information is provided in a robust and timely manner. The Department's annual publication "Statistics on International Development" also publishes progress against this target and includes a reconciliation between the expenditure reported for the target and that within the Department's Resource Accounts.

**3.41** Sub-target 6b assesses the proportion of the Department's projects which are considered to be successful. During the previous review exercise the NAO considered that this data system had a weakness in that the assessment of risk and achievement was often undertaken by the team implementing the project and there was not always an independent review of the assessments being made.

**3.42** The Department has since introduced several improvements in response to the NAO's observations including enhancing the work done by its Internal Auditors, involving the DFID Evaluation Department in the evaluation of projects, commissioning consultants to assess the quality, consistency and accuracy of project assessment documentation. In addition, it is currently in the process of creating an Investment Committee which will have a major role in improving quality assurance across the Department.

**3.43** The NAO consider that overall, the Department has satisfactorily demonstrated the improvements to the system in place during the previous PSA period and has introduced a robust system of checks to counter the weakness previously posed by the absence of independent assessments.

# PART FOUR

## Foreign and Commonwealth Office

### PSA Target 1

**To deter, check and roll back programmes for the development of Weapons of Mass Destruction (WMD) and related delivery systems in countries of concern, and to reduce the supply of and demand for such weapons world-wide**

Conclusion – Amber (disclosure needs strengthening)

**4.1** The data system for this target is broadly appropriate, but includes limitations due to the illicit and covert nature of proliferation, the lack of a quantifiable baseline from which to measure progress, and the difficulty in quantifying the impact of the Department, as distinct from that of other members of the international community. These limitations cannot be cost-effectively controlled. The Department should explain the implications of these limitations.

### Characteristics of the Data System

- 4.2** The target is made up of four published indicators:
- i** contribution to rolling back programmes or potential emerging programmes in countries of concern;
  - ii** success in raising the awareness of the WMD threat;
  - iii** UK contribution towards international methods to counter WMD development and proliferation; and
  - iv** UK support for the development of co-operative threat reduction schemes.

**4.3** When drafting assessments of progress against each indicator, the Department's lead monitor seeks the opinion of relevant experts within the Department (including overseas posts) and other appropriate contacts (other government Departments, agencies and overseas governments). Senior management and staff within Financial Planning and Performance Department (FPPD) review the draft assessments for reasonableness before they are published.

### Findings

**4.4** The illicit and covert nature of proliferation makes it difficult for the Department to ensure that progress against the indicators is measured accurately. When reporting on progress, the addition of a note to explain that the data are largely drawn from subjective data sources would help the reader to understand these inherent limitations.

**4.5** The nature of proliferation and efforts made by the international community more generally to control the spread of WMD means that it is difficult to assess how far positive results are due to the Department's efforts, as distinct from those of other nations. The Department has recognised these weaknesses and aim to break down the target into specific actions with greater quantification of output, responsibilities for outcomes and milestones.

**4.6** At the time the 2004 PSA targets were being drawn up, no indicator was included to combat the usage of WMD by terrorist groups. This is now considered to be a much higher priority area, and should be included as a separate indicator.

### PSA Target 2

**To reduce the risk from international terrorism so that UK citizens can go about their business freely and with confidence**

Conclusion – Amber (systems need strengthening)

**4.7** The data system for this target is broadly appropriate, but includes limitations that cannot be cost-effectively controlled. For example, where external validation of results is not practical, as is the case here, the Department should explain the limitations of the data system. The clarity of disclosure of the Department's

performance against the target could also be improved if baselines for the indicators were provided, and all aspects of the indicators were reported upon.

## Characteristics of the Data System

**4.8** The target is made up of six indicators:

- i** raised awareness of the scale and nature of the terrorist threat;
- ii** ability to carry out preventative action against terrorist targets;
- iii** UK helping to develop political will and effective counter-terrorism capacities;
- iv** UK helping international mechanisms for countering terrorism;
- v** reduction in the vulnerability to terrorism; and
- vi** contribution to the capacity to deal with the consequences of terrorist action overseas.

**4.9** This target is the same as that set for CONTEST, the Government's Counter-Terrorism strategy, and the indicators are also covered in areas of CONTEST work. Performance management for CONTEST operates through a network of Whitehall committees reporting to the Cabinet. So the data (which comprise mainly the informed judgement of members of the Government's counter-terrorism community at home and abroad) are not derived directly in order to measure progress against the PSA target, but rather for CONTEST performance management purposes; the data are then described in reports on the PSA.

## Findings

**4.10** Baselines have not been specified for indicators 2a and 2e, so it is not possible to measure whether awareness of terrorism has been raised, or vulnerability reduced. This is significant, as the Department's 2006 Autumn Performance Report noted that these indicators (together with c) have the highest priority.

**4.11** The Department's 2006 Autumn Performance Report noted that the data sources for reporting against this target were largely subjective. Although this gives some context on data quality, more could be said about the impracticality of obtaining external validation for the reported results. We recommend that where there is a lack of external validation, this should be stated in future reports on PSA performance.

**4.12** The Department plan to make measurement of performance in respect of terrorism more objective in future by introducing measurement systems that reduce

the risks of subjectivity (e.g. analyst judgements, better identification of informed "stakeholders" who might serve a useful review function) inherent in the current process.

## PSA Target 3

**By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular in Africa, Asia, the Balkans and the Middle East (Joint target with the Ministry of Defence and the Department for International Development)**

## Conclusion – Amber (systems need strengthening)

**4.13** The Department, together with the Ministry of Defence (MoD) and Department for International Development (DFID), have worked to strengthen the data systems underlying this joint target since we reviewed the 2003-06 PSA systems. Whilst there have been improvements in the metrics used to assess progress against the target, there remain some weaknesses in both the measurement systems and in the disclosures made when reporting progress. We consider the data systems to be broadly appropriate, but they need strengthening to ensure that the remaining risks are adequately controlled.

## Characteristics of the Data System

**4.14** This target requires the Department to work with the MoD and DFID to improve the effectiveness of the United Kingdom and the international community in conflict prevention and post-conflict reconstruction. Progress is assessed against two sets of sub-targets:

- a** progress towards durable peace in nine countries and regions; and
- b** increased capacity and effectiveness of UN and African peace keeping, conflict prevention and peace support capacity.

**4.15** Progress against each of the sub-targets is reported in biannual narrative reports by the relevant Strategy Manager. These assessments are made using a variety of data sources including international organisations, non-governmental organisations, academics and the Departments' own reporting systems. The reports are reviewed by a tri-Departmental Steering Group, which also makes the overall assessment of progress against the PSA target. This overall assessment is considered by the individual Departmental Management Boards.

## Findings

**4.16** As is recognised within the Technical Note, conflict prevention is a complex area in which it is difficult to measure outcomes. The data systems are based upon evidence collected in the field, often under difficult circumstances, and this may compromise data quality and reliability. It is also difficult to identify and track potential sources of future conflict and determine where such conflicts have been prevented, or to attribute the contribution made by the United Kingdom. These risks to the accuracy of the data system cannot be cost-effectively mitigated and have been clearly disclosed in the Technical Note.

**4.17** For the 2003-06 PSA, delays and uncertainties in the data, and data collection system for part of the target, led us to give a 'white' rating. The Departments have now redesigned the basis for measuring performance and introduced the two categories of sub-targets outlined above. The Technical Note sets out the progress to be made by the end of 2007-08 for both elements of the target, and states the baseline positions for each of the nine areas and for the expected increases in capacity and effectiveness. This new approach represents an improvement in the metrics for assessing progress against the PSA target.

**4.18** However, there are some risks to the data system that have not been mitigated by the Departments. The narrative reports by the Strategy Managers represent a subjective, albeit expert, assessment of progress. The report compilation process is not prescribed or documented. Nor are there documented processes for setting the traffic light indicators on the individual sub-targets or for deriving the overall assessment of progress against the PSA target. This creates a risk to the consistency of the assessment process. The Departments should mitigate this risk by providing further guidance on these processes.

**4.19** The three Departments are jointly responsible for the target but report individually, creating a risk that the published reports may not agree. We reviewed DFID's and the FCO's 2006 Autumn Performance Reports and noted that the narrative disclosures for six of the twelve indicators were different. The most significant difference was that DFID had split the assessment of the Sudan into two parts; Sudan Darfur and Sudan North and South, providing separate traffic light indicators for each. The rating for Darfur was "Red – slippage" and for Sudan North and South "Amber – on track". The FCO, however, did not disaggregate the reporting on the Sudan sub-indicator and classified progress

as "Amber – on course". The Departments have now discussed the procedures for drafting the texts for the 2007 Departmental Reports to ensure greater consistency.

## PSA Target 4

**A reformed and effective (post-enlargement) EU, as measured by progress towards achieving UK policy priorities, including a robust and effective Common Foreign Security Policy (CFSP) which complements NATO**

### Conclusion – Amber (systems need strengthening)

**4.20** The data system for this target is broadly appropriate, but would be strengthened by re-phrasing the indicators in a way that allowed objective measurement rather than subjective judgements on progress. In addition, subjectivity could be reduced if there was to be more consultation with external stakeholders. There remains scope for improvement in the disclosure of progress made against the indicators.

### Characteristics of the Data System

**4.21** The target is made up of 15 indicators:

- i** Dossiers for the UK EU Presidency;
- ii** Arrangements for the UK EU Presidency;
- iii** Crisis management;
- iv** Tackling terrorism;
- v** EU foreign policy;
- vi** Gibraltar;
- vii** Turkey accession negotiations;
- viii** Integration of new EU members;
- ix** Relations with Russia;
- x** The Constitution;
- xi** Financing;
- xii** Agricultural policy;
- xiii** Justice and home affairs;
- xiv** Economic performance; and
- xv** Domestic awareness of EU issues.

**4.22** The Lead Monitor responsible for drafting the assessments against each element of this target consults with relevant experts within the Department (including overseas posts) and other contacts including EU Institutions and other Government Departments. For some indicators the assessments are largely based upon subjective opinions, but for others progress is measured in terms of meetings attended and actions taken. Assessments are quality controlled by senior management and FPPD before they are published.

## Findings

**4.23** The Department do not consult other stakeholders to validate their judgements on performance against the indicators, and have not drawn attention to the subjective nature of the data sources. Thus, for example, the Department's 2006 Autumn Performance Report made no reference to the inherent subjectivity of assessments for some of the indicators.

## PSA Target 5

**Play a leading role in the development of the European Security agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective ESDP operating in strategic partnership with NATO, and enhanced European defence capabilities (Target shared with the MoD)**

### Conclusion – Amber (systems need strengthening)

**4.24** The data system addresses the majority of risks to data quality, but needs strengthening to ensure that remaining risks are adequately controlled. In particular, the procedures in place for assessing performance should be documented to help ensure the consistency of reporting.

### Characteristics of the Data System

**4.25** Progress against the target is measured against classified scorecards covering the three elements of the target:

- a more efficient and effective NATO;
- a more coherent and effective European Security and Defence Policy (ESDP); and
- enhanced European defence capabilities.

**4.26** Narrative reports from the Directorate of Policy for International Organisation (DPIO) desk officers are collected and collated when preparing the Defence Balanced Scorecard. Public performance reports for this target are in the form of a narrative detailing various achievements or progress associated with the UK's involvement with the EU and NATO.

## Findings

**4.27** The narrative reports prepared by the desk officers are subject to review by the DPIO Director.

**4.28** Since our review of the Department's 2003-06 PSA data systems, the Department has included more detail on how performance is to be measured in both their classified and unclassified Technical Notes. However, the nature of the target means that it would not be cost-effective to measure each sub-indicator. This increases the degree of subjectivity in the assessment of performance.

**4.29** Each of the narrative reports by the DPIO desk officers represents a subjective, albeit expert, assessment of progress. The report compilation process is not prescribed or documented. Nor is the process for deriving the overall assessment of progress against the PSA target documented. This gives rise to a risk that there may be a lack of consistency in the coverage of the reports, how progress is reported and the assessments of achievements. We recommend that the Department mitigate this risk by documenting how these processes should be carried out. This is particularly pertinent when staff move posts and reliance is placed on key staff to produce the assessments.

## PSA Target 6

**By 2008, deliver a measurable improvement in the business performance of UK Trade and Investment's international trade customers, with an emphasis on new-to-export firms; and maintain the UK as the prime location in the EU for Foreign Direct Investment (FDI) (Joint target with the former Department of Trade and Industry)**

**4.30** This target covers the work of UK Trade and Investment (UKTI), which brings together the work of the former Department of Trade and Industry and the Department. It is made up of two elements, trade development and inward investment, which we have validated separately.

## Conclusion – Trade Development – Green (fit for purpose)

**4.31** We have assessed the data systems supporting the measurement of the trade development element of the target as being fit for purpose.

### Characteristics of the Data System

**4.32** Performance in relation to trade development is assessed against the following targets:

- a** At least a 30 point increase by 2007-08 in the proportion of UKTI trade development resources focused on new-to-export firms;
- b** At least 40 per cent of new-to-export firms assisted by UKTI to improve their business performance within two years;
- c** At least 50 per cent of established exporters assisted by UKTI to improve their business performance within two years;

**4.33** The data underpinning the assessment of the first indicator is based on internal management information derived primarily from UKTI's resource budgets that support UKTI's trade development work. Data for the second and third indicators are obtained from a performance measurement survey and analysis carried out by external consultants. For 2005 these were carried out by Reading Business School and covered 800 companies a year. From the beginning of 2006 a new system, the Performance Impact and Monitoring Survey (PIMS), conducted by OMB Research, was introduced. This builds on the methodology developed by the Reading Business School and extends coverage to 2,500 companies each year and gathers a broader range of performance and evaluation data.

### Findings

**4.34** The data stream used to measure the first indicator is UKTI's resource budget and management data. It is an internal data stream. It is not possible to easily track funding streams specifically to new-to-export firms and there is a degree of subjectivity in the categorisation of expenditure. We did not undertake an in-depth examination of the determination of the key estimates regarding the level of resources on particular programme schemes devoted to new-to-export firms. We did, however, confirm that they were in line with our expectations.

**4.35** In relation to the second and third indicators, the Department have maintained an active relationship with the data providers and ensured data quality through review and scrutiny of the outturn data. The provisional nature of the data from the first round of PIMS interviews, which showed a significant increase in the new-to-export indicator, is adequately disclosed in the 2006 Autumn Performance Report.

**4.36** The definition of a new-to-export firm in the Technical Note is incomplete, as it does not specify that there is also an upper limit of 25 per cent of turnover. This limit has been actively implemented by International Trade Teams, and is therefore an integral part of the definition. We note that reference is made to the 25 per cent limit for the first time in the December 2006 Autumn Performance Report for UKTI, but not for the Department and former Department of Trade and Industry.

**4.37** The Technical Note needs to be updated, as it refers to the Reading Business School surveys, and does not cover the PIMS carried out by the new contractor, OMB Research, who were appointed on 1 January 2006.

## Conclusion – Inward Investment – Amber (disclosure needs strengthening)

**4.38** We have assessed the data system supporting the inward investment element of this target as broadly appropriate but the Department have not explained fully the implications of limitations that cannot be cost-effectively controlled in relation to sub target 6a, related to the UK's ranking within Europe.

### Characteristics of the Data System

**4.39** This element is measured by two indicators:

- i** Improve the UK's ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the UN Conference on Trade And Development (UNCTAD) "World Investment Report";
- ii** 374 (in 2005-06), 440 (2006-07) and 524 (2007-08) successful inward investment projects secured by UKTI in each year of the Spending Review of which 75 per cent are knowledge driven. This sub-target is measured using the electronic project tracking system, using definitions of success agreed by the Committee on Overseas Promotion, a joint UK Trade and Investment Inward Investment and RDA committee.



## Findings

**4.40** The Technical Note indicates that the UNCTAD inward investment stocks as a percentage of GDP is a composite indicator and its movements are influenced by factors in addition to foreign investment into a country. These factors are, broadly, the US dollar exchange rates used to calculate Foreign Direct Investment (FDI) stock (at year end exchange rates) and GDP (at average for the year exchange rates), and the relative size of GDP between countries. However, these limitations, which can influence the ratio of FDI to GDP and significantly alter the rankings, are not further explained in Departmental reporting and as a result the UK rankings are not put into proper perspective.

**4.41** When calculating the UK's movement in the annual rankings, provisional data used in one year is then finalised in the following year, leading to an apparent discrepancy in the UK's rankings year on year. However, we note that the rankings were clearly marked either 'provisional' or 'revised' in the 2006 Autumn Performance Reports for all three Departments.

**4.42** In relation to sub-target 6b, the Technical Note defines 'success' and 'significant involvement', but not the term 'knowledge driven'. However, the Committee on Overseas Promotion revised its definitions in February 2006, and these are now used in reporting against the target. As a result, the definitions in the Technical Note are now out of date.

**4.43** Progress on the PSA target is reported by the three Departments: the former DTI, FCO and UKTI. The overall assessments are generally consistent, for example, the 2006 Departmental Reports and Autumn Performance Reports for the former DTI and FCO both report an "On Course" overall assessment. However, there was an inconsistency in the 2005 Autumn Performance Reports, when the FCO provided a more optimistic assessment – a "Green (Ahead)" overall assessment, while the former DTI reported an "On Course" overall assessment. UKTI provided assessments against the individual indicators within the PSA target, but no overall assessment.

## PSA Target 7

**To increase understanding of, and engagement with, Islamic countries and communities and to work with them to promote peaceful political, economic and social reform**

### Conclusion – Red (not fit for purpose)

**4.44** The data system is not fit for the purpose of measuring and reporting performance against the target as it is virtually impossible to capture and assess reliable and accurate data. The limitations should be explained in the Department's Annual Report and Autumn Performance Report. No baselines were set for the indicators, and no assessment of the specification and measurement risks was undertaken when the target was formulated.

### Characteristics of the Data System

**4.45** This target is made up of eight published indicators:

- i** Evidence that reform in Islamic countries is high on the international agenda and that the right themes are being supported and driven forward by multilateral institutions;

Evidence against the Millennium Development Goals (MDGs) of:

- ii** Greater political pluralism in Islamic countries as a result of UK contribution;
- iii** Successful legal and penal reform at national level leading to a more independent and impartial judiciary operating in accordance with UN principles;
- iv** Greater government accountability including the establishment of a free media and strengthened civil society organisation;
- v** A strengthened civil society as a consequence of indigenous Non Government Organisations (NGOs), enhanced legislative process, strengthened public administration /civil service;
- vi** An increased representation of women in national and local government as well as in civil society and international organisations;
- vii** The removal of barriers to international investment in the Middle East; and
- viii** The fostering and promotion of a moderate version of Islam in Islamic countries and in the UK.

**4.46** The data used to assess performance against the indicators consist of reports from the Department's overseas posts, and discussions with key stakeholders such as the Home Office and the Cabinet Office. Progress assessment also includes oral reports from the other external stakeholders, such as the Association of Chief Police Officers.

## Findings

**4.47** We agree with the Department's view that capturing and assessing data to judge progress against this target is virtually impossible. There are no clearly defined links between the progress assessments for each indicator and the overall assessment. The performance base to be assessed is very broad, and the data systems do not capture all elements of the target. Nor do the target indicators have clearly defined baselines. A note explaining the limitations of the data capture and assessment should be included in future reports on performance against this target.

**4.48** The progress assessment on indicator iv (Greater government accountability) in the Department's 2006 Autumn Performance Report was "Red – slippage". However the narrative only highlighted a number of positive achievements and did not explain the reason for the overall assessment. We also noted that for a number of the indicators the reported progress assessment had changed from "Red- slippage" in the 2006 Departmental Report to "Amber – On course" in the 2006 Autumn Performance Report. There were no explanations of how the achievements listed had brought the Department back on course to achieve the target.

## PSA Target 8

**To promote sustainable development, underpinned by democracy, good governance and human rights, particularly through effective delivery of programmes in these and related fields**

### Conclusion – Amber (systems need strengthening)

**4.49** The data system for this target is broadly appropriate but needs strengthening by introducing a more unified responsibility for all aspects of the target, setting baselines, and improving risk management. Disclosure of performance against this target could also be improved by making it clear where the assessment is based on subjective data.

## Characteristics of the Data System

**4.50** The target is made up of seven indicators:

- i** Access to information, public participation and justice on environmental matters;
- ii** Improved natural resource management;
- iii** Illegal logging;
- iv** Implementation of Environmental Charters in the Overseas Territories;
- v** Abolition of the death penalty;
- vi** Ratifications of human rights treaties; and
- vii** Ratification of the Protocol to the Convention Against Torture.

**4.51** Sustainable development is concerned with reconciling economic growth, social justice and the protection of the environment to secure a better quality of life both now and for future generations. The Department work in partnership with the Department for the Environment, Food and Rural Affairs (DEFRA), the Department for International Development (DfID) and the former Department of Trade and Industry (DTI) in promoting global action on sustainable development which is relevant to all of the Department's strategic priorities.

**4.52** For indicators 8i to 8iii, the data sources are the websites of non-government organisations (NGOs), project implementers, peer review by other Government Departments of Global Opportunities Fund project proposals, Departmental internal reporting (particularly from overseas posts), and other data sources such as the DfID White Paper and the media. These are reviewed periodically by the Department's Lead Monitor to ensure they remain appropriate.

**4.53** The information received for sub-indicator 8iv comes mainly from project implementers and occasionally from Governors' Offices. For sub-indicator 8v, the measure is Amnesty International's death penalty website, and for indicators 8vi and 8vii the number of ratifications is monitored by the United Nations and published on their website. For indicators 8v to 8viii, developments are also monitored by the Department through their ongoing reporting as well as media and NGO reports.

## Findings

**4.54** Responsibility for this target is shared by three separate Lead Monitors with no one Lead Monitor having overall responsibility. Without a clear idea of priorities, there can be no clarity as to the significance of any failure to meet a particular indicator. In their 2006 Autumn Performance Report, the Department did not provide a baseline position for indicators 8i to 8iv, and did not provide details of the data sources for indicators 8iii and 8iv.

**4.55** To assist the reader, the Department should provide commentary on the inherent subjectivity of the assessments of performance against the indicators in future reports on progress against the target.

## PSA Target 9

**a** **Effective and efficient entry clearance services, as measured by specific underlying targets**

**The entry clearance part of this target is shared with UKVisas and the Home Office**

### Conclusion – Red (not fit for purpose)

**4.56** The data system underlying the reporting of progress against the target for entry clearance (Visas) is not currently fit for purpose as it excludes the speed of processing at UKVisas' commercial partners (used in their outsourced operations), which deal with more than half of all Visa applications.

### Characteristics of the Data System

**4.57** PSA target 9a, which covers the Department's entry clearance (Visa) responsibilities, is made up of four indicators:

- i** The speed of processing of straightforward non-settlement Visa applications;
- ii** The speed in coming to a decision for non-settlement Visa applications that require further enquiries;
- iii** The speed in bringing settlement Visa applicants to interview; and
- iv** The percentage of Visa applications to be processed by overseas posts with Risk Assessment Units.

**4.58** The collection of data for indicators 9a i to 9a iii is automated, with overseas posts entering data onto the Department's Proviso system, and the reported data being produced from a monthly report. Data for indicator 9a iv is calculated centrally.

## Findings

**4.59** The indicators do not measure the speed of processing achieved by UKVisas' commercial partners (used in their outsourced operations). In 2005-06, some 58 per cent of visa applications received by post were dealt with (at least in part) by outsourced partners. For the future, UKVisas should include their Commercial Partner Programme in the measurement process and data system. The Department are due to take this forward shortly as part of the management information reporting elements of the new Commercial Partner contracts.

## PSA Target 9

**b** **Effective and efficient consular services, as measured by specific underlying targets**

### Conclusion – Amber (systems need strengthening)

**4.60** The data system for reporting against this element of the target is broadly appropriate, but needs strengthening to include an estimate for certain small overseas posts, together with improved risk management, sampling guidance, and disclosure of progress against the target.

### Characteristics of the Data System

**4.61** Target 9b is made up of seven indicators:

- i** The speed of issuing overseas passports;
- ii** The speed of contacting hospitalised consular cases;
- iii** The speed in contacting detainees on notification of arrest;
- iv** The speed of carrying out notarial acts;
- v** The speed in registering births;
- vi** The speed in registering deaths; and
- vii** Customer satisfaction.

**4.62** Data for sub-indicators 9b i to 9b iv are collected from Consular Annual Returns (CARs), which are manually compiled by the Department's overseas posts. Returned CARs are subjected to quality control checking centrally to ensure that the data are credible. Any suspicious data identified are queried with the post concerned.

## Findings

**4.63** Data to support the reporting of results against sub-indicators 9b i to 9b vi are to be collected electronically from 2006-07 onwards. However, certain small overseas posts – known as “spoke” posts, will have no access to the system which is to be used to collect the data. The Department intend that no estimate of performance at spoke posts should be added to the electronically produced data. Spoke posts – which together account for some 2.7 per cent of overseas passport issues – tend to be poorer than average performers, so excluding them will inevitably bias the measurement of progress against the target. We believe that an estimate should be included for the spoke posts when compiling the data for future assessments of performance.

**4.64** Guidance on completion of CARs could be made more specific by defining the sampling basis to be used in estimating performance, in particular emphasising that sampled weeks should be typical of the period, rather than the “best” week. Overseas posts should also be required to:

- retain documentary evidence to support the figures they enter on the CAR; and
- perform a thorough management check on the CAR figures to ensure they are consistent with the supporting documentation. Documentary evidence should be kept of this check.

## PSA Target 9

- c 75 per cent of a cross-section of users satisfied with the delivery of consular services**

### Conclusion – Red (not fit for purpose)

**4.65** The data system underlying the reporting for indicator (vii) of the target is not fit for purpose because conducting a survey relating to only one randomly selected week in the year does not give an accurate picture of satisfaction across the whole year.

### Characteristics of the Data System

**4.66** PSA target 9b vii, relates to customer satisfaction with the delivery of consular services. Performance is assessed annually, based on all consular customers in a randomly chosen week being asked to complete a satisfaction survey form to be returned to the overseas post or directly to the Department in London. It is also possible to complete the form online. A central team collates the returned data and calculates performance against the indicator.

**4.67** One randomly chosen week in the year cannot provide a statistically reliable view of the level of satisfaction across the whole year. The particular week chosen for the 2005 and 2006 surveys was in the Autumn, which is outside the busy summer holiday season for many overseas posts, particularly those in Europe and North America.

**4.68** However, in our recent report on “Foreign and Commonwealth Office Consular Services to British Nationals” (HC594 2006-07), we noted that “observation during our Post visits and consultation with stakeholder welfare organisations and pressure groups suggests a generally good level of service in the majority of cases, although the service offered did not meet expectations in some cases. This was due to over high expectations regarding the role of consular staff, or to the impact of limited resources leading to prioritising competing demands. The commitment and dedication of staff to achieving a good level of service was apparent, often under difficult and stressful circumstances and outside of office hours.”

# PART FIVE

## Northern Ireland Office

### PSA Target 1

**Increase confidence in the police throughout all parts of the community in Northern Ireland by three per cent by April 2008, to be measured by a composite suite of measures on public views on the fairness and effectiveness of the police and policing arrangements**

**In addition, increase the Catholic representation in the police service to 30 per cent by December 2010 as proposed by Patten with an interim target of 18.5 per cent by March 2006**

#### Introduction

**5.1** There are two distinct parts to this target:

- a** increased confidence in the police; and
- b** increased Catholic representation in the police service.

**5.2** The data systems to support the performance information for the two parts of the target are assessed separately below.

### Target 1a: Increased confidence in the police

#### Conclusion – Green (fit for purpose)

**5.3** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.4** The continuous Northern Ireland Crime Survey (NICS) provides a consistent basis to collect the public opinion data required for this target and its introduction has resulted in a significant improvement in the quality of the data systems underpinning this target.

### Characteristics of the Data System

**5.5** The data system used for the first part of Target 1 is the NICS, an independent and representative public survey that annually measures the level of the community's confidence in the criminal justice system, including policing. Performance is measured using a weighted average rating for confidence in seven areas covering the police service (three indicators), the Policing Board (two indicators) and the Police Ombudsman (two indicators).

**5.6** A ratio of 4:1:1 is applied to the results for the police service, Policing Board and Police Ombudsman respectively, to weight the results to reflect the greater relative importance of the police service indicators.

**5.7** The PSA target is to increase the reported composite confidence figure from 73 per cent to 76 per cent by April 2008.

### Findings

**5.8** The baseline against which performance is measured has changed from 71 per cent to 73 per cent since the target was set and published in the PSA Technical Note<sup>4</sup>. This arose from the improvement in data achieved through moving from the NI Omnibus Survey, used for the SR2002 targets, to the NICS. In the NICS, the Department noted that fewer non-responses were received to one of the police-related questions resulting in an improved result. The Department considered that the improved methodology had revealed an outcome which was not directly comparable to the baseline, and decided to revise the baseline.

**5.9** The result of this revision was a two per cent increase to the baseline, and consequently the target moved from 74 per cent to 76 per cent. This change was supported by the Treasury and reported in the Department's 2005 Autumn Performance Report.

<sup>4</sup> See Northern Ireland SR2004 Technical Note at [http://www.nio.gov.uk/nio\\_public\\_service\\_agreement\\_technical\\_note\\_2004.pdf](http://www.nio.gov.uk/nio_public_service_agreement_technical_note_2004.pdf).

**5.10** We note that the Department was prepared to upwardly revise their target when it became apparent they could provide a stronger figure for the baseline. It is also cautionary to note, however, that a small change to one sub-set of questions can have such a significant impact on the overall reported results for confidence in the police.

**5.11** Performance information is adequately reported in both the 2006 Departmental Report and the 2006 Autumn Performance Report.

## Target 1b: Increased Catholic representation in the police service

### Conclusion – Green (fit for purpose)

**5.12** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.13** The data systems are well-established and the Department continues to make enhancements to the system where possible.

### Characteristics of the Data System

**5.14** The data used for this target originates from the Police Service of Northern Ireland (PSNI) which calculates the number of officers determined to be “Community Background 2” (Catholic) as a percentage of the total number of PSNI regular officers.

**5.15** Data relating to officers recruited since the target was first established originates from declarations of religious background by individual officers during the application process. The data for new recruits is collated by the PSNI using information collected by their recruitment agents, Consensia. We note that KPMG have been employed to independently review the Consensia systems and have provided assurance to the Department that the systems in place are adequate.

**5.16** For officers employed at the time the target was established, the PSNI uses information provided by the officer about their primary school attendance, which is assumed to correspond to religious background. This is a reasonable method of determining established officers’ backgrounds.

## Findings

**5.17** There is a risk that applicants may falsely state their community background at the recruitment stage in order to improve their chances of selection. This risk has been identified by the Department and PSNI and mitigating controls have been put into place. The PSNI carries out cross-checking of new entrants’ declarations of their religious backgrounds against declarations made by the same candidates throughout the application process, in previous applications, and in any previous service in the police.

**5.18** The Department receives performance information monthly and review this against their own model of predicted outturn based on forecast intakes and departures in order to identify and act on any unexpected results. The Department and the PSNI work together to validate the results reported and to ensure the quality of the data systems.

**5.19** The system to identify the background of police officers for reporting performance against this target has now been in place for some five or six years. Over this time, the Department has identified potential weaknesses and put control procedures in place to mitigate them, as noted above.

**5.20** Performance information is adequately reported in both the Departmental Report 2006 and the Autumn Performance Report 2006. There are no limitations which require disclosure.

## PSA Target 2

**Increase confidence in the criminal justice system throughout all parts of the community in Northern Ireland by three per cent by April 2008 to be measured by a composite suite of measures on public views on the fairness and effectiveness of the criminal justice system**

### Conclusion – Green (fit for purpose)

**5.21** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.22** The continuous Northern Ireland Crime Survey (NICS) provides a consistent basis to collect the public opinion data required for this target and its introduction has resulted in a significant improvement in the quality of the data systems underpinning this target.

## Characteristics of the Data System

**5.23** The data system used for Target 2 is the NICS, an independent and representative public survey that annually measures the level of the community's confidence in the criminal justice system. Performance is measured using an unweighted average rating for confidence in six areas covering various aspects of the criminal justice system.

**5.24** The PSA target is to increase the reported composite confidence figure from 39 per cent to 42 per cent by April 2008.

## Findings

**5.25** The baseline against which performance is measured has changed from 38 per cent to 39 per cent since the target was set and published in the Technical Note. This is because the Department noted a rounding error in the calculation of the baseline and so used the corrected baseline when reporting performance. As a result, the requirement for the Department to achieve a three per cent improvement leads to a target of 42 per cent rather than 41 per cent.

**5.26** The Criminal Justice Board for Northern Ireland, (which is chaired by the NIO's Director of Criminal Justice), aims to secure an improved service to the public through better co-operation, co-ordination and accountability in the administration of the Northern Ireland criminal justice system, has endorsed this target. Each organisation represented on the Criminal Justice Board has adopted a confidence target in their organisational Business Plans. This should help to ensure that the PSA targets at the Departmental level filter down and become embedded at the operational level.

**5.27** We understand that the Department is participating in a four nations Crime Survey Group with the aim of sharing experiences and identifying areas for improvements across England, Wales, Scotland and Northern Ireland. We welcome this development which should serve to improve the quality of information obtained through the NICS.

**5.28** Performance information is adequately reported in both the 2006 Departmental Report and the 2006 Autumn Performance Report.

## PSA Target 3

**The Northern Ireland Office, working in conjunction with other agencies, will:**

- a** reduce domestic burglary by two per cent by April 2005 and by 15 per cent by April 2007;
- b** reduce theft of and from vehicles by six per cent by April 2005 and by 10 per cent by April 2007; and
- c** by April 2008, reduce the rate of reconviction by five per cent compared to the predicted rate

## Introduction

**5.29** There are two distinct parts to this target:

- a** reduced rates of crime, covering both domestic burglary and theft of and from vehicles; and
- b** reduced rate of reconviction.

**5.30** The data systems to support the performance information for the two parts of the target are assessed separately below.

## Target 3a: Reduced rates of crime relating to domestic burglary and theft of and from vehicles

### Conclusion – Green (disclosure is adequate)

**5.31** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.32** Whilst there is an uncontrolled risk to the completeness of the performance data relating to unreported crimes, the Department has provided adequate disclosures in the Technical Note, Departmental Report 2006 and Autumn Performance Report 2006 to ensure that the reader understands the limitations.

## Characteristics of the Data System

**5.33** The PSNI uses an Integrated Crime Information System (ICIS) to record the details of all crimes reported across Northern Ireland. Data for the relevant crimes is extracted from ICIS as the foundation for reporting performance against this target.

**5.34** The data is collated and validated by statisticians out-posted to PSNI from the Northern Ireland Statistics and Research Agency. The PSNI has voluntarily adopted the National Recorded Crime System definitions used in England and Wales.

## Findings

**5.35** As there is one police force covering the whole of Northern Ireland, the Department is able to use actual recorded crime data to report on performance against this target with a good degree of confidence as to the consistency of approach to the recording of crime.

**5.36** The approach adopted appears to be well integrated with policing, and police systems (ICIS), since the data comes directly from the operational systems used by the PSNI which are regularly reviewed both internally and externally.

**5.37** There is an inherent risk that some crimes will go unreported and therefore will be excluded from the data set. However, the target set is a relative one whereby the Department is charged with reducing crime by a percentage rather than to a specified level. Thus the level of unreported crime is reflected in the baseline as well as the performance reported and the impact of unreported crime on the performance data is not considered to be significant.

**5.38** Performance information is adequately reported in both the Departmental Report 2006 and the Autumn Performance Report 2006. Adequate disclosure of the limitation that unreported crimes are excluded from the data set is given.

## Target 3b: Reduced rate of reconviction

### Conclusion – Green (fit for purpose)

**5.39** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.40** We have made some recommendations, mainly on the timeliness of the data, but these are not of such significance as to impact on the overall assessment of the systems supporting this target.

## Characteristics of the Data System

**5.41** The rate of reconviction is defined as the percentage of offenders who were reconvicted, for any offence, within two years from the date of their non-custodial disposal or discharge from custody into the community.

**5.42** The actual reconviction rate is calculated using data from the PSNI's ICIS and the Northern Ireland Prison Service's (NIPS) Prison Index database.

**5.43** The model for establishing predicted reconviction rates has been developed by the Northern Ireland Statistics and Research Agency (NISRA) statisticians out-posted to the Department in conjunction with a leading external UK academic on re-offending. We are satisfied that the model is fit for purpose, having taken account of the knowledge and experience of developing a similar model for England and Wales.

**5.44** The predicted reconviction rate is an estimate of the percentage of offenders who are likely to be re-convicted within a two-year period. The predictions assume that the nature of offending and the behaviour of offenders remains the same in each given cohort. The prediction is created by applying these past behaviours for the various 'types' of offenders to the proportion of the 'types' of offenders in the cohort for the current year.

## Findings

**5.45** The majority of the data used to populate the system for measuring re-conviction rates comes from the PSNI's ICIS system, together with information on discharges from the Prisoner Index database. These systems are core systems of the PSNI and NIPS respectively, and their integrity is assured from regular monitoring by management, internal audit and various outside inspection agencies<sup>5</sup>.

**5.46** There is a Service Level Agreement between the Department and the PSNI providing for the supply of the ICIS data. The PSNI complete their inputting by April following the calendar year and the Department undertakes high-level checks on the data.

**5.47** The Department cross-checks all information on prisoner discharges from the Prisoner Index database to the ICIS data. All anomalies are investigated leaving a very low residual mis-match between the source systems.

<sup>5</sup> This includes HM Inspectorates, the respective external auditors and the various criminal justice oversight bodies for Northern Ireland.



**5.48** There is an inherent weakness in this target in that the achievement is determined against a predicted rate, and that the predicted rate is not known at the outset of the measuring period.

**5.49** As explained above, the model predicts a rate to be judged against at the end of the two year period following the year of review. However, the data to inform that prediction is only ready for inputting into the model by the following July, so the baseline is not available for publication until the Autumn Performance Report.

**5.50** As a result, the predicted rate was only available up to and including the 2003 cohort for the Autumn Performance Report 2006. The Department informs us that, now the model is established and the processes for validating the source data are embedded, the predicted rates for the 2004 and 2005 cohorts will be featured in the 2007 Autumn Performance Report, together with the actual results up to and including the 2004 cohort.

**5.51** Performance information is adequately reported in both the Departmental Report 2006 and the Autumn Performance Report 2006. The reason for the delay in reporting present results against this target is adequately explained in the Autumn Performance Report 2006.

## PSA Target 4

**Ensure that the annual cost per prisoner place in Northern Ireland falls to £82,500 by 2007-08 with interim targets of £86,290 for 2005-06 and £85,250 for 2006-07**

### Conclusion – Green (fit for purpose)

**5.52** The data system is fit for the purpose of measuring and reporting performance against the target, is appropriate for the target and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled, where these exist.

**5.53** The data system to support the performance data for this target is an arithmetical calculation using two published variables.

### Characteristics of the Data System

**5.54** The Cost Per Prisoner Place (CPPP) is calculated by dividing the audited net operating costs for the year, measured in resource terms, by the average total available number of prisoner places defined as Certified Normal Accommodation (CNA).

**5.55** In accordance with the Technical Note, certain costs which are unique to Northern Ireland are excluded from the net operating costs used in the calculation. These are costs relating to:

- Consolidation of Governor allowances into pensionable pay;
- Billy Wright murder inquiry;
- Staff reduction programme – costs arising on early retirement;
- Prison Service Trust grant, for supporting the families of officers who died in service or retired on ill-health grounds;
- Security breach provision relating to disclosure of prison officers' personal details in October 2002; and
- Prisoner Ombudsman costs.

### Findings

**5.56** As stated above, the figures used in the calculation of performance against this target are established and externally published. The cost figures are audited as part of the annual audit of the NI Prisons Agency's financial statements by the Comptroller and Auditor General and HM Inspector of Prisons reviews the CNA every two years. We note, however, that the Department does not currently undertake any validation themselves on these figures.

**5.57** Performance information is adequately reported in both the Departmental Report 2006 and the Autumn Performance Report 2006. We note that the Autumn Performance Report 2006 refers to the method of calculation for this target being similar to that previously used in England and Wales. The Home Office PSA targets for SR2004 do not include a target relating to CPPP. We recommend that the Department confirms whether this statement remains relevant and ensures that the 2007 Autumn Performance Report reflects the current position.

# PART SIX

## Her Majesty's Revenue and Customs

**6.1** HM Revenue and Customs is a large organisation undertaking complex activities, which are inherently difficult to measure. In conducting the review we recognise the efforts the Department has put into developing data systems to measure these complex activities for its PSAs. We also recognise that work to improve the quality of the Department's measures of performance is ongoing. This is the case, for example, in the Department's work to assess the extent of taxpayer compliance where it has advanced its understanding of the tax gap and its measurement.

**6.2** Of the Department's 20 PSA targets and sub-targets we have assessed:

- seven of the underlying data systems as 'fit for purpose' ('green');
- eight as 'broadly appropriate' ('amber'). In two of these data systems (PSA 2a and PSA 2b) we believe updating of Technical Notes and the improving of disclosures in performance reports should help the Department to address any residual weaknesses. For the remaining measures assessed as 'amber', the Department has work in progress to address the assessed weaknesses in measurement methodologies. We noted that in two cases (PSA 8b and PSA 8d) measures have been impacted by changes within the Department and with external agencies;
- three as 'too early to form a view' ('white'). As at the time of our audit, the Department was yet to finalise methodologies, for example, to combine survey results or to establish baselines. We recognise that since the audit there has been some progress on these measures; and
- two as 'not fit for purpose' ('red'). PSA 6b had an incomplete data system and PSA 9 had a baseline not representative of the measure.

**6.3** Our detailed findings on each of the Department's measures are set out below.

### PSA Target 1

**By 2007-08, reduce the scale of VAT losses to no more than 11 per cent of the theoretical liability**

#### Conclusion – Green (fit for purpose)

**6.4** The data system is fit for the purpose of measuring and reporting performance against the target.

**6.5** The data system is robust, and is supported by the Department's continuing research and review into the processes and assumptions underpinning the reporting of its performance in the reduction of VAT losses.

**6.6** The estimate of VAT losses is subject to some degree of uncertainty owing to the nature of the data and assumptions made in the calculation. The Department has done some additional work on understanding this uncertainty, although improved disclosure in published documentation would aid the reader in their understanding of the limitations of the estimate.

#### Characteristics of the Data System

**6.7** The VAT gap is calculated by taking the difference between the VAT Theoretical Tax Liability (VTTL) – an estimate of the VAT that would have been collected in the absence of any losses, constructed using Office of National Statistics (ONS) data on consumer expenditure trends and the National Accounts; and the amount of VAT actually collected – a net VAT receipts figure obtained from the Treasury representing money in the bank, as recorded in the Consolidated Fund.

## Findings

**6.8** The construction of the VTTL is a complicated process, and is vulnerable to a number of uncertainties. These include sampling error in the construction of consumer expenditure trends, assumptions made on the splits between exempt and standard rated expenditure, revisions to data sets by ONS, and use of forecasts where data are not yet available. VAT receipts are taken from the Consolidated Fund, which is audited annually and, therefore, there is little risk of error in the figure.

**6.9** Movement in VAT receipts has, however had a greater impact on the VAT gap than volatility in the VTTL. In general, analysis of yearly trends show that the VTTL remains stable, whereas VAT receipts vary. There are a number of reasons for the variability in VAT receipts. The most significant is the impact of Missing Trader Intra Community Fraud (MTICF).

**6.10** In the past, the Department has published an accuracy range of around +/- 4 per cent for VAT losses. This has not been disclosed in the Technical Note for the SR2004 target, and the most recent published performance report refers only to a 'degree of uncertainty' associated with the estimate, disclosed in a footnote linked to the baseline.<sup>6</sup> We believe that clear disclosure of limitations surrounding the results is important to aid reader understanding.

**6.11** The VAT gap calculation relies on data provided by ONS. We believe that there are opportunities for the Department to increase its knowledge of how ONS data are compiled in order to aid understanding of information being fed into the VTTL model.

**6.12** VAT gap data are utilised throughout the Department for a variety of purposes. We consider that there are opportunities to document more fully the limitations of the data within the Department. This will ensure that the data are appropriately used in operational decision making.

## PSA Target 2a

**By 2007-08, reduce the illicit market share for cigarettes to no more than 13 per cent**

### Conclusion – Amber (systems need strengthening)

**6.13** The method of measuring performance against the PSA target is broadly appropriate, but needs strengthening to ensure that the remaining risks are adequately controlled.

**6.14** The key risks identified relate to the presentation and clarity of the methodology, the evidence supporting the use of baseline data, and the use of an upper and lower limit (range) instead of a point target.

**6.15** Notwithstanding the difficulties in reporting progress against a target following the introduction of a range measure, we welcome the Department's continued development of the methodology that was introduced in 2006, which takes into account the uncertainties inherent in the measurement system.

## Characteristics of the Data System

**6.16** The Department calculates the illicit market share by finding the difference between an estimate of total UK cigarette consumption based on ONS survey data; and the number of legitimate cigarettes in the economy, using HMRC clearances data, and cross border shopping and duty free estimates.

**6.17** Uplift factors are applied to estimates made from ONS survey data to take into account factors such as under-reporting by survey correspondents and unrepresentative coverage of the survey. The uplift factor is derived using a base year where smuggling was considered minimal, and total consumption equalled legitimate consumption.

**6.18** Upper and lower estimates of the range are calculated using different assumptions on levels of consumption to take into account changing patterns of smoking and survey responses.

## Findings

**6.19** The methodology for calculating the illicit market share is disclosed annually in a paper accompanying the Pre-Budget Report. It was first disclosed in 2001, but subsequent papers have only explained amendments to the methodology, making it complicated to obtain a full understanding of the measure. The Department is considering publishing the full methodology in the 2007 paper.

**6.20** The disclosure of the new methodology in 2006<sup>7</sup> was particularly confusing, and in some cases misleading. The document mixes up descriptions of the old method with the new, making it difficult to work out what is current practice. In particular, the document lacks clarity on how the range is calculated, which years the uplift factors to correct for under-reporting are based upon, and what is meant by rebasing. Clearer disclosure of the methodology using diagrams would significantly ease understanding and transparency of the measure.

<sup>6</sup> HMRC Annual Report 2005-06 and Autumn Performance Report – December 2006.

<sup>7</sup> Measuring Indirect Tax Losses 2006.

**6.21** The Technical Note for the SR2004 target refers the reader to MITL 2004, and contains no reference to the methodological changes. The Technical Note should be updated to reflect changes.

**6.22** We also have concerns over the choice of base year in which it is assumed that there is minimal smuggling, and from which uplift factors are calculated. The Department was unable to provide us with evidence to support this assumption.

**6.23** As discussed above, we welcome the change to the methodology to report a range rather than a point result in the interests of improving the measure. However, the Department has a point target to report against, and has not yet established how this is to be achieved, although we understand that it is being pursued with the Treasury. There is no disclosure of this in the 2006 Autumn Performance Report.

## PSA Target 2b

**By 2007-08, reduce the illicit market share for spirits by at least a half**

Conclusion - Amber (systems need strengthening)

**6.24** The method of measuring performance against the PSA target is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.

**6.25** The key risks identified relate to the presentation and clarity of the methodology, the lower band methodology and the use of a range instead of a point target.

**6.26** As for the cigarettes target above, a new methodology was introduced in 2006, which takes into account the uncertainties inherent in the measurement system. We welcome this change and believe that it strengthens the system.

## Characteristics of the Data System

**6.27** The illicit market share is calculated in a similar manner to the cigarettes target, by finding the difference between an estimate of total UK consumption based on ONS survey data; and the legitimate spirits consumed in the economy, using HMRC clearances data, and cross border shopping and duty free estimates.

**6.28** Upper and lower estimates of the range are calculated using assumptions to account for under-reporting of consumption, and mis-classification of spirits in answers to the survey.

## Findings

**6.29** As for target 2a above, the disclosure of the methodology in papers accompanying the Pre-Budget Report is not straightforward. Points about setting out the full methodology in a clear and easy to understand manner, for example by using diagrams, are applicable here. The Technical Note should also be updated to reflect fully the current methodology.

**6.30** We are concerned over the lack of a working methodology for calculating the lower estimate of the range. As disclosed in MITL 2006, alternative distributions were considered, each of which produced a negative result, and therefore zero has been used as the lower estimate. This is a conservative estimate, but calls into question methodological assumptions, and whether any meaning can be taken from the trend. It is noted, however, in a situation where the illicit market is falling, the effect would be for the observed trend in the mid-point to fall less than that where the lower estimate trend is used.

**6.31** While we welcome the more realistic picture of the uncertainties involved in producing the estimate that the range provides, we are concerned that the Department will be unable to report progress against a point target. There is no disclosure of this issue in published reports, although we understand that the Department is in consultation with the Treasury.

## PSA Target 2c

**By 2007-08, hold the illicit market share for oils in England, Scotland and Wales at no more than two per cent**

Conclusion – Amber (systems need strengthening)

**6.32** The system is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.

**6.33** The key risks identified relate to the presentation and clarity of the methodology, and accuracy of the fuel estimates.

**6.34** The Department is undertaking an in-depth review of the data system, with a view to strengthening it in line with the changes made to the estimates of the illicit market shares for cigarettes and spirits. This is to take account of uncertainties in the data system, particularly surrounding estimates of fuel efficiencies.

### Characteristics of the Data System

**6.35** The illicit market share is estimated by finding the difference between the total diesel consumed in Great Britain and legitimate diesel consumed. Total diesel consumption is estimated by taking distances travelled by different vehicle types, taken from surveys and traffic sensors, multiplied by fuel efficiency estimates for each of the different vehicle types. Data are provided by the Department for Transport and the former Department of Trade and Industry. Legitimate diesel consumption is compiled using HMRC clearances data and cross border shopping estimates.

### Findings

**6.36** The target and Technical Note refer to the illicit market share for oils. However only diesel is being measured. The Department believes that this is where the majority of oils fraud lies.

**6.37** We welcome the Department's plans to review the methodology for calculating the illicit market share in order to identify weaknesses and produce a more realistic estimate. If these revisions result in a range being produced, as above, consideration needs to be given as to how a point target can be reported using a range.

**6.38** Points under 2a above about the lack of clear and full disclosure in the annual papers accompanying the Pre-Budget Report also apply to the oils target, and the methodology should be explained clearly and in full, and the Technical Note updated to reflect changes to the methodology.

**6.39** The accuracy of the fuel efficiency estimates is a key concern in this calculation. For example, information from 2000-01 is used to calculate fuel efficiencies for vans, buses and coaches. It is probable that efficiencies will have improved since then. It is also assumed that all buses and coaches run on diesel, which is no longer likely to be the case. Annual efficiency figures for cars are determined under a single set of driving circumstances, and assume that fuel consumption remains constant over the life of the vehicle.

## PSA Target 3

**By 2007-08, reduce underpayment of direct tax and National Insurance contributions due by at least £3.5 billion a year**

### Conclusion – Amber (systems need strengthening)

**6.40** The method of measuring and reporting performance against the target overall is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.

**6.41** This target is complex and is comprised of 23 separate Spend to Raise (StR) initiatives, and separate Business Improvement and Legislative Change initiatives, each with its own distinct data system and method of measurement.

**6.42** The key risks identified relate to the level of disclosure of the methodology, two initiatives considered to be 'not fit for purpose' because they did not have suitable systems to separate and calculate the direct contribution of the StR initiative, and seven initiatives rated as 'not yet established' or 'too early to assess', that we were unable to give a view on.

**6.43** In the two initiatives considered 'not fit for purpose' the Department is instead adopting an alternative approach to capture overall business improvements for the given area, which we consider will simplify the measurement approach, and improve transparency.

### Characteristics of the Data System

**6.44** Target 3 comprises a series of Spend to Raise and 'tax gap target' initiatives for the period 2005-08 to produce additional yield of £3.5 billion in 2007-08. Each of the StR initiatives was established on the basis that a discrete amount of funding would result in an increase in tax yield. Specifically the milestones are:

- StR 03 – 2007-08 target £870 million;
- StR 04 – 2007-08 target £1,248 million;
- StR 05 – 2007-08 target £370 million; and
- General Business Improvements and Legislative Changes gap target £1,012 million in 2007-08.

**6.45** Each initiative uses a different data system to determine the contribution to the yield. This information is then consolidated into a central spreadsheet and total yield determined.

## Findings

**6.46** Target 3 is an extremely complicated measure, with a large number of different data systems, assumptions and methodologies in place to calculate the yield attributable to each initiative. A review of each of the individual initiatives showed variations in the suitability of the data systems.

**6.47** We found a number of the measures had robust data systems that were found to be fit for purpose. These were mainly contained within the StR initiatives that were implemented at the outset of the PSA target in 2003. In four initiatives such as Specialist Recovery and Enforcement, and Fast Track Company Rescue, we found reliable, well-controlled data systems and sound assumptions underpinning the yield results.

**6.48** The data systems in place for many of the initiatives were found to be 'broadly appropriate'. In these cases reasonable data systems are in place, but either need strengthening to ensure that remaining risks are adequately controlled, or include limitations which cannot be cost-effectively controlled.

**6.49** We rated five initiatives as 'too early to assess'. This included the StR 2005 package that contained two initiatives. Although data systems have been developed to assess yield relating to these initiatives, they have yet to report yield and as such it is too early to form a view on their fitness for purpose.

**6.50** We rated the legislative initiative as 'not yet established' as the Department has yet to finalise details of how it will measure performance in this area. The Department has forecast that this initiative will raise £1 billion in 2007-08. We are concerned that there is no data system in place as this initiative represents the most significant contributor to the target.

**6.51** We rated the Better Data for Corporation Tax (StR 2004) and Corporation Tax Avoidance (StR 2003) as 'not fit for purpose'.

**6.52** Large Business Service (LBS) – Better Data for Corporation Tax (StR 2004). This initiative has a milestone yield figure of £843 million. The rationale behind the initiative was to improve the efficiency of the LBS, and thereby increase the quality and volume of compliance work carried out. It encompassed a new data system, additional high level external resources for important cases, and a new finance office.

**6.53** We found that there was ambiguity in the original Spend to Raise package for one element of the yield. This centred on whether 'management actions' should be included or not. HMRC considers that this term encompasses the general improvements made that cannot be attributed to any direct StR element, but that they are entitled to claim under the terms of the Technical Note for PSA 3. As a consequence the outturn yield has been calculated by taking the original baseline for the Large Business Service, based on average compliance yield achieved in the four years up to 2004, uprating this for inflation and comparing with actual outturn. HMRC has attributed any increase in yield above this adjusted baseline to the measures designed to improve compliance in large business.

**6.54** Therefore, this approach does not enable the Department to distinguish between yield generated because of the specific StR initiatives and other management actions within the LBS.

**6.55** If we accept that the inclusion of management action is appropriate, there remains a concern over whether some of the yield (uprating for inflation) is due to the general increase in yield from economic growth and a corresponding upturn in Corporation Tax receipts. An assessment would require a detailed examination of business processes and changes in staff utilisation. There is also some uncertainty arising from the inclusion of significant and complex one-off settlements. Again it is difficult to fully assess the extent that specific 'management actions' had contributed to increased yields from one-off payments.

**6.56** Large Business Service – Corporation Tax Avoidance (StR 2003). This initiative has a milestone yield figure of £70 million generated from specific corporate avoidance projects. Calculation of yield relies on assessments based on discussions between individual case directors and the StR Committee. There is no specific data system for this initiative.

**6.57** The Department considers that it is immaterial whether a system exists or not, as yield not claimed under this initiative will be captured in the Better Data for Corporation Tax StR 2004 initiative (see above explanation). The Department has acknowledged that trying to ring fence yield achieved directly from each StR initiative is difficult, costly and possibly counter productive. The Department considers some form of baselining, and capture of additional yield above that baseline, to be the most appropriate approach. We would support the exploration of this approach as a means to simplify the measurement approach, and improve transparency.

**6.58** Common throughout target 3 is the lack of disclosure. Many StR initiatives had data systems that were broadly appropriate, but the Department had not disclosed the fact that there were issues within the systems that could not be cost-effectively controlled. The Department would benefit from introducing improved reporting and explanation of the target, including providing a clear and detailed reference document clearly stating the issues surrounding it (possibly through an accompanying document referenced from the Technical Note). Issues such as the adoption of baselining, in preference to ring fencing yield, could then be properly addressed.

## PSA Target 4

**By 2007-08, increase the percentage of Self Assessment returns filed on time to at least 93 per cent**

### Conclusion – Green (fit for purpose)

**6.59** The data system is fit for the purpose of measuring the reporting performance against the target.

**6.60** While the measurement system for the headline target is fit for purpose, the Technical Note states that the target must be met without detriment to the on time payment and filing performance of employers and companies, or to Self Assessment on-time payment performance. This is to ensure that there is no perverse outcome in meeting the headline target. The performance against the ‘without detriment’ targets is fully reported on in the monthly Directorate performance report and in the Departmental Management Accounts, however, there is no detailed disclosure in the Technical Note, and insufficient information is provided in published performance reports. Our review of the ‘without detriment’ targets found that some did not have baselines and tested measurement systems established.

### Characteristics of the Data System

**6.61** For each of the targets, data are captured in the appropriate IT system (CESA for Self Assessment (SA), BROCS for employers and COTAX for companies), and downloaded into a central information store (the Data Warehouse). This is accessed via Infonet, the Department’s reporting tool, and combined in a spreadsheet where any necessary calculations are carried out to produce the final result. The Debt Management and Banking (DMB) team are responsible for collating the results for the measure.

**6.62** The five sub-targets were set using the best achieved performance during the SR02 period. They are by 2007-08 to maintain:

- Self Assessment paid on time at 89.8 per cent;
- Employers’ returns filed by the due date at 80.7 per cent<sup>8</sup>;
- Employers paid by the due date at 61.25 per cent;
- Companies’ returns filed by the due date at 78.7 per cent; and
- Companies pay by the due date at 61.9 per cent.

### Findings

**6.63 Self Assessment returns filed on time:** the measurement system in place was reasonable and robust. However, there is no detailed description in the Technical Note disclosing how the target is measured. In addition, there is no information to support the ‘without detriment’ clause, which should make clear to the reader what must be achieved for the target to be met.

**6.64** The measurement systems for this target rely heavily on the Data Warehouse and Infonet. There are opportunities to improve scrutiny of Infonet and quality assurance processes. We were unable to find evidence of any risk assessment over Infonet from the Infonet team or the PSA reporting team, nor any documentation of controls.

**6.65** Specific comments are given on the ‘without detriment’ targets below.

**6.66 Self Assessment paid on time:** the methodology used to determine the number of assessments paid on time includes those returns that have no liability (no payment required) as paid on time. This fact is not clear in the Technical Note and the published documentation does not give any detail of how the measure is constructed.

**6.67 Employers returns filed on time:** it has not been possible to measure performance against this target since 2003-04 due to problems involving slow progression of returns from the logging system to the accounting system, since the introduction of online filing. The 2003-04 result has been provisionally rolled forward as the baseline. The Department is currently working towards producing a measure which will be sufficiently accurate to be fit for purpose. However, until this measure is produced we are unable to comment on whether or not it is reliable.

<sup>8</sup> The baseline for this target and the companies paying by the due date target have not yet been confirmed.

**6.68 Employers paid on time:** performance may be understated due to a number of traders registering for PAYE when they start trading and then not employing anyone. These are included in the number of live records, but are never due to submit a payment. The Department is investigating, but it is unknown whether these traders have a significant effect on the results.

**6.69 Companies filing on time:** we are particularly concerned that we encountered problems establishing ownership over this target and the companies paying on time target. We had great difficulty finding anyone in the Department able to describe the system to us and accept responsibility for it.

**6.70 Companies paid on time:** the Department has decided recently that the best date to measure this target is 30 June, when a sufficient number of returns will have been submitted in order to establish liabilities. The existence of a liability cannot be established until a return is filed due to the Corporation Tax filing deadline being three months after the payment deadline. There is also an argument that this target ought to measure the same companies captured in the filing target. As the time period to be measured has only just been decided, the baseline is not established.

## PSA Target 5

**Respond accurately and completely to requests for advice:**

- a **by 2007-08 increase to at least 80% the proportion of customers who said they achieved success at first point of contact**

**Conclusion – Amber (disclosure needs strengthening)**

**6.71** The method of measuring performance against the PSA target is broadly appropriate, but the Department has not explained fully the implications of limitations that cannot be cost-effectively controlled.

**6.72** The key risks identified relate to the limited data available for combining customer group results and the level of clarity and detail in the Technical Note and performance reports although we understand the Department plans to address these.

**6.73** Notwithstanding this, the Department has a well established survey methodology in place, an effective oversight of the agency that performs the surveys, and has quality assurance processes over data processing and analysis.

## Characteristics of the Data System

**6.74** The key indicator is measured via the annual Customer Service Survey (CSS) which is contracted out to an external research agency, the British Market Research Bureau (BMRB). BMRB have access to details of a random sample of relevant customers for each of the 13 Groups surveyed (around 18,600 customers in 2005). Quota sampling is used for most of the customer group surveys to ensure adequate coverage of key sub-groups. For this key indicator, the results for each customer group are weighted together using the costs of contact for each customer group.

**6.75** The key indicator is measured by one question asking whether the customer received the help or information they needed at the first contact or whether they needed further contact. There are four possible answers: received information at first attempt, needed further contact, never received the information, don't know.

## Findings

**6.76** The 13 customer group results are weighted together using an estimate of the amount of HMRC expenditure on dealing with customer contact for each group. Expenditure per group is calculated based on an estimated split of actual costs. The Department agreed with the Treasury that the use of resource costs was a reasonable proxy in place of the number and complexity of contacts each customer group had had with HMRC, for which data were not readily available.

**6.77** The weightings are derived using the contact costs based on data from the financial years 2003-04 (HM Customs & Excise) and for the six month period up to September 2004 (Inland Revenue). There is a lack of consistency in the time periods that different types of contact are measured over. The use of less than a year's worth of data are not fully representative of peaks and troughs in contact throughout the year.

**6.78** The same weightings are applied over the life of the target. However, during the SR2004 period, the split of costs between customer groups may vary due to significant changes within the Department, for example the introduction of more efficient processes, increased uptake of electronic services and alterations to Tax Credits and PAYE processes. We recognise, however, that producing accurate weightings figures every year would be a costly exercise, and that the methodology is reasonable in the circumstances, but full details of the implications of adopting this approach should be disclosed in performance reports.



**6.79** We believe that there are opportunities for the Department to improve the clarity and detail of disclosure in the Technical Note and in performance reports. The Technical Note contains details that could mislead. For example, the limitations in the data available to derive the amount of contact by customer group. In addition, there is inconsistent disclosure between the Spring and Autumn Performance Reports 2006. The incorrect disclosure in the Autumn Performance Report quotes performance at November 2007 rather than March 2008 which is the actual indicator date.

## PSA Target 5

**Respond accurately and completely to requests for advice:**

- b** by 2007-08 increase to at least 90 per cent the accuracy and completeness of advice given and actions taken in respect of customer contact

**Conclusion – White (too early to form a view)**

**6.80** The Department has established a system, but it is too early to form a view on its fitness for purpose.

**6.81** The key risks identified relate to the methodology for weighting together post and contact centre quality monitoring results, which at the time of our examination had not been finalised, and the level of disclosure in the Technical Note. We are pleased to note that the Department has recently agreed a methodology for combining the results.

**6.82** Despite this the majority of the data system is in place. We welcome the Department's efforts to address this and its plans to improve the Technical Note and future performance reports.

## Characteristics of the Data System

**6.83** The indicator consists of the combined weighted results of post and contact centres quality monitoring. The results are extracted from an Infonet report for post and a results database for the contact centres.

**6.84** Post and contact centres are measured on a monthly basis by selecting random samples of post and telephone calls and assessing them for completeness and accuracy of handling against pre-defined quality criteria. In the case of post, this is checked 40 working days after receipt. For contact centres, the sample of calls are also reviewed to ensure the caller was asked relevant questions relating to the query.

## Findings

**6.85** When this indicator was agreed the measures of accuracy and completeness did not extend to contact from the public on indirect taxes and for post dealt with within 40 working days of receipt. The Department has now established measures for these areas, but this has delayed the agreement of the methodology for weighting together the quality monitoring results from post and contact centres. This means the baseline has not yet been fully agreed, and the Department is not reporting results for this indicator.

**6.86** We understand the Department is working to address this and have proposed a methodology for weighting together the results that has recently been agreed.

**6.87** Post relating to debt management, which forms a small percentage of post, is excluded from the measure because Debt Management and Banking (DMB) uses a different system, Debt Management and Banking Quality Assurance (DMBQA), to monitor quality. This information is not disclosed in the Technical Note, but we understand that this will be addressed in a revised Technical Note. We also welcome the Department's plans to report the debt management post quality results alongside the indicator result in future published performance reports.

**6.88** A confidence interval has been disclosed for post quality in the Technical Note; this could be improved by disclosing confidence intervals for contact centres and for the target as a whole. We understand that these confidence intervals have been established and will be included in the revised Technical Note.

**6.89** We are pleased to see that management obtain assurance from Internal Audit's annual validation of the quality monitoring results, as well as doing reasonableness checks over outturn data. However, there is an opportunity for the Department to improve scrutiny over the indicator's data system, for example by assessing risks to data accuracy and the impact for reported results.

## PSA Target 6

**Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimum cost:**

- a** by 2007-08 increase to at least 90 per cent the proportion of small businesses that find it easy to complete their tax returns

## Conclusion – Green (fit for purpose)

**6.90** The data system is fit for the purpose of measuring and reporting performance against target.

**6.91** The data system is robust, and is supported by a well established survey methodology and an effective relationship with the external research agency.

**6.92** We have concerns over a number of inaccuracies in the Technical Note although we understand the Department plans to address these.

## Characteristics of the Data System

**6.93** As for indicator 5a, the indicator is measured via the annual Customer Service Survey (CSS). It covers Self Assessment, PAYE and VAT and is restricted to small businesses.<sup>9</sup> Around 4,200 customers were surveyed in 2005. The results are weighted together by the number of customers who deal with their own tax affairs, based on responses to the CSS.

**6.94** The question relevant to this indicator is: how easy do you find it to complete the Self Assessment/VAT/PAYE & NI form? There is a choice of answers: very easy, fairly easy, not at all easy and don't know.

## Findings

**6.95** There are a number of inaccurate details in the Technical Note, for example, the possible answers that can be given in response to the survey question, and the reference to an annual sample of 19,000 customers. The Department has the opportunity to address these points in a revised Technical Note.

## PSA Target 6

**Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimum cost:**

- b** **by 2007-08 demonstrate a measurable improvement in new and growing businesses' ability to deal correctly with their tax affairs. This will include increasing the proportion of applications for VAT registration that are complete and accurate to at least 50 per cent**

## Conclusion – Red (not fit for purpose)

**6.96** The data system is not fit for the purpose of measuring and reporting performance against target.

**6.97** The key risks identified relate to the lack of detail in the Technical Note explaining how this measure is determined (the lack of explanation in the Technical Note is of particular importance due to the ambiguity of the headline measure itself), the lack of reliable data produced from the PAYE system, and the robustness of the VAT data system in determining whether applications and returns are accurate.

## Characteristics of the Data System

**6.98** The indicator measures new and growing businesses' ability to deal correctly with their tax affairs.

**6.99** New businesses are identified from the first time of filing an IT Self Assessment (ITSA) return that has been captured after being assessed as complete. Data is taken from Departmental systems and is based on a ten per cent random sample. New and growing businesses cannot be separately distinguished either for PAYE or VAT. For PAYE new and growing businesses are identified from the first on time filing of a PAYE return using the whole population of newly registered schemes in a year. For VAT new and growing businesses are also captured via VAT registration as they begin to trade over the VAT threshold. The measure uses a sample of applications for VAT registration or exemption marked against criteria for completeness. The three elements are combined to make one measure using weighting factors designed to give appropriate weighting to each.

## Findings

**6.100** The published Technical Note only explains the VAT aspect of the measure. It makes no reference to the measurement of the PAYE and ITSA components or how the three components are to be combined. The Department is planning to publish a revised Technical Note during 2007-08, subject to agreement with Treasury.

**6.101** The sampling of Self Assessment returns is only from the population of first time filings where the Department issued the return between April and October. The Department has yet to produce a reliable measure of the PAYE element of the indicator, although it plans to have this in place for 2006-07 returns. Other difficulties encountered in arriving at a reliable PAYE measure include the capture of the new PAYE schemes registered retrospectively, and in capturing timely, and reliable data from the PAYE system following the difficulties encountered with the launch of online filing in May 2005.

<sup>9</sup> Small businesses are defined as: the self employed, employers with one to nine employees, businesses with a VAT turnover of <£1m.

**6.102** On VAT, an application to registration is deemed complete and accurate if registration staff do not need to contact the applicant to obtain clarification. The checks performed are over whether the application has been completed fully (i.e. enough information provided to establish the legal status of the company) rather than whether the data is accurate.

**6.103** Following a change in the approach to risk assessing new VAT returns, the method used for measuring the VAT element changed in August 2006, with a redesign of data gathering and collation based on a sample. This was in response to concerns from stakeholders that the original measurement system was not sufficiently robust. The change has led to an improvement in performance against the VAT element of the indicator of approximately 30 per cent above the 28 per cent baseline. The Department should ensure that reporting remains consistent and that this change in measurement method is not interpreted in isolation as an improvement in performance. We also noted that there is also a significant variation in performance between the four VAT registration offices, which may be partially due to different sampling methods.

## PSA Target 6

**Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimum cost:**

- c **by 2007-08 increase to at least 85 per cent the proportion of individuals who find their SA Statements of Account, PAYE Coding Notices and Tax Credit Award Notices easy to understand**

### Conclusion – Green (fit for purpose)

**6.104** The data system is fit for the purpose of measuring and reporting performance against target.

**6.105** As for indicator 6a above, the data system is robust, and is supported by a well established survey methodology.

**6.106** We have concerns over a number of inaccuracies in the Technical Note although we understand the Department plans to address these.

## Characteristics of the Data System

**6.107** As for key indicators 5a and 6a above, this indicator is measured using the annual Customer Service Survey. Approximately 6,000 of HMRC's customers were interviewed in 2005. The results for the appropriate groups or subgroups<sup>10</sup> are weighted together by the number of customers to whom at least one statement of account, coding notice or award notice has been posted within a year.

**6.108** The key indicator is measured by one question: how easy was it to understand the Statement of Account/ the information on the Award Notice/ the figures on the Coding Notice form? There is a choice of answers: very easy, fairly easy, not at all easy, don't know. Those customers who don't remember receiving their Coding Notice or Tax Credit Award Notice are excluded from the measure.

## Findings

**6.109** As for indicator 6a above, there are various examples of inaccuracies in the Technical Note, and this gives a misleading explanation of the system.

**6.110** The results are weighted together using the number of customers that 'receive at least one statement/ notice a year'. For most customer groups, the Department simply assumes that every individual in the group would have received a statement or notice. This differs to the approach for target 4, where the measure is adjusted for returns that were posted but never received. However, in target 4, customers are required to respond, and indeed incur penalties if they don't. In this case, however, they are being sent the statement/notice for information.

## PSA Target 7

**Deal accurately and appropriately with information provided by customers, so that levels of contact are kept to the minimum necessary:**

- a **by 2007-08 increase to at least 95 per cent the rate of accuracy achieved by HMRC in administering Self Assessment, PAYE, Tax Credits and National Insurance Contributions**

### Conclusion – Green (fit for purpose)

**6.111** The data system is fit for the purpose of measuring and reporting performance against the target.

10 Self employed, PAYE SA and non SA Employees, Pensioners SA and non SA, and Tax Credit Recipients.

## Characteristics of the Data System

**6.112** The data system consists of the combined weighted results of quality monitoring of Self Assessment (SA), PAYE, Tax Credits and National Insurance Contributions (NICs). The results are extracted from Infonet reports.

**6.113** SA and PAYE are measured on a monthly basis by selecting a random sample of cases and assessing the accuracy of processing against pre-defined quality criteria. The focus is on the full range of activities undertaken where there has been manual intervention by staff in cases.

**6.114** Tax Credits and NICs are measured by taking random samples from each area of assessment and scoring them for accuracy of processing against pre-defined quality criteria. Tax Credit claims, renewals and changes of circumstance are assessed. NICs accuracy focuses on four key processes<sup>11</sup> that require a high level of manual intervention.

**6.115** These results are then aggregated together using appropriate volumes from each area. Taxes collected under SA and PAYE account for 85 per cent of the total.

## Findings

**6.116** Results are weighted together using administrative costs from 2003-04 for SA and PAYE, and for the nine month period up to December 2004 for Tax Credits and NICs. However, during the SR2004 period, the split of costs between customer groups has varied due to significant changes within the Department, for example the introduction of more efficient processes and alterations to Tax Credits and PAYE processes. We recognise that this provides consistency over the life of the target. However, full details of the implications of adopting this method should be disclosed in performance reports. For example, by explaining that where cost splits between customer groups have changed, results are not weighted to reflect these changes.

**6.117** The quality monitoring results are based on statistical samples drawn by the Department's statisticians, who also are involved in undertaking the final aggregations, weightings and evaluation. This gives a strong level of assurance and in the case of PAYE and SA is reinforced by Internal Audit's independent reperformance of the sample testing.

**6.118** There is an opportunity for the Department to extend the Quality Monitoring Exercise mechanisms it undertakes for SA and PAYE for Tax Credits and NICs.

## PSA Target 7

**Deal accurately and appropriately with information provided by customers, so that levels of contact are kept to the minimum necessary:**

- b** by 2007-08, to increase the percentage of returns received online to 35 per cent for Self Assessment

## Conclusion – Green (fit for purpose)

**6.119** The data system is fit for the purpose of measuring and reporting performance against the target.

**6.120** We have minor concerns regarding the level of disclosure in the published Technical Note of how this indicator is measured, which we understand the Department plans to address in a revised Technical Note.

## Characteristics of the Data System

**6.121** The measure is the number of SA returns received online by the filing deadline, as a percentage of the total number of paper and online returns received by the filing deadline.

**6.122** E-filed SA returns are captured after they have been validated to ensure all necessary information is present and correct. HMRC's IT contractor extracts the online returns data from Departmental systems, and analyses it to identify the number of successfully filed electronic returns. The number of paper returns received is obtained from Infonet reports.

## Findings

**6.123** The data system is generally sound, however there is scope for the Department to improve the level of disclosure in the Technical Note. The data system measures SA returns received online and on time, but the published indicator and Technical Note only refer to returns received online. We understand the Department plans to provide greater detail to address this in a revised Technical Note.

**6.124** The baseline in the 2006 Autumn Performance Report of 13.24 per cent differs to that in the published Technical Note of 11.6 per cent. A footnote in the Autumn Performance Report explains that the Technical Note has been amended to 'show that returns counted towards this

<sup>11</sup> The four key processes are: Creating new NI accounts; Processing accounts for the self-employed; Processing related to contracting out of National Insurance; and Resolving discrepancies with employer end-of-year returns.

measure are both online and filed on time'. We found that the Technical Note has not been amended, although as explained above revisions are planned.

**6.125** There is scope for the Department to improve its scrutiny over the indicator's data system, for example by formally assessing risks to data accuracy and the impact for reported results. Other than trend analysis there appears to be limited checking of the accuracy of the paper returns figure used for this indicator which is obtained from Infonet reports. Results from Infonet may be accepted with insufficient understanding and questioning, and there is a possibility that anything other than large errors would go undetected.

## PSA Target 7

**Deal accurately and appropriately with information provided by customers, so that levels of contact are kept to the minimum necessary:**

- c **by 2007-08, to increase the percentage of returns filed online to 50 per cent for VAT**

Conclusion – Green (fit for purpose)

**6.126** The data system is fit for the purpose of measuring and reporting performance against target.

**6.127** The data system is generally sound, however there is scope for the Department to improve scrutiny of the robustness of data used covering the number of online and paper returns received.

## Characteristics of the Data System

**6.128** The measure is the number of VAT returns received online by the filing deadline, as a percentage of the total number of paper and online VAT returns received by the filing deadline.

**6.129** E-filed VAT returns are captured after they have been validated to ensure all necessary information is present and correct. The number received is obtained from the VAT IT system where returns are recorded. The number of paper returns received is manually produced by a validation team.

## Findings

**6.130** The data system for this indicator is generally sound, however there is scope for the Department to improve scrutiny over the indicator's data system, for example by formally assessing risks to data accuracy and

the impact for reported results. Other than trend analysis there appears to be limited checking of the accuracy of the online and paper returns data used for this indicator.

**6.131** The period of VAT returns used to measure the final outturn for this indicator is January to March 2008 which is inconsistent with the published Technical Note which refers to December 2007 to February 2008. We understand the Department plans to address this in a revised Technical Note.

**6.132** Lord Carter's Review of HMRC's Online Services<sup>12</sup> published in 2006 recommended compulsory online filing of VAT returns to be phased in from April 2010 at the earliest. This means the indicator has been superseded.

## PSA Target 8

**By 2007-08, to improve our capability to intervene at the frontier:**

- a **number of seizures of prohibited and restricted goods**

Conclusion – Amber (systems need strengthening)

**6.133** Overall the data system is broadly appropriate but needs strengthening to ensure that remaining risks are adequately controlled.

**6.134** The key risks identified relate to the data included in reported outturn figures compared to that in the correctly revised baseline, and the clarity of the Technical Note which we understand the Department plans to address.

## Characteristics of the Data System

**6.135** The measure is the number and weight of seizures of Class A drugs (cocaine and heroin) and Products of Animal Origin (POAO). Detection officers enter the quantity and weight of goods seized onto the Detection Control Information Service (DCIS).

**6.136** Seizures data are extracted from DCIS into a centrally maintained spreadsheet. The automated spreadsheet analyses the data using set formulae to calculate the quantity and weight of each type of seizure from the raw data.

12 Review of HMRC Online Services - Lord Carter of Coles, March 2006.

## Findings

**6.137** Since this indicator was agreed the baseline for Class A drugs has been revised by the Department, due to the creation in April 2006 of Serious Organised Crime Agency (SOCA), who took on the intelligence-led work previously done by HMRC. The initial baseline was based on 2005-06 data which included both investigation and detection based seizures. The correctly revised baseline removed seizures that were instigated by the Criminal Investigation drugs function, which has since transferred to SOCA. The Department acts on SOCA requests and includes any seizures (which are small in number) due to these requests in their reported results. This is inconsistent with the revised baseline and needs to be addressed.

**6.138** The disclosure of the indicator's Technical Note is ambiguous in that it refers to measuring the 'number of seizures of prohibited and restricted goods' in broad terms, but then goes on to describe only the Class A drugs element. It is not explicit to the reader that targets for other prohibited and restricted regime areas have not yet been agreed and will not be reported against this indicator. In addition, the Technical Note does not disclose the baseline for seizures of POAO although it is reported in the 2006 Autumn Performance Report.

**6.139** We are concerned that there appears to be no risk assessment over the indicator's data system. There is guidance on data quality assurance, and in practice, some querying of data at a central level, but in the main there is reliance on seizures data being recorded in an accurate and timely manner. We also understand from the Department that there are backlogs of seizures data waiting to be entered, which they are working to address.

**6.140** In some cases drug seizures are sent for testing which can take two to three months before results are received and any subsequent corrections recorded. These time lags are unavoidable, and the Department is aware of them. However, management should emphasise the importance of recording any amendments in a timely manner.

## PSA Target 8

**By 2007-08, to improve our capability to intervene at the frontier:**

**b per cent of positive outcomes against requests received for interventions**

## Conclusion – White (too early to form a view)

**6.141** The Department has established a system, but it is too early to form a view on its fitness for purpose.

**6.142** The key risks identified relate to the fact that the baseline and target for this indicator are not yet established due to the creation of SOCA in April 2006, and the clarity of the Technical Note which we understand the Department is working to address. Although the majority of the data system is in place, the Department is not yet reporting performance against this indicator and will be in a position to do so once data from 2006-07 has been assessed.

## Characteristics of the Data System

**6.143** Requests for interventions come from SOCA and should go through the National Coordination Unit (NCU). The NCU act as a conduit provider of request details between SOCA and the relevant port/airport that assist in the intervention.

**6.144** If an intervention takes place as requested then a positive outcome is recorded on a spreadsheet, these are then collated centrally to produce the final result.

## Findings

**6.145** This is a new indicator for HMRC, devised due to the creation of SOCA in April 2006. No baseline or target has been established and the Department is not yet in a position to report results. HMRC act on requests for interventions from SOCA, and has stated in the Technical Note that they will use data from 2006-07 to set the baseline.

**6.146** The definition of 'positive outcome' disclosed in the Technical Note is inconsistent with that in use for measuring results. The Technical Note explains that a positive outcome, 'may be the gathering of intelligence that results in a SOCA operation that dismantles an organised crime group.' However, determining the full impact of an intervention is very difficult, particularly given the dependence on SOCA for information. The Department therefore uses a narrower definition of 'positive outcome'; a positive outcome is assessed as achieved where the specific request for an intervention takes place regardless of the long term outcome. The Department should make it clear in the Technical Note, and when reporting, what definition has been used to allow full understanding of the results.

**6.147** Although the indicator measures the Class A drugs regime only, this is not clear from the headline indicator or from the Technical Note. In addition, the Department is only measuring requests for interventions from SOCA, not from other law enforcement agencies as the Technical Note suggests. The Department informed us that it was agreed to establish the data system to deal

with SOCA requests, then build on this at a later date for other agency requests. This appears reasonable given the majority of requests are expected to come from SOCA, however, this should be made clear in the Technical Note and when reporting results.

## PSA Target 8

**By 2007-08, to improve our capability to intervene at the frontier:**

- c **Service Level Agreements (SLAs) with lead Government Departments for prohibited and restricted goods**

**Conclusion – Amber (systems need strengthening)**

**6.148** The data system is broadly appropriate but needs strengthening to ensure that remaining risks are adequately controlled.

**6.149** The key risks identified relate to the clarity of the Technical Note disclosure, and an inconsistency between the data system in operation and that disclosed in performance reporting.

**6.150** Although the baseline and target are discussed in the Technical Note, they are not expressly stated. However, HMRC has defined both a baseline and target in the Autumn Performance Report. Both risks are being addressed by the Department.

## Characteristics of the Data System

**6.151** To measure this indicator, the Department counts the number of SLAs that have been completed and reports this number. In the longer term HMRC intend to invite the lead Departments to assess whether or not the SLAs have been fulfilled.

## Findings

**6.152** The baseline and target for this indicator are not explicitly stated in the Technical Note. It refers in discussion to 32 SLAs being agreed by September 2006, with work continuing on five others, with scope for more to be agreed. The 2006 Autumn Performance Report discloses a baseline of one SLA, and has a target of 34 SLAs to be in place by March 2007, and by March 2008 to fulfil these agreements. HMRC will be measuring performance against the agreed SLAs at or after 31 March 2008.

## PSA Target 8

- d **effectiveness of Cyclamen capability (in line with the Service Level Agreement with the Home Office)**

**Conclusion – Amber (systems need strengthening)**

**6.153** The data system is broadly appropriate but needs strengthening to ensure that remaining risks are adequately controlled.

**6.154** The key risks identified are that firm baselines are not yet established as the roll-out of the Cyclamen programme by the Home Office is ongoing. Despite this HMRC have set a provisional baseline and target, however, reporting against these does not comment on the provisional nature or the limitation over the data system in place to measure them.

## Characteristics of the Data System

**6.155** Programme Cyclamen is a Counter-Terrorism initiative to screen air, sea and Channel Tunnel traffic, including containers and freight, post and fast parcels, vehicles and passengers, for the illicit movement of radioactive materials. This is achieved through risk-based and intelligence deployment of fixed and mobile detection capabilities. The Home Office has the lead responsibility for the implementation of Programme Cyclamen at UK sea ports, airports and international rail terminals. HMRC are responsible for operating the equipment at UK points of entry and for the initial detection of any imported nuclear or radiological material.

**6.156** The performance of HMRC under the Cyclamen programme is governed by a Service Level Agreement (SLA) with the Home Office which includes methods of effectiveness such as the proportion of risk traffic screened.

**6.157** Detection units with Cyclamen screening equipment complete a spreadsheet each month with details of alarms triggered, which are then collated centrally on an Excel spreadsheet. The result is calculated as the total number of triggered alarms responded to whilst the technology was staffed as a percentage of the total number of alarms triggered whilst staffed.

## Findings

**6.158** The key indicator is primarily concerned with meeting the SLA agreed with the Home Office on Cyclamen. However the published Technical Note does not specify a baseline or target but instead states that firm baselines for the indicator will be established when roll-out of the Home Office Cyclamen programme is complete. As roll-out is still ongoing it is possible that firm baselines will not be established within the period of the 2005-08 Public Service Agreements.

**6.159** In the meantime HMRC have devised a provisional baseline and target which are reported in its Annual Report and its spring Departmental Report. The provisional baseline (97 per cent) and target (98 per cent March 2008) relate to the proportion of triggered alarms responded to while the Cyclamen technology is staffed. However in reporting the latest outcome (99.8 per cent as at March 2007) against the provisional baseline and target, no reference is made to the fact that the reporting only relates to the periods when the technology is actually staffed. We would expect that when firm baselines are set, they will be based on the final Cyclamen rollout and fully staffed operational capacity.

## PSA Target 9

**By 2007-08, to improve our effectiveness by 50 per cent in identifying irregularities in third country freight**

### Conclusion – Red (not fit for purpose)

**6.160** The data system is not fit for the purpose of measuring and reporting performance against the target.

**6.161** The key risks identified relate to the unrepresentative nature of the baseline, the exclusion of data interventions from the data source, the level of detail in the Technical Note and lack of clarity and variance in the reporting of performance. Taken together these risks constitute a serious uncontrolled risk to the data system.

**6.162** Notwithstanding these significant risks the Department has continued work to improve the data system.

### Characteristics of the Data System

**6.163** Risk-based interventions highlighted through the Customs Handling of Import and Export Freight declarations system (CHIEF) are measured for this PSA target. CHIEF identifies three types of interventions through risk and regulatory based profiles:

- route 1 is a documentary check before the goods are released;
- route 2 is a physical check before the goods are released; and
- route 3 is a documentary check after the goods are released.

**6.164** HMRC is measuring routes 1 and 2 against this target. Regulatory based interventions must be carried out by law and are therefore excluded from the target as HMRC has no influence over them.

**6.165** Required interventions are entered each month onto spreadsheets, known as the Tracker system, and sent to each port for completion. Detection staff enter the outcome of the interventions on the spreadsheets, which are then collated centrally. The result is calculated as identified irregularities as a percentage of total interventions made.

## Findings

**6.166** The baseline only reflects three months data and includes a number of irregularities identified through regulatory profiles which should not be included in the result. Therefore, the baseline is not representative of either the PSA target or an entire year. The Department has reviewed the baseline using a year's data starting from January 2006, and found that a baseline range of 11-15 per cent would be more appropriate due to the number of anomalies found with the data. The Treasury insists that the baseline and target will not be revised.

**6.167** The main cause for the range baseline is due to the difficulty in identifying the number of interventions that are carried out, due to incorrect reporting. A factor contributing to this difficulty is that the definition of an irregularity has not been consistently applied across HMRC. The Department has addressed this by issuing guidance, and we are informed that as a result there has been an improvement in the data recorded.

**6.168** The Tracker spreadsheet system does not capture all interventions made through the CHIEF system, which means they are not included in the reported results. For example: where the recorded outcomes of interventions are still uncertain; where the type of intervention is changed at the month end; where the type of intervention is recorded differently in order not to alert the trader; and in some cases, where the interventions have identified irregularities with no financial error.



**6.169** In addition, the data system excludes some 20 per cent of risk-based interventions, arising from manifest information that should logically be included in this measure. This exclusion is explicitly stated in the Technical Note, although its potential significance is not.

**6.170** We are pleased to note that the Department reconciles data recorded on Tracker against the data held on CHIEF. However, there is a lack of management checks over the data entered onto both CHIEF and the Tracker system. This poses a risk to data accuracy.

**6.171** The Technical Note states that the Department will initially measure route 2 interventions, and extend this to route 1 and 3 interventions during SR2004. The Department has since agreed with the Treasury that route 3 interventions will not be measured for 2005-08. The Technical Note has not been revised to reflect this change, and it is not disclosed in performance reports.

**6.172** The Technical Note does not disclose the baselines for route 1 and 2 interventions, the targets or how the 50 per cent improvement should be interpreted when reading the reported results.

**6.173** The 2006 Autumn Performance Report shows the results for route 2 interventions, but not those for route 1, since the Department has only been gathering data on them since August 2006. When reporting it is unclear what the percentage outturns relate to; the proportion of interventions that are successful or the percentage increase in effectiveness.

## PSA Target 10

**Maintain the extent to which importers, exporters and their agents believe we are striking the right balance between frontier protection and maintaining the UK as a competitive location in which to do business**

### Conclusion – White (too early to form a view)

**6.174** The Department has established a system, but it is too early to form a view on its fitness for purpose.

**6.175** The key risks identified relate to the difficulty of comparing the survey results with the baseline, and the level of disclosure in the Technical Note and in performance reporting.

**6.176** The Customer Service Survey (CSS) survey results used to measure this target do not appear to be wholly comparable with those from the baseline survey. Also, the Technical Note does not provide a full description of the data system.

**6.177** We have not yet received sufficient information to form a view on the validity of the data system for this target.

## Characteristics of the Data System

**6.178** The target is measured via the annual CSS and covers a random sample of three customer groups involving around 1,500 more regular importers, exporters and their agents in 2006, of which 471 are regular traders. The results are weighted together by the population size for each customer group.

**6.179** The question used to measure this target is: ‘The UK customs border procedures have a positive impact on the UK as a competitive place to do business’. The three customer groups are then asked whether they ‘strongly agree, agree, neither agree nor disagree, disagree, strongly disagree or don’t know.’ The lead of positive over negative responses is then used as a proxy to measure whether HMRC is striking the right balance.

## Findings

**6.180** The target required the development of a baseline to be able to agree the final target. We understand that the Department has established the data system, although, we have not at this time been provided with sufficient information to form a view on the validity of the data system.

**6.181** We understand that the Department set the baseline using the weighted results from a survey of a sample of 1,400 more regular importers, exporters and agents, conducted by IpsosMori in March 2006. The Technical Note states that the Department would thereafter include the same question in the annual CSS conducted by BMRB (the survey also used for target 5 key indicator 1, and target 6 key indicators 3 and 5). There are problems with comparing the CSS results with those of the baseline.

**6.182** The population from which the sample is selected is first adjusted to remove infrequent traders. The definition of infrequent used for the baseline survey differs to that used for the CSS survey. The baseline sample population removes traders with less than one declaration in the last six months. The CSS sample population has those traders with less than 12 declarations in the last 12 months removed.

**6.183** The position of the question in the baseline survey is approximately half way through, after several neutral lead-in questions and amongst similar statement type questions used to give context, whilst the question in the CSS survey is placed near the end. How questions are introduced can influence the amount of ‘don’t know’ responses, which could skew the results.

**6.184** We understand the Department considered using the CSS survey results to revise the baseline and provide greater comparability, but it was decided that it would not be appropriate to do so. The published results do not disclose these limitations.

**6.185** The Technical Note for this target was found to have several omissions of important information that would assist in understanding the data system. There is no reference to the target only applying to more regular international traders and agents, which should also be made clear when reporting results. There is no detail about sources of the sample data, adjustments made to the sample population and the weighting method used. We understand when the Technical Note was published that it had not been agreed that the CSS survey would be used for this target, and therefore it does not explain information relating to the CSS survey.

**6.186** HMRC work alongside 12 other agencies at the frontier, and HMRC can intervene on their behalf. This is likely to influence the perceptions and answers of surveyed customers, and as such the Department should disclose this when reporting results.

# PART SEVEN

## Ministry of Justice (former Department for Constitutional Affairs)

### PSA Target 1

**Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007/08**

Conclusion – Police force data – Green  
(fit for purpose)

**Crown and Magistrates' court data – Amber (systems need strengthening)**

**7.1** The underlying system, through which police forces provide data, is fit for the purpose of measuring and reporting performance against the target.

**7.2** The system through which Crown and Magistrates' courts provide data relevant to this target is broadly appropriate but needs further strengthening, to ensure that remaining risks are adequately controlled.

**7.3** Reporting against this target could be enhanced if data on the proportion of offences brought to justice by convictions and by other means (e.g. cautions) was disclosed.

### Characteristic of Data Systems

**7.4** Responsibility for this target is shared between the Ministry, the Home Office and the Crown Prosecution Service.

**7.5** The Home Office collects these data from the police and the courts. They constitute National Statistics.

**7.6** As set out in the Technical Note, the crimes included in this target are, broadly, the more serious cases that come to the attention of the police. Brought to justice means that the offence resulted in a caution, conviction, penalty notice or was admitted by the offender. Formal warnings for the possession of cannabis are also included.

**7.7** In its 2007 Departmental Report, the Department noted the number of offences that were brought to justice in that year but did not distinguish between the number of cautions, convictions, penalty notices, admissions or formal warnings. For example, to reflect the fact that only 50 per cent of offences brought to justice were convictions by a court.

### Findings

**7.8** The data system is heavily reliant on the completeness and accuracy of source data collated monthly by 43 police forces and Crown and Magistrates' courts. The Office for Criminal Justice Reform, a cross-Departmental team that supports all criminal justice agencies, carries out detailed and systematic validation checks on the data to identify inconsistencies and errors.

**7.9** The Home Office has developed and implemented the National Crime Recording Standard (NCRS) supported by Home Office counting rules for the collection and validation of data by police forces. The accuracy of this data is assessed through inspections by Her Majesty's Inspector of Constabulary and the Audit Commission. As the Audit Commission noted in June 2006 in their report *Crime Recording 2005*, the NCRS has resulted overall in a much more consistent approach to the collection and recording of crime by police forces. The report found that only a minority of forces had not improved the quality of their crime data and underlying management arrangements.

**7.10** In October 2006 Her Majesty's Courts Service (HMCS) introduced a quality assurance process to provide assurance over the accuracy of data provided by courts. This has involved providing guidance to staff on improving data accuracy and a self-certification system whereby Area Directors and Area Performance Managers are required to certify quarterly that appropriate quality assurance checks have been taking place, any weaknesses identified and actions taken to rectify these.

**7.11** When we carried out our fieldwork in the first quarter of 2007 it was too early to assess the effectiveness of the quality control procedures. However we noted that HMCS does not provide any specific guidance to the area offices and courts on the types of checks that should be undertaken on data quality and this is left to the discretion of Area Directors, based on their assessment of risk. There is no central programme of work and areas only report by exception. HMCS are planning to review local practices and develop a framework of best practice, and until this review is conducted, there is the possibility that local controls are not effective enough to address all the potential risks.

## PSA Target 2

**Reassure the public, reducing the fear of crime and anti-social behaviour and building confidence in the Criminal Justice System without compromising fairness [building confidence element shared between the Home Office, Ministry of Justice and the Crown Prosecution Service]**

Conclusion – British Crime Survey – Amber (systems need strengthening)  
Citizenship Survey – Green (disclosure is adequate)

**7.12** The British Crime Survey (BCS) is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled. The Citizenship Survey is appropriate for the target and the Home Office has fully explained the implications of limitations that cannot be cost-effectively controlled. The currency of certain aspects of the data underpinning PSA 2 will be improved from 2007-2008 when the Citizenship Survey moves from a biennial basis to a rolling basis with results collected quarterly.

## Characteristics of the Data System

**7.13** Responsibility for this target is shared between the Ministry, the Home Office and the Crown Prosecution Service.

**7.14** Data from the BCS provides the majority of data used to measure the fear of crime and concern that anti-social behaviour is a problem, confidence in the local police, victim and witness satisfaction and public confidence in the Criminal Justice System.

**7.15** The Citizenship Survey, formerly the Home Office Citizenship Survey, and transferred to Communities and Local Government on 5 May 2006, is a biennial survey that, amongst other things, provides information about perceptions of racial prejudice and discrimination by public and private sector organisations. In connection with PSA 2 it is used to measure black and ethnic minority perceptions of fair treatment.

## Findings

### British Crime Survey

**7.16** The Home Office is aware of the limitations of this longstanding data system and actively seeks to manage the associated risks. The BCS is a survey rather than a full count. Consequently estimates are subject to a margin of error and possible bias from people's failure to respond. These risks are mitigated by the BCS having a large sample size (approximately 48,000), a continued high response rate of more than 75 per cent and adjustments to take account of non-response. However, the BCS does not capture crimes against youths under 16, those not living in "normal" households such as those in group residencies and the homeless, and businesses. There is no statistical data which determines whether the exclusion of these groups has a significant impact on overall results. For this reason we have rated the BCS system as amber.

**7.17** Data for BCS is collected quarterly and updated on a rolling basis. The data supplier, BMRB Social Research, carries out checks to reduce the risk of the results of interviews being processed in error and a quarterly review of datasets for consistency prior to their electronic submission to the Home Office. The Home Office undertake a monthly sample check to ensure that offences have been accurately coded and investigate significant variables in the submitted data file against previous verified data.

**7.18** Processing of BCS data involves four separate software systems with considerable manual input and reconciliation between each stage. The Home Office have been testing a new integrated processing system that will streamline their processing although it has not run live to date. This is expected to deliver greater efficiency and may enable further improvements in the speed with which the survey results can be reported to Parliament and the public.

**7.19** The Home Office has a Steering Group that meets twice a year to review the BCS's fitness for purpose, and a BCS user group which meets annually so that producers and users of BCS data can exchange information and views. In addition, the Home Office set up a Review Group to consider whether the BCS would benefit from further revision.

### Citizenship Survey

**7.20** All the main risks to data reliability and data quality of the Citizenship Survey have been recognised by the Home Office and effective controls have been implemented, where it is cost effective to do so, resulting in a robust data system.

**7.21** The data system is clearly defined and documented, both internally and in the Technical Note, which assists with data accuracy and comparability. In addition, there is clear segregation of responsibilities between those who report on performance and those responsible for delivery. The survey has used standardised questions, formats of data collection and data reporting on each occasion it has been carried out, which maintains comparability over time. Controls are in place over the completeness and accuracy of data collection and processing and there is a clear audit trail from sample selection to collation and analysis.

**7.22** The biennial nature of the Citizenship Survey, which was last carried out in 2005, has limited the ability of the Home Office to assess the impact of its performance against PSA 2 since then. This position should improve from 2007-08 onwards when the surveys will be undertaken throughout the year and collated on a quarterly basis. This will enable the results to be compared, on a quarterly basis, with the same period in the preceding year.

## PSA Target 3

### Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration

#### Conclusion – Amber (systems need strengthening)

**7.23** The data systems underpinning this target are broadly appropriate, but more work is needed to strengthen controls over the completeness and accuracy of data entered in A-CID by Home Office staff and update information provided electronically and manually by the Ministry.

## Characteristics of the Data System

**7.24** Responsibility for this target is shared between the Ministry and the Home Office. An unfounded asylum claim is one where the applicant and dependants of the applicant have not been granted full refugee status under the 1951 UN Convention.

**7.25** Data for this target is collected from the A-CID-Applications and Initial Decisions Systems. This is an IT system used by the Home Office's Border and Immigration Agency (BIA) to perform asylum tasks, including recording all applications for asylum, casework and decisions. It is updated regularly with data from the Ministry on the applications for Immigration Judge Appeals and their outcomes and from the ARIA system (Asylum and Immigration Judge Appeals Data, which is managed by the Ministry).

## Findings

**7.26** There are acknowledged problems associated with the electronic transfer of data from the Ministry's ARIA system to A-CID, because the Home Office and the Ministry use the same fields for different information. Where this happens the records are rejected by the system. Exception reports are generated to show rejected records, which are then manually re-entered. This exception reporting is an effective control and should be continued until the issues over the data exchange are resolved.

**7.27** The Home Office is also aware of a lack of accuracy of recorded initial decision data in A-CID and undertakes reviews to assess the quality of the information in the system by agreeing back to source documentation. The outcomes of these reviews show that although more than 90 per cent of data in the system has been correctly entered, further improvements are needed before the system is deemed fit for purpose.

**7.28** Appeals decision data is provided to the Home Office by the Ministry on paper for manual input to A-CID. There are no regular reconciliations undertaken between A-CID and ARIA which increases the risk of inaccurate data entry remaining undetected.

## PSA Target 4

**By 2009-10, increase the proportion of care cases being completed in the courts within 40 weeks by 10 per cent**

Conclusion – Amber (systems need strengthening)

**7.29** The underlying data system for this target is broadly appropriate for the target but needs strengthening to ensure that remaining risks are adequately controlled.

### Characteristics of the Data System

**7.30** This target seeks to improve the time taken to complete care proceeding cases, where long term parental responsibility for a child is transferred to the Local Authority. Care proceedings can take place, depending on complexity of the case, either in Care Centres (county courts), or Family Proceedings Courts (magistrates' courts).

**7.31** The data systems for this target centre on Her Majesty's Courts Service's (HMCS) FamilyMan (Care Centres) case management systems and Family Case Tracker (Family Proceedings Courts). Both systems depend on the accurate entry of data at the courts.

**7.32** FamilyMan is a free standing database at each county court. Data is uploaded from each court database monthly and delivered to an external contractor, who manages HMCS's Management Information System (MIS). Here the data is combined and uploaded into the MIS Oracle data warehouse.

**7.33** Family Case Tracker is an Excel-based system at the magistrates' courts. Data is exported monthly by each court to HMCS Area Offices. Here, data is combined and then exported to HMCS's Performance Division, who check that data has been received from all HMCS's Area Offices. However the Performance Division is dependent on the Area Offices checking that they have received data from all the courts. Family Case Tracker was introduced as an interim measure to record data, with the intention for all care cases to be recorded eventually on FamilyMan. However, this is dependent on the successful upgrade of IT systems at magistrates' courts that is currently in progress.

**7.34** The analysis undertaken at the reporting stage is both robust and reliable and benefits from the fact that the analytical work is undertaken by a trained, dedicated team. Monthly reports are provided to senior management on the progress against each target and include a clear analysis of the statistics provided. Their integrity however will to some extent be compromised by uncertainty surrounding the accuracy of the underlying data.

### Findings

**7.35** As noted in paragraphs 7.10 to 7.11 HMCS introduced a quality control process in October 2006 to provide assurance over the accuracy of data provided by courts. When we carried out our fieldwork in the first quarter of 2007 it was too early to assess the effectiveness of the quality control process.

## PSA Target 5

**To achieve earlier and more proportionate resolution of legal problems and disputes by:**

- a** increasing advice and assistance to help people resolve their disputes earlier and more effectively;
- b** increasing the opportunities for people involved in court cases to settle their disputes out of court; and
- c** reducing delays in resolving those disputes that need to be decided by the courts.

Conclusion – British Market Research Bureau (BMRB) Survey – Green (disclosure is adequate)

Caseman Computer System – Amber (systems need strengthening)

**7.36** The survey conducted by the British Market Research Bureau (BMRB) is fit for purpose, relevant, well defined with quality assurance controls built into the process. However, the limitations of the survey, designed to be representative of the population of household members, are not explained when the results are reported. Further, the term "justiciable problems" is not clearly explained in the Technical Note.

**7.37** The data collected by the Caseman Computer System is broadly appropriate for measuring the target but needs the strengthening to ensure that remaining risks are adequately controlled.

## Characteristics of the Data Systems

**7.38** The target is underpinned on the following two data systems:

- i** a survey conducted by the BMRB, the results of which are processed by the Legal Services Research Centre (LSRC) and used to measure the first sub target; and
- ii** data collected from Her Majesty's Courts Service's Caseman Computer System is used to measure the second and third sub targets.

**7.39** The English and Welsh Civil and Social Justice Survey conducted by BMRB, with the results processed by the Legal Services Research Centre (LSRC) is a household survey of people's experience of civil justice systems, the strategies employed to deal with them, barriers to advice, services and financial support for advice and representation, the impact of problems and the impact of advice. The survey was conducted in 2001 and 2004 and, since January 2006, has been carried out on a continuous basis.

**7.40** The survey is a door to door survey of household members conducted by field agents, who ask people whether they have experienced any of a range of problems, such as debt, domestic violence or discrimination. It then asks whether suitable advice was obtained, and from what kind of provider. Results are collected electronically and submitted to the LSRC on a quarterly basis.

**7.41** Other components of the target are measured by monitoring cases that are resolved in the county courts, excluding civil family matters, by collecting data from Her Majesty's Courts Service's Caseman Computer System.

**7.42** As noted in paragraph 7.32, Caseman is a free standing database at each county court and data is uploaded from each court database monthly and delivered to an external contractor, who manages HMCS's Management Information System (MIS). Here the data is combined and uploaded into the MIS Oracle data warehouse. Data is extracted from MIS by the Ministry's Economics and Statistics Division who analyse the data and produce the outturn figures as reported in the Annual and Autumn Reports.

## Findings

**7.43** The expression "justiciable problems" is not defined in the Technical Note for the PSA sub target one. The PSA target measurement would be enhanced by the inclusion of a clear definition of the attributes that comprise justiciable problems and that it only relates to civil problems.

**7.44** As the survey is limited to household members it excludes those who are homeless, in shelter, prisons, hospitals and those in refugee centres. This is a cost-effective approach that is appropriate for the target, but the limitation, which could be significant, is not quantified or explained in the measurement of performance.

**7.45** As noted in paragraph 7.39, the survey has, since January 2006, been carried out on a continuous basis. The need to build up the sample size meant that sufficient data was only available in 2007 and the progress against the PSA target was fully assessed and reported for the first time in the 2007 Departmental Annual Report.

**7.46** We found that the large-scale survey is representative and provides a broad empirical base to measure progress against the target. Fieldwork is carried out by an accredited and experienced research organisation (the BMRB) chosen through tender procedures. The company has its own quality assurance processes in place and has full accreditation under British Market Research standards and is subject to external audits twice a year to ensure compliance with these standards.

**7.47** LSRC statisticians check the data provided by BMRB by running comparisons with previous datasets and reviewing consistency with expected results across a wide range of related studies and ensure that the survey results are weighted using the 2001 Census to compensate for variations in response rates.

**7.48** Our findings on the systems that collect data provided by courts, including the Caseman Computer System, are set out in paragraphs 7.10 and 7.11.

# PART EIGHT

## Department for Communities and Local Government

### PSA Target 1

**Tackle social exclusion and deliver neighbourhood renewal, working with Departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010**

#### Conclusion – Green (Disclosure is adequate)

**8.1** PSA 1 is divided into six indicators and draws on twelve data systems relating to six other PSA targets owned by other Government Departments. The PSA data systems in these other Government Departments are subject to separate validation by the NAO and in the light of this we have focused our work on the specification and reporting of PSA 1. In this regard we consider the introduction of an interactive website which allows the public to access the data underpinning PSA 1 to be an example of good practice which greatly increases the transparency of reporting against the target and could be considered for other PSA targets. The website includes full disclosure of any limitations associated with the data and therefore we have rated this PSA as green.

#### Characteristics of the Data System

**8.2** This target draws on the data systems underpinning six floor targets across government which promote either a minimum standard for disadvantaged groups or areas, or a narrowing of the gap between them and the rest of England. The floor targets are the responsibility of five Departments, including DCLG itself, and the data systems used are defined in the Technical Notes of the relevant Departments. Consequently, DCLG must rely on the integrity of the data provided by the other Departments, as well as of their own data, when measuring performance against this target.

### Findings

**8.3** This target relies on data from systems owned by five Departments, including DCLG, and we have placed reliance on the NAO PSA validation work carried out on those other source data systems. Currently the NAO has awarded the twelve data systems which underpin PSA 1 a mixture of Green and Amber ratings. In light of this work, we have focused our examination of PSA 1 mainly on system specification and reporting.

**8.4** The Department has made progress against the recommendations we made for this PSA target in Spending Review 2002. In our earlier examination we reported that the Department did not have formal agreements in place with other Departments for the provision of data. However we note that these are now mostly in place. This helps to ensure that data continues to be provided to DCLG which meets the Department's requirements.

**8.5** The Department has also implemented Floor Targets Interactive (FTI); a web-based system for monitoring progress towards PSA floor targets. FTI enables users to examine performance at a national, regional and local level against the floor targets generated by the Spending Review 2004. The website brings together data from across Government to provide a single resource for users who can interrogate the data on the website to produce a range of analyses and illustrative maps. Any limitations associated with the data are also disclosed. This is an excellent way of putting data into the public domain in an understandable and transparent format and is an example of good practice for other targets and Departments.

**8.6** PSA 1 includes indicators across a number of domains, for example, worklessness, crime, education and health. The Department considered three factors for each indicator at the specification stage. Firstly, it identified the weakest areas for each domain; secondly, the geographical level at which the target could be measured;



and finally, the levels of multiple deprivation as measured by the Indices of Deprivation (the areas suffering the greatest level of multiple deprivation are commonly called Neighbourhood Renewal Fund areas).

**8.7** Depending on the individual target, data is collected at different geographical levels. For example, for the worklessness target data is collected at ward level whereas in the case of the health target, local authority level data is used. As a result of these variations, each indicator underpinning PSA 1 is measured on its own merits rather than being linked solely to Neighbourhood Renewal Fund areas.

**8.8** Data quality is confirmed by two mechanisms. Firstly, there is an internal integrity check which confirms the completeness of the data. Secondly, on those datasets which are not routinely made public, as a part of the Service Level Agreement process DCLG requires other government Departments to provide information on the usage, distribution and limitations of the datasets. This information is then shared on FTI.

## PSA Target 2

**Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (Joint with the former Department of Trade and Industry and the Treasury), including by establishing Elected Regional Assemblies in regions which vote in a referendum to have one**

## Conclusion – Amber (systems need strengthening)

**8.9** This target is made up of two indicators and one data system. The target is shared between DCLG, the former DTI and the Treasury although there is an additional element solely relevant to DCLG which is “including by establishing Elected Regional Assemblies in regions which vote in a referendum to have one.” However following the North East referendum in 2004, which voted against the establishment of an elected regional assembly, the Government has decided not to bring forward orders for referendums to be held in other regions. As a result, this part of the target is no longer relevant.

**8.10** The measures that the Department uses to assess progress against this target are based on regional Gross Value Added (GVA) per head data, which is provided by the Office for National Statistics (ONS).

The data specification for this PSA target is relevant and well-defined, but our review concluded that there are limitations in the data itself. GVA per head at constant prices is not available at present and the appropriate methodology to produce real growth rates by region is still under development. As a result we have rated this PSA as amber.

## Characteristics of the Data System

**8.11** The headline measure for this target is the trend rate of growth in GVA per head, which is estimated using a methodology similar to that used by the Treasury to estimate national trend GDP growth, i.e. by calculating average growth rates between points when the national economy can be identified as being on trend. The baseline period for measurement is 1989-2002. The level of sustainable improvement in economic performance in each region will be measured by comparing average GVA per head growth rates for every region during the period 2003-08 with its performance in the baseline period. This will be reported in 2010.

**8.12** The gap in the growth rates will be measured by comparing the average growth rate in 2003-2012 of regions that had above average GVA per head in the baseline period, with the average growth rate in 2003-2012 of regions that had below average GVA per head in the baseline period. This will be reported in 2014.

**8.13** Because of the time lag in the production of GVA per head data, the Department has used a number of proxy measures to provide interim assessments. These proxies include business surveys, employment statistics, unemployment rates, earnings growth, VAT registrations, and indicators of the five drivers of productivity (innovation, enterprise, skills, employment and transport).

**8.14** There is a cross-Departmental project team with representatives from DCLG, the Treasury and the former DTI which co-ordinates efforts relating to this target across the three responsible Departments.

## Findings

**8.15** Christopher Allsopp was commissioned to carry out an independent review of the regional information and statistical framework needed to support this PSA target. The Allsopp review issued its final report in March 2004, which concluded that “present estimates of regional GVA were not of sufficient quality to support analysis of the Government’s policy objectives to increase growth in the regions”.

**8.16** ONS has committed to full implementation of the recommendations made in the Allsopp Report and has established a Performance Management Framework which plans to deliver its first estimates of real regional GVA data in December 2009.

**8.17** Despite this being a joint target, the reporting of performance progress and the quality of the data system is inconsistent across the Departments responsible for meeting this PSA target. In their 2006 Autumn Performance Reports, DCLG used the most recent 2005 data and included a full explanation of the data limitations, whereas both the former DTI and the Treasury reported against the 2004 data.

**8.18** The Departmental Report should draw more on the proxy measures, for example the regional productivity indicators, to provide evidence of delivery against this PSA target. Alternatively, reference could be made to other Departmental publications, which set out in greater detail the progress against the measures related to this PSA and demonstrate evidence of delivery.

## PSA Target 3

**By 2010, reduce the number of accidental fire-related deaths in the home by 20 per cent and the number of deliberate fires by ten per cent**

### Conclusion – Green (fit for purpose)

**8.19** PSA 3 target has three indicators supported by one data system. The data system is well established and the statistics it provides on fires and deaths are collected as part of the National Statistics. The specific nature of the indicators allows a straightforward measurement of performance against the target. Disclosure in the Technical Note is unambiguous, and the latest information on outturn data and quality of the data system as reported in the latest Departmental Annual Performance report 2006 is clear, transparent and comprehensive. We found no significant uncontrolled risks which would impact on the reliability or quality of the outturn data and we have therefore rated this PSA as green.

### Characteristics of the Data System

**8.20** The data system used to measure performance against this target is part of the national fire and rescue incident statistics collection system operated by the Department's Fire Statistics and Research Branch (FSR) to produce the annual DCLG Fire Statistics (National Statistics). The data system, established in 1994, is backed up by extensive documentation and guidance. However, the data system is antiquated and relies heavily on manual data entry, which has some slight impact on the timeliness of reporting the validated statistics.

**8.21** Data used for the PSA indicators is taken from the fire report form (FDR1) submitted to the Fire Statistics and Research Branch (FSR) of the DCLG Fire Directorate for every primary fire attended by local fire and rescue authorities. As the targets and performance measures of this PSA are concerned solely with primary fire incidents, the data system is fully relevant and suitable.

### Findings

**8.22** The main processes used to produce the data are clearly outlined in the Technical Note. Supporting internal documentation also exists to describe the processes.

**8.23** The PSA measures are relatively straightforward and can therefore be directly traced back to database records and filed FDR1 forms.

**8.24** The targets are based on the average over five and eleven-year periods to 2010 and, as the data is collected continuously on a monthly basis, the data system is precise enough to monitor significant changes in outturn data for annual performance reporting.

**8.25** The 2006 Autumn Performance Report clearly presents the latest outturn data for this PSA target in accordance with the indicators defined in the Technical Note. Delivery milestones and the impact of policy are presented in support of the figures.

**8.26** All the key risks identified at the specification stage by the Department have been addressed, either through the controls in place or mitigating actions. There are no significant remaining risks relating to the robustness of the data system in terms of producing reliable, comparable and complete data or to the quality of the data system which have not been reported.

**8.27** The Department is in the process of upgrading the fire incident data collection process, aiming to move from the currently mainly paper-based system to a fully electronic data system in 2007. This should speed up the production of data, whilst aiming to maintain data quality. While a more modern system should also safeguard the future integrity of the data, the Department will need to put in place measures to address the risks involved in transferring existing data onto a new system.

## PSA Target 4

**By 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities**

### Conclusion – Amber (systems need strengthening)

**8.28** PSA 4 is made up of three indicators and draws on two data systems. The principal systems are the Audit Commission's Comprehensive Performance Assessments (CPA) and local authority Annual Efficiency Statements, both of which we consider to be relevant and clearly defined. CPAs are robust and reliable sources of data, carried out with suitable expertise and having undergone extensive consultation and improvement. We consider, therefore, the use of Audit Commission CPA data to be an area of good practice. However, there is a risk that local authorities' Annual Efficiency Statements are less robust as the figures are not audited, though the statements and processes in place to produce them are subject to review. There are also some weaknesses in the reporting against this target, as the Department has not discussed the police, schools and fire service efficiency gains and has not provided any reason for this, though we understand that this year's Departmental Annual Report will describe progress made by the whole of local government. As a result we have rated this PSA as amber.

### Characteristics of the Data System

**8.29** The main data system relevant to PSA 4 is the Audit Commission's Comprehensive Performance Assessment of individual local authorities. CPA measures how effectively authorities are delivering services for local people and communities. It examines performance from a range of perspectives and combines a set of judgements to provide both a simply understood rating and a more complete picture of where to focus activity to secure improvement. The Audit Commission first introduced CPA in 2002. Since then it has evolved in response to changes in the operational and regulatory environment, rising public expectations, and the performance of local government itself. From December 2005 the Audit Commission have been applying their CPA 'harder test' framework.

**8.30** The PSA also uses data from the Audit Commission's annual direction of travel statements for local authorities and annual use of resources scores, both of which are a part of the CPA process. Direction of travel statements assess whether the local authority is continuing to improve. The use of resources assessment focuses on financial management and its links to the strategic

management of the local authority. It looks at how well financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money.

**8.31** Success against PSA 4 also requires the achievement of £6.45 billion of efficiency gains by 2007-08 from local services as a whole. Measuring progress against this target requires collection and analysis of data from schools, the police force, fire and rescue authorities and local authorities. The main data stream supporting this part of the PSA target is the Local Authority Annual Efficiency Statements, which local authorities complete electronically and in which they report to DCLG on their actual efficiency gains for the past year and their expected gains for the coming year.

### Findings

**8.32** For this PSA target the Department relies on the Audit Commission for data methodology, collection and analysis. As the Audit Commission have wide ranging expertise in the evaluation of local government and access to records, we consider this to be appropriate. It also ensures independent validation of local authorities' performance. However, whilst the Department places full reliance on the Audit Commission in regards to data methodology, they have been extensively involved in consultations on the methodology to confirm that it covers policy issues and other areas of specific interest for the Department.

**8.33** The CPA methodology has evolved and changed in order to respond to previous weaknesses and to recognise changes in local authorities. This is important to ensure the assessments remain relevant and up to date. However a changing methodology does mean that new CPA scores are not directly comparable to previous scores and CLG has correctly disclosed this limitation in its 2006 Autumn Performance Report.

**8.34** The baseline year for the CPA data used in PSA 4 is 2005, with the next round of data being published by the Audit Commission in December 2006. This means, therefore, that DCLG was not able to report on actual progress against the baseline data in the 2006 Autumn Performance Report. Instead reporting focused on the three quarterly updates published by the Audit Commission. This is understandable, but should be accompanied by an explanation of why DCLG is currently unable to report against the target.

**8.35** We also noted that a sub target of this PSA target is for an improvement in district council performance as measured by CPA. Although district councils have all undergone CPA in 2005 the Commission is not planning to conduct regular reassessments. It is therefore unclear how DCLG will measure performance against this part of the target in future.

**8.36** The NAO has completed two reviews of progress against Gershon Efficiency Targets and have considered methodologies for measuring efficiencies as part of the reviews. The NAO's "Progress in improving government efficiency" report describes the ways in which the robustness of the annual efficiency statements are assured, which include councils' own internal audit procedures, reviewed by government Departments, and the work of auditors appointed by the Audit Commission, who review the processes in place to produce the statement and whether the contents are consistent with their knowledge of the council. However, the figures reported in the statements are not audited, which leaves a risk that the efficiency gains may be measured inaccurately. A recent review by an external consultant of local authorities' 2004-05 efficiency statements found that 15 per cent of authorities sampled displayed a low degree of strategic awareness when it came to the efficiency agenda and the annual efficiency statement process. This included making basic errors in their calculations and not understanding the details of the agenda.

**8.37** Furthermore, the current reporting of efficiency gains does not discuss police, schools and fire service efficiency gains, despite the fact that these are part of the target. Schools efficiency data is not yet available, but the reports give no reason why police and fire efficiencies are not included. However, we understand that this year's Departmental Annual Report will describe progress made by the whole of local government, including schools, for which data are now becoming available, albeit with a time lag.

## PSA Target 5

**Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities**

## Conclusion – Amber (systems need strengthening)

**8.38** PSA 5 consists of five indicators supported by five data systems. Although the bases of achievement for each indicator have been set out in the Technical Note, the Note is unclear as to how the resulting assessments will be used to inform the overall PSA target. The Technical Note does highlight however the difficulty in measuring the sustainability element of the target. Due to these limitations the Department has found it difficult to report fully against the PSA target. The indicators are broadly appropriate and as a result we have given PSA 5 an amber rating.

## Characteristics of the Data System

**8.39** The five indicators are underpinned by data systems managed internally by DCLG. Two of the indicators are based on housing statistics which are provided by local authorities through the Housing Strategy Statistical Appendix return (HSSA), the Business Plan Statistical Appendix-Annual Monitoring return (BPSA-AM), the Housing Flow Return and P2Q forms (which collect information on housebuilding starts and completions). Two other indicators are measured annually using house price data provided by the Land Registry. The final indicator is measured using the quarterly DCLG homelessness statistics.

## Findings

**8.40** All the indicators were selected with input from the Analytical Division within DCLG and utilised their analysis of performance measures.

**8.41** The Department considered the possibility of establishing a separate indicator (or a set of indicators) to measure the sustainability aspect of the PSA target. However, following consultation, the Department concluded that it would be difficult to measure the wide range of issues which are covered within the definition of a sustainable community. This process is clearly explained in the Technical Note.

**8.42** As explained above, the housing statistics are compiled using local authority returns. The Department is in the process of reviewing the collation and reporting processes at the local authority level and is considering the potential for using alternative data sources in order to validate the returns. This would allow DCLG to better ensure that the data collected is consistent and reliable.

**8.43** Long Term Vacancies (LTV) is one of the indicators which is derived from the local authority housing statistics. This measures the numbers of regional long-term vacant dwellings in the North West, North East and Yorkshire and Humber regions. The Technical Note and the 2006 Autumn Performance Report are contradictory about whether data relating to housing stock held by Registered Social Landlords (RSL) is included in the overall measurement for this PSA target. The reporting needs to be consistent with the Technical Note.

**8.44** Another data source is information from the Land Registry. The Land Registry collects data on sales and transfers of home ownership and, in relation to this PSA target, provides the Department with data on the average (mean) sale prices of houses. The Land Registry data is essentially a census rather than a survey, as it includes the prices of all marketed dwellings and as such provides a complete and reliable data source.

**8.45** Another indicator considers housing affordability, and originally used data from both the Land Registry and the New Earnings Survey. The New Earnings Survey has now been replaced by the Survey of Hours and Earnings and there are some differences in wordings and definitions between the two surveys. The implication of this is that some of the information requested from respondents may differ, leading to minor inconsistencies between the results for 2004 and 2005. These inconsistencies have been analysed by the Office for National Statistics but their impact has not been disclosed in the 2006 Autumn Performance Report.

**8.46** The final data source is DCLG's homelessness statistics, which are based on data provided by local authorities. The Department provides guidance to local authorities with clear instructions each time a return is requested. The Department has also organised seminars to discuss the completion and the content of the returns. Such seminars are an example of good practice as they help encourage consistency in the data collection procedures.

**8.47** In terms of reporting, the Department provides limited information on data quality. The 2006 Autumn Performance Report highlights the indicators and the respective data systems that have been used, but makes no reference to any limitations in the data systems.

**8.48** Local authorities are responsible for collecting data for certain elements of this PSA target. We would recommend that the Department uses the local authority seminars (described above) to share effective methods of data collection. This would help to ensure that data is collected in a consistent manner.

## PSA Target 6

**The planning system to deliver sustainable development outcomes at national, regional and local levels through efficient and high quality planning and development management processes, including through achievement of best value standards for planning by 2008**

**Conclusion – Amber (disclosure needs strengthening)**

**8.49** PSA 6 comprises eight indicators supported by eight data systems. The data systems are in the main well established and we consider them to be robust, comparable and verifiable although there are some limitations which are not always disclosed.

**8.50** Improvements could also be made to the Technical Note for PSA 6, as the Note is currently unclear about what the precise sub-targets are that compose this PSA. In light of the weaknesses both in the reporting against the target and in specifying the target in the Technical Note, we have rated this PSA as amber.

### Characteristics of the Data System

**8.51** This PSA seeks to measure sustainability, efficiency and quality within the planning system. There is no one measure that can directly assess achievement of these terms and the Department has therefore selected a basket of eight sub-targets to measure performance on this PSA. These sub-targets cover efficiency, quality and sustainability, and success against this PSA requires all eight to be met.

**8.52** Three of these sub-targets rely on returns and information provided by local authorities; two of which are independently audited by the Audit Commission. Two sub-targets use Land Use Change Statistics provided by Ordnance Survey and which are collected through well established data collection methods. A further two sub-targets use databases that have been specifically developed by DCLG to record information on Local Development Schemes and planning casework. The systems are used for project managing in these two areas of planning work as well as for monitoring progress against this PSA. The final sub-target relies on retail floor space statistics collected by the Valuation Office Agency. The 2004 data, which forms the baseline for reporting, has only just become available and the Department has therefore yet to report against this sub-target.

## Findings

**8.53** The majority of data systems underpinning the sub-targets are long-running and well established. For example, statistics on planning applications received and decided by district planning authorities have been collected on a quarterly basis since April 1979 and Land Use Change Statistics have been collected by Ordnance Survey since 1985.

**8.54** In addition, all of the data used to monitor performance against PSA 6 is used for, or collected as a by product of, purposes outside of the PSA for which the need for accurate data is essential. For example, Land Use Change Statistics are collected by Ordnance Survey as a by product of the process of maintaining geospatial data; one of the core tasks of Ordnance Survey. This provides assurance that data streams for PSA 6 are as accurate as they can be, within the realms of cost effectiveness.

**8.55** The use within PSA 6 of well established data systems managed by experts within the field who are specifically tasked with the responsibility of producing robust, reliable, comparable and verifiable data is considered to be an example of best practice and these types of data sources should be used wherever possible and relevant to do so.

**8.56** The Technical Note for this PSA 6 has not been drawn up clearly. It is difficult to determine the sub-targets that make up PSA 6 without reference to what has been reported in the Annual and Autumn Reports. The Technical Note also outlines targets on culture change and policy levers which are not being reported against because the Department is not currently able to measure progress against these targets. The implications of this for the achievement of the PSA are unclear and no explanations are provided in current reporting.

**8.57** Ordnance Survey is responsible for collecting the Land Use Change data. External consultants reviewed the Land Use Change Statistics and found some data quality issues. They concluded that Ordnance Survey had less in-depth knowledge of land usage in comparison to the local authorities and as a result they may omit certain dwellings or incorrectly record the land usage.

**8.58** We have also noted some concerns regarding the reporting of local authorities' progress in producing development documents. The latest Autumn Performance Report provides a graph showing forecasted dates of submission for key documents but gives no indication of whether these dates are likely to be met. Without an understanding of the accuracy of forecasts this gives the reader little idea of whether local authorities are on target to have produced all of their development documents by March 2008.

**8.59** Current reporting on limitations of data systems for PSA 6 varies considerably. For the Development Control statistical returns the limitations are reported in detail. The Development Control target is measured annually using Best Value Performance Indicator (BVPI) 109, which measures the speed of handling three classes of planning application. The start and end dates to be used in measuring performance against the Development Control target are clearly defined in the guidance notes issued to local authorities. However, the appointed auditors who check a sample of BVPI returns each year have found that some local authorities are not applying the guidance properly in respect of the date of registration and the date of decision for planning application. This limitation has been disclosed in the Autumn Performance Report.

**8.60** Similarly, for Town Centre Regeneration which uses the retail floor-space data supplied by the Valuation Office Agency and CLG's own model for identifying Areas of Town Centre Activities (ATCA), the limitations are disclosed. The model for identifying ATCAs may classify areas differently to the local authority's external planning research contractors and therefore there may be minor differences. This limitation has been disclosed in the report.

**8.61** For the other six sub-targets no limitations have been noted, for example the Ordnance Survey limitation explained above.

## PSA Target 7

**By 2010, bring all social housing into a decent condition with most of this improvement taking place in deprived areas, and for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition**

### Conclusion – Green (fit for purpose)

**8.62** PSA 7 is measured by one single indicator that assesses the net reduction in non-decent homes year on year and which addresses all elements of the target. The baseline is 1 April 2001 and the baseline figures come from the 2001 English House Condition Survey (EHCS). The data system for this PSA target is relevant and clearly defined in the Technical Note. In terms of operation, there is a robust system in place to verify the data. The EHCS is reliable and comparable data is available to monitor trends. There is effective reporting; the Autumn Performance Report reflects the 2005 EHCS results. As a result we have rated this PSA target as green.

## Characteristics of the Data System

**8.63** The results of the EHCS are used to measure performance against this target. The survey is carried out specifically for DCLG and was conducted once every five years from 1967 until 2001 and has been undertaken annually since 2002. Private sector housing has been included in the EHCS since 2000. The survey uses a stratified random sample of households and includes an interview with sampled householders as well as a physical survey of their homes. The survey is managed by ONS on behalf of DCLG. ONS work in partnership with Miller Mitchell Burley Lane who are responsible for undertaking the physical inspection of the properties. The Building Research Establishment acts as Development Partner for the survey on behalf of DCLG.

**8.64** The year on year movements are monitored at a local level using separate returns from local authorities and registered social landlords.

## Findings

**8.65** DCLG undertakes regular liaison with all the stakeholders. As part of the EHCS project management a 'risk register' is maintained to identify potential risks, assess the possible impact and develop counter measures. The risk register covers data quality issues and our review of the risk register concluded that the risks associated with data quality have been properly identified and effectively mitigated.

**8.66** In terms of the returns from local authorities and registered social landlords, DCLG publishes detailed guidance both on how to collect and manage stock information and on the decent homes definition. The Housing Corporation introduced external validation of data at the registered social landlord level in 2004 and the results indicate that the registered social landlords' data is reliable.

**8.67** At the time of our review, DCLG was engaged in a fundamental review of the Survey of English Housing (SEH) and the EHCS. A feasibility study had been undertaken into the potential merger of the two surveys. The consultation paper for this review discusses the risks associated with the merger in terms of sample sizes and the content of the questionnaire. As well as these two issues the Department will also need to consider the impact on measuring the performance against the PSA target, as the data system will be changing.

## PSA Target 8

**Lead the delivery of cleaner, safer and greener public spaces and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008**

### Conclusion – Green (fit for purpose)

**8.68** This PSA target comprises seven indicators and there are six data systems. CLG has clear monitoring and reporting procedures for this PSA target. While each data system is well defined and focused on the relevant target indicators, there are inherent limitations in the data systems that have been adopted, in particular, the Best Value Performance Indicator (BVPI). We have, however, rated the system specification and operation of PSA 8 as green, but have made one recommendation regarding the reporting.

## Characteristics of the Data System

**8.69** There are seven sub-targets for PSA 8, with the target being deemed as met if three out of the five tangible sub-targets are achieved and one of the two intangible satisfaction based sub-targets is met. The data systems for these sub-targets include surveys, BVPIs and results from the Green Flag Award Scheme.

**8.70** Surveys are undertaken by DCLG and DEFRA at different time intervals to determine the general public's perception of, and satisfaction with, the aesthetics and quality of public green spaces and the built environment. Whilst the surveys as a whole are not specific to the sub-targets, key sections of the questionnaires are. For example the 'Definitive Waste Management online survey' is carried out by DEFRA. This survey specifically includes sections on abandoned cars which can be used to measure the cleaner and safer elements of the target. The English House Condition Survey reports on quality and satisfaction with the built environment are used similarly. Additionally, DCLG undertakes a parks and green spaces survey every three years which measures residents' satisfaction with the local green spaces and is used to inform the greener element of the target.

**8.71** There are also two BVPI's undertaken at local authority level to assess authorities on the cleanliness of streets and the provision of environmental services. The Green Flag Award scheme is used as a national proxy for the good management and maintenance of parks and green spaces.

## Findings

**8.72** This was a new PSA target for this Spending Review. DCLG consulted experts during the preliminary stages and took advice on the data system and its design. All indicators were selected with input from the Analytical Division within DCLG and their analysis of performance measures. DCLG has collaborated well with other bodies, for example DEFRA and the Civic Trust, to allow a targeted assessment of PSA 8.

**8.73** While the Autumn Performance Report discloses a significant amount of information regarding the results from the data systems, there are minor gaps in the Quality of Data Systems section. This section only lists the data system associated with each indicator and does not mention any limitations with the data system used. In particular for BVPI's, the Audit Commission will specify those authorities where it has doubts over the arrangements for producing the data and also where data is not provided by the local authority. In such cases DCLG has excluded that data and therefore the data set is incomplete. We recommend that DCLG include this limitation in its report.

## PSA Target 9

**By 2008, working with all Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social cohesion. (Formerly PSA 9 for the former Department for Trade and Industry)**

### Conclusion – Red (not fit for purpose)

**8.74** PSA 9 consists of 11 indicators and 12 data systems. There are significant weaknesses in the specification of the data systems which underpin this PSA target and not all the data systems are relevant or well defined. The outturn reported in the 2006 Autumn Performance Report is clear and transparent, but no information was given about data quality and as a result the reporting is not comprehensive. We have several significant recommendations to make with respect to the specification and the reporting of this PSA target, and as a result we have rated this PSA target as red.

### Characteristics of the Data System

**8.75** This target cuts across a number of government Departments and is composed of eleven indicators (broken down into 19 sub-indicators). A large number of different data streams are used to measure performance against the targets; these include statistics provided by other government Departments and by independent

bodies on behalf of CLG. The Department would have succeeded against this PSA target if they meet all those measures listed under sub-targets one to four and works with and influences other Departments to make progress on their targets and are responsible for monitoring, reporting and following up with them those listed under sub-targets five to eleven.

**8.76** Our validation was limited to the data quality controls operated by the Department and we did not extend our review to the controls operated by the other government Departments. All comments and recommendations in this report therefore only relate to DCLG. With effect from 5 May 2006, as a result of the Machinery of Government changes, DCLG took over sponsorship responsibility from the former DTI for Equal Opportunity Commission who are responsible for one data system, the Equal Opportunities Commission Survey, which underpins sub-target 3.

**8.77** All the data supplied by other government Departments (in this case, the former Department of Trade and Industry, Department for Education and Skills, Home Office, Cabinet Office, Department for Transport and Department for Work and Pensions), and the operation of their data systems, will be validated by the NAO as part of our review of those Departments' PSA data systems. Hence for the purposes of this review we have only reviewed the specification of the data system and the reporting.

## Findings

**8.78** The former DTI chose to measure this PSA target using existing data systems, which underpin other Departments' PSAs or high level targets. The Department did not consider in sufficient detail whether these indicators and data systems were the most appropriate way to measure performance against the target.

**8.79** As a consequence, not all elements of the PSA target are addressed by the existing indicators. For example terms such as "measurable improvement" have not been fully defined. The explanation for this was that PSA 9 was an influencing target and so this could not be easily measured.

**8.80** For certain elements of the PSA target, it might have been helpful to have made greater use of external and industry representatives at the specification stage. An illustration of where this may have been useful is sub-target 4, element 3, which states "(the former) DTI aims to reverse the serious under-representation of women in Information, Technology, Electronics and Communications (ITEC) jobs and bring their share up to



the level of our competitors". In fact, the former DTI does not have the necessary levers to effect such a change and can only influence and advise the industry. If the former DTI had consulted industry representatives they may have been able to produce a target of greater relevance to the Department's role.

**8.81** Whilst the former DTI chose a large number of data streams to measure performance against this PSA target, the overall data set does not give any indication of whether the Department has brought about measurable improvements in gender equality which is the main purpose of this PSA target. This suggests that performance against this PSA target is not being measured effectively.

**8.82** In terms of reporting, the information on data quality is very brief and the limitations of the data systems have not been reported.

**8.83** For the next CSR period, we recommend the Department seek to improve the quality of its reporting against this PSA by using the existing bilateral meetings with other government Departments as a forum to identify weaknesses, and report these in any future publications.

**8.84** Similarly, DCLG may wish to consider reducing the number of data streams and focusing them more accurately. For example, they may consider it more appropriate to commission a specific survey on gender rather than rely on existing data streams that were not designed for PSA measurement.

## PSA Target 10

### Reduce race inequalities and build community cohesion (Formerly PSA 7 for the Home Office)

#### Conclusion – Green (fit for purpose)

**8.85** This PSA target has three indicators and one data system; the Citizenship Survey (CS). The data system is well-established (since 2001) and there are no significant uncontrolled risks. The Survey was in part designed specifically to measure performance against the PSA target and reporting against the target is straightforward. The data system is thus fit for the purpose of measuring and reporting performance and we have rated both the system and the latest disclosure in the Autumn Performance Report as green.

#### Characteristics of the Data System

**8.86** The main headline target is concerned with two elements: race inequalities and community cohesion. Performance against these elements is based on the perception of the black and ethnic minority communities on discrimination and on community cohesion. The data

stream used to monitor performance is the Citizenship Survey (CS), which includes a local area boost specifically designed to gather data for the community cohesion element of the measure.

**8.87** The Home Office was responsible for survey design and reporting, and overall management of the work performed by the contractors. Attitudinal questions are included to measure the perception indicator as stated in the Technical Note. The sample also includes an ethnic minority boost of 5,000, in addition to the core sample of 10,000, to ensure that analysis looking solely at the responses of minority ethnic groups is statistically significant.

#### Findings

**8.88** The data system is fully robust in that all main risks to data reliability and quality have been recognised and effective controls implemented insofar as it is cost effective to do so.

**8.89** Internal and external experts were involved in the design of the Survey and the same standardised survey questions relating to the PSA target and formats of data collection and reporting were used throughout the waves of surveys. Clear and detailed Technical Reports accompanying each round of the CS are also available.

**8.90** Controls over data collection and processing are strong, particularly in training, contract management and monitoring at the Departmental level.

**8.91** There is a clear audit trail from sample selection to collation and analysis. Interview results are assigned a unique reference number within the Computer Aided Personal Interviewing system, which enables data tracking and ensures that no data is lost on transfers between systems.

**8.92** The infrequent nature of data collection and the time required to analyse results limits the ability of the Department to assess the impact of its policies between the biennial surveys. However, in 2007-08 the fieldwork will run continually over the year. In the future, this will enable the results to be presented each quarter on a rolling annual average basis thereby allowing data to be compared each quarter with the same period the year before.

**8.93** Reporting is comprehensive as it includes the outturns for all the indicators of the PSA target mentioned in the Technical Note.

# PART NINE

## Department of Health

### PSA Target 1

#### Substantially reduce mortality rates by 2010:

- a from heart disease and stroke and related diseases by at least 40 per cent in people under 75, with at least 40 per cent reduction in the inequalities gap between the fifth of areas with the worst health and deprivation indicators and the population as a whole;
- b from cancer by at least 20 per cent in people under 75, with a reduction in the inequalities gap of at least six per cent between the fifth of areas with the worst health and deprivation indicators and the population as a whole; and
- c from suicide and undetermined injury by at least 20 per cent

#### Conclusion – Green (fit for purpose)

**9.1** The data system is fit for the purpose of measuring and reporting performance, and there are no material issues concerning data quality for reporting against this target.

#### Characteristics of the Data System

**9.2** Data on mortality from major killer diseases, suicide and undetermined injury are collected by the Office for National Statistics (ONS) through the death registration process.

**9.3** The inequalities aspect of this target uses a group of Local Authorities, identified as having the worst health and deprivation indicators in the baseline years of 1995-1997. This is known as the “Spearhead Group”.<sup>13</sup> The Spearhead Group remains constant through the life of the target so the Department can measure the

impact of initiatives in those areas to improve relative performance beyond the general trend of improvement in the population as a whole as measured by the wider population target.

#### Findings

**9.4** The Department places reliance on the ONS to provide the data on mortality. The data is specified and requested annually by the Department for all three key indicators. The mortality data are specified by cause of death, identified by International Classification of Disease codes (ICD-10). Data is requested by sex and by five-year age band. Death registrations and causes of mortality are National Statistics, which are produced in accordance with the National Statistics Code of Practice protocols.

**9.5** ONS mortality data taken from the death registration system are the only complete and comprehensive record of the cause of deaths available in the country, and there is no viable alternative source of these data. Figures on the number of deaths from major diseases, suicide and undetermined injury are released annually, but there can be up to two years’ time lag in reporting. This delay may make the data less effective for management purposes.

**9.6** Our review of the system showed there to be no major risks to the data. The only potential issue relates to registration of data, i.e. whether the original or final cause of death is recorded. However, the original cause of death is consistently used for the purposes of this data system, providing comparability year on year.

<sup>13</sup> Local Authorities are ranked on five strongly correlated variables, including life expectancy at birth for males and females, death rates under 75 years from circulatory disease and cancer, and deprivation.

## PSA Target 2

**Reduce health inequalities by 10 per cent by 2010 as measured by infant mortality and life expectancy at birth**

### Conclusion – Infant mortality – Green (fit for purpose)

**9.7** We have concluded that, the system is fit for purpose. The Department has considered limitations in the available data when determining the criteria for measuring and reporting performance against this target.

**9.8** The target is measured using an indicator of social class defined only through the father's occupation because there is a limited data from sole registration by mothers. The current approach has remained consistent.

**9.9** The Department has reported in a number of publications the potential effect on the measurement of health inequality arising from the exclusion of sole registrations from the data, but the caveat was not explicitly explained in the Technical Note, nor in the Departmental and Autumn Performance Reports on progress. The Department has agreed to include this caveat to the data in these reports.

### Characteristics of the Data System

**9.10** For infant mortality, the data are derived from the Office of National Statistics (ONS) linked file, which links information from the birth and death registration systems.

### Findings

**9.11** These two targets were chosen to give a broad picture of health inequalities, which could reflect a broad range of interventions.

**9.12** For infant mortality, the target aims to narrow the relative gap between infant mortality in routine and manual groups, and the population as a whole. Information on social class is obtained from the father's occupation, as recorded on the child's birth certificate. Currently, data for infant mortality where the mother registers a birth without the father's details are not included in the calculation. The Department have explained that these cases are excluded because of the poor quality of data recording mothers' occupations. In the three year period from 2003-05, some 9.5 per cent of infant deaths related to sole registrations and were thus excluded.

**9.13** Data are produced annually, although there is a one-year time lag for production of the data.

### Conclusion – Life Expectancy at Birth – Green (fit for purpose)

**9.14** The data system is fit for the purpose of measuring and reporting performance against the target.

### Characteristics of the Data System

**9.15** Life Expectancy is calculated using mortality data from the death registration process supplied by ONS.

### Findings

**9.16** The target is to narrow the relative gap between the "Spearhead Group" [see paragraph 9.3] and the population as a whole.

**9.17** The Department place reliance on the ONS, and its Code of Practice to provide the data for this target. The Department has in place arrangements with the ONS, through the operation of service level agreements and regular monitoring meetings, to gain assurance that data supplied is relevant to measurement of the target.

**9.18** We have not identified any significant risks to data quality for this target.

## PSA Target 3

**Tackle the underlying determinants of ill health and health inequalities by:**

- a **reducing adult smoking rates to 21 per cent or less by 2010, with a reduction in prevalence among routine and manual groups to 26 per cent or less**

### Conclusion – Green (disclosure is adequate)

**9.19** Although we identified potential risks to data quality, the risks are being managed by the Department of Health through liaison with the Office for National Statistics (ONS), and as a result we have concluded that the data system is fit for the purpose of measuring and reporting performance against this target.

### Characteristics of the Data System

**9.20** The data for this target are derived from responses to questions on smoking prevalence in the ONS General Household Survey.

### Findings

**9.21** The target to reduce smoking prevalence in adults was set in 1998 in the "Smoking Kills" White Paper, but is a new PSA target for SR2004.

**9.22** Social surveys have been carried out by ONS since the 1940s. A number of key stakeholders have an interest in the results, and input to the nature of the questions asked, across a range of health and social issues, including smoking.

**9.23** The results are survey based, which could result in error or bias. However, the ONS have mitigated this, e.g. by adopting a weighting system to prevent over- or under-representation of certain social groups, and sample-based weighting, using the Census.

**9.24** We did not identify any significant risks to data quality. The data are provided on an annual basis by ONS, and are not changed or manipulated by the Department.

**9.25** Reporting of progress against this target by the Department is clear and unambiguous – although there is a time lag of 12 to 15 months between the end of the survey period and the publication of the results, this is clearly stated in the Technical Note.

## PSA Target 3

**Tackle the underlying determinants of ill health and health inequalities by:**

- b halting the year-on-year rise in obesity among children under 11 by 2010 in the context of a broader strategy to tackle obesity in the population as a whole (Joint with the Department for Education and Skills and the Department for Culture, Media and Sport)**

### Conclusion – White (too early to form a view)

**9.26** The system is not fully in place as the Department needs to identify further controls, for example on the isolation of data for 2-10 year olds. The target is not due to be assessed until after 2010 and the 2005/06/07 baseline cannot yet be established. It is therefore too early to form a view on the strength of all the controls.

### Characteristics of the Data System

**9.27** The data system for this target is the annual Health Survey for England, run by the Department of Health. The survey is part of an overall programme of surveys designed to provide regular information on various aspects of the nation's health. It started in 1991, and is carried out under contract by the Joint Survey Unit of the National Centre for Social Research (NatCen) and the Department of Epidemiology and Public Health at University College London (UCL).

**9.28** The target will measure the change in the proportion of obese children between the three-year averages 2005/06/07 and 2008/09/10.

### Findings

**9.29** The data system was not designed for the purpose of the target. The survey focuses on a different demographic group each year, but children have been included each year since 1995. UCL analyses the survey data to isolate that data which is specific to children aged 2-10.

**9.30** The number of children covered by the survey has varied in recent years, from 1,733 in 2003 to almost 4,000 in 2002. From 2005, sample numbers are to be increased to 4,000 annually. However, the sample size only allows the proportion of children classed as obese each year to be estimated as falling within a wide range. It is not possible to estimate the proportion at a specific level with certainty, although it is expected that the increased sample size will remain in place for the 2009-10 survey to make the results more accurate.

**9.31** The Department for Education and Skills believes that the parents and carers most likely to withhold permission for children to be measured are those whose children may be classified as obese. There is therefore a risk that obesity is under-recorded.

**9.32** The use of three-year averages for the baseline (2005/06/07) and target (2008/09/10) is intended to minimise the effect of year-on-year variations, and to compensate for the small sample sizes. This is clearly stated in the Technical Note published by the Department. It is not yet known whether the sample sizes for these periods will be large enough to identify and measure significant changes accurately. Because the data is not available until about a year after the period end, the target will not be measurable until after the end of the 2011 calendar year.

**9.33** Controls for the UCL work on isolating data for 2-10 year olds have not yet been established. Other controls in place for capturing, transferring and maintaining the data are effective. The computer systems include queries of any unlikely height or weight measurements, which are taken using appropriately calibrated equipment and experienced staff. The data for 2005 will be validated jointly by the Health and Social Care Information Centre and the Department of Health, but it is too early to determine the reliability of these processes.

**9.34** From September 2006, the Department for Education and Skills and the Department of Health plan to measure the height and weight of all children in Reception year (ages four and five) and Year 6 (ages 10-11). There is no intention at this stage for this data to be used to report on the target, but it may be possible to use it to assess the reliability of the data from the annual Health Survey. The Technical Note explains that the Departments are examining the feasibility of options to obtain more local level information.

## PSA Target 3

**Tackle the underlying determinants of ill health and health inequalities by:**

- c** **reducing the under-18 conception rate by 50 per cent by 2010 as part of a broader strategy to improve sexual health. (Joint with the Department for Education and Skills)**

Conclusion – Green (fit for purpose)

**9.35** The risks to data quality are clearly identified and controls exist to address them. While some improvements to verification systems and some updating of the Technical Note would be desirable, the data systems are generally fit for the purpose of measuring and reporting performance against the target.

## Characteristics of the Data System

**9.36** The data used to monitor this target is collected externally to the Department for Education and Skills, but is well-established, well-defined and has been collected consistently for some years. The target was designed with the data system in mind.

**9.37** Two elements, births and legal abortions, are legally required to be reported (through the ONS for births and through the Department of Health for abortions). The ONS collates the births and population data, and it receives abortions data under a service-level agreement, so that it may calculate conceptions.

**9.38** The under-18 conception rate is calculated by dividing the total number of conceptions to all women aged under 18 by the total female population aged 15-17 (95 per cent of under-18 conceptions occur among 15-17 year olds). Data are generally of good quality, with systems in place for imputing missing information, such as the mother's age for the 0.5 to 0.8 per cent of cases where it is not supplied. Accuracy and plausibility are checked by reference to historic trends and time series, and the ONS investigates anomalies.

## Findings

**9.39** The deficiencies in the system are relatively minor. For example, the conception rate may be under-reported because it excludes miscarriage data. There is no requirement to register miscarriages, and no data is collected centrally.

**9.40** Some changes are due to be made to data collection and processing during 2006, but reliability is unlikely to be affected significantly. Registrars will be able to register births online, enabling data to be received daily. Processing will transfer from one part of the ONS to another, but handover arrangements are in place and the new staff already have some experience of handling this data.

**9.41** The Technical Note briefly mentions how the target is derived. It usefully gives an example and discloses the baseline conception rate.

## PSA Target 4a

**To improve health outcomes for people with long-term conditions by offering a personalised care plan for vulnerable people most at risk**

Conclusion – Red (not fit for purpose)

**9.42** There is no system in place for measuring performance against the personalised care plan element of the target. The Department is currently examining, with the Healthcare Commission, the most effective way to measure outcomes from personal care plans. However, a system is not likely to be in place during the 2005-08 PSA period to measure progress against the target.

## PSA Target 4b

**To improve health outcomes for people with long-term conditions by**

**reducing emergency bed days by five per cent by 2008, through improved care in primary care and community settings for people with long-term conditions**

Conclusion – Amber (disclosure needs strengthening)

**9.43** The controls in place over data quality appear to address the significant risks to reporting of results for the element of this target relating to emergency bed days. The data system used to report on the number of emergency bed days is judged to be robust.

**9.44** However, the Department is unable to accurately match the cause of the reduction in emergency bed days to the effect of improved care in primary care, and as a result we have concluded that although broadly appropriate, there are limitations to the data that cannot be cost-effectively controlled, and that the Department should explain the implications of these.

**9.45** We recommend that the Department improve reporting to make clear the difficulties in matching the cause of the reduction in emergency bed days to improved care in primary care and community settings.

### Characteristics of the Data System

**9.46** Hospital Episode Statistics (HES) are used as the data source to measure the reduction in emergency bed days.

### Findings

**9.47** All NHS trusts collect data on patients' hospital episodes using their Patient Administration Systems (PAS). This data is uploaded by each trust on a monthly basis into the NHS-Wide Clearing Service (NWCS), a data warehouse which was replaced by the Secondary Uses Service at the end of December 2006.

**9.48** The HES team, based at the Health and Social Care Information Centre, extract data from the NWCS on a quarterly basis, with an additional extract for the full year taken after the year-end, and perform validation checks on these data extracts. These include running algorithms to detect duplicate records, and reconciliations of volume of activity data between data held at trusts and data extracted from the NWCS. The validated annual dataset is submitted by the HES team to the Department to a specification agreed between HES and the Department which measures the number of emergency bed days in the period in accordance with the Technical Note. The data are then reported by the Department to show progress against the target.

**9.49** Information on patient episodes is coded in line with International Classification of Diseases (ICD-10) guidelines, and captured on PAS. The main data risk identified relates to miscoding of patient episodes, resulting in inaccurate data on emergency bed days being uploaded into NWCS. We do not feel however that this risk is significant enough to affect the reported results. We also note that Payment by Results introduced an operational use for the data which increases the benefits derived locally from effective scrutiny and controls over data quality.

**9.50** The system, as currently specified, measures the reduction in emergency bed days, using a well-established source of data, which is effectively controlled. It does not however measure what the cause of the reduction is, and thus it is not possible to determine with any accuracy how much of this is due to improved care in primary care and community settings, and how much is due to reducing the length of an episode once a patient has been admitted into hospital.

**9.51** The Departmental Report for 2006 states the number of, and percentage reduction in, emergency bed days from 2003-04 to 2004-05. There is no specific mention in the Technical Note of the fact that it is not possible to determine the exact cause of the reduction in emergency bed days. The Chief Executive's Report to the NHS (June 2006) states that the Department is on target to reduce the number of emergency bed days, and that this "can only be achieved by ensuring that care is rooted in primary care settings."

### PSA Target 5

**To ensure that by 2008 no-one waits more than 18 weeks from GP referral to hospital treatment**

### Conclusion – Amber (systems need strengthening)

**9.52** A system to fully record the patient pathway from GP referral to hospital treatment is not in place to measure performance against the target. We are thus unable to form a conclusion on the full patient pathway system. The Department are working on an interim approach to measurement of performance, which is explained in the Technical Notes. We have therefore given our opinion on the systems which act as a proxy for the intended system.

**9.53** The existing data systems are broadly fit for the purpose of measuring some individual stages of treatment within the pathway, with some minor risks to data quality.

### Characteristics of the Data System

**9.54** The aim of the target is to measure the full patient pathway, from patient booking of a first outpatient appointment following GP referral, to the start of treatment. This is expected to be monitored in 2008-09, through new IT systems procured by Connecting for Health.

**9.55** At present, there is no data system to measure the stated target. Progress towards the 18-week target is currently measured by recording waiting times for individual stages of treatment used in the previous SR2002 PSA target, i.e.:

- the time from GP referral to outpatient appointment (SR2002 target 13 weeks); and
- the time from GP or consultant referral to inpatient appointment (SR2002 target six months).

**9.56** From early 2006, data on diagnostic waiting times have also been collected.

**9.57** Data is currently collected using the Patient Administration System (PAS) of individual NHS Trusts. This data is collated through the Department's Unify system.

## Findings

**9.58** The key data collection tool for the currently recorded stages of treatment within this target (and Standards 1, 2, 3 and 4) is the Department's Unify system. Our review of the system within both the Department and the NHS did not identify any significant risks around access controls, nor any instances of unauthorised access or amendments to system data. We have concluded the Unify system is fit for purpose.

**9.59** Initial data collection is undertaken by NHS Trusts which may be subject to spot checks by the Audit Commission on behalf of the Healthcare Commission. These reviews have not brought to light significant problems with data collection at the local level. The Audit Commission's 2004 report 'Information and data quality in the NHS: Key messages from three years of independent review' concluded that there were some minor risks to data quality for waiting lists. There have been no significant changes to the existing data systems since the report.

**9.60** Data are signed off by Trusts and sent to local Strategic Health Authorities (SHAs), who perform validation checks, using their knowledge of local performance trends. The SHA submits validated, aggregated Trust data to the Department using the Unify system.

**9.61** Reported breaches of current waiting time targets are investigated by the Department and the SHA as part of the overarching performance management regime. This can include discussion with the provider (NHS Trust) and the commissioner (Primary Care Trust), and may involve cross-checks between the data reported by the two bodies.

**9.62** The Department's Planning and Performance Review Team carry out further validation checks on aggregated data within the Unify system, before preparing reports for Parliament and the public.

**9.63** There is a risk of inconsistent application of key definitions, because details are entered at Trust level. This risk has been addressed by codifying definitions at national level through a Data Dictionary to be used by Trusts, administered by Connecting for Health, and by the availability of advice from Unify system technical support and user groups.

**9.64** There is a further risk related to the completeness and accuracy of data from the independent healthcare sector. This is being monitored by the Department, which considers this does not pose a significant risk to data quality at present, because the independent sector represents a small proportion of healthcare provision.

**9.65** The target is well defined, and the data systems currently used to measure parts of the pathway are well established. However, the Technical Note and the Departmental reports clearly disclose that these existing data systems measure progress against "milestone" targets until the full GP referral to hospital treatment data system is developed. We have examined these existing milestone target data systems and conclude these are broadly fit for that purpose.

## PSA Target 6

**Increase the participation of problem drug users in drug treatment programmes by 100 per cent by 2008; and increase year-on-year the proportion of users successfully sustaining or completing treatment programmes**

### Conclusion – Amber (systems need strengthening)

**9.66** All significant risks which have been identified are being successfully managed, and the data system is fit for the purpose of measuring performance against the target.

**9.67** However, we consider that in one aspect of the system – reporting – the Department has not fully met the requirements of the target and therefore the risk of failure to accurately report against the target remains a risk for which controls need strengthening. The Departmental Report 2006 and Autumn Performance Report 2006 included the number of additional people who successfully sustained or completed treatment programmes at March 2005 compared with March 2004.

However the target is also to increase the proportion of users successfully sustaining or completing treatment programmes. It would also be more appropriate to report this percentage for the whole period over which the target has been measured, in order for the reader to be able to see progress year-on-year as stated in the target.

## Characteristics of the Data System

**9.68** The National Drug Treatment Monitoring System (NDTMS) provides details on the number of drug users entering and either successfully completing treatment or who were retained in treatment, in accordance with the definition in the Department's Technical Note underpinning the target. These figures exclude drug users in prison who are not the Department's responsibility, and this is clearly stated in the Department's Technical Note.

## Findings

**9.69** Drug treatment service providers or agencies collect patient data on local systems, or using a Data Entry Tool (DET) designed by the National Treatment Agency (NTA). Data is submitted via a secure internet connection or by e-mail.

**9.70** Validation checks of the data are carried out, enabling the service provider or agency to correct data prior to submission. The NDTMS regional centres check the data format for errors, allowing changes to be made and the data to be resubmitted.

**9.71** The data is warehoused using the Episodic Core data Monitoring System (ECMS) designed by the NTA.

**9.72** The system is well specified, and covers both aspects of the PSA target. The introduction of the DET and File Upload Portal (FUP) in 2006 have made data collection and submission more robust and efficient for many agencies, and it is expected that by early 2007 the majority of agencies will be using the FUP to submit data to NDTMS regional centres.

**9.73** The system is detailed and well designed. Data quality and assurance are covered by the Service Level Agreement between the Department and the NTA. In turn, the NTA have a contract with the National Drug Evidence Centre (NDEC), based at the University of Manchester which covers the analysis and adjustment of data. These ensure that data is fit for purpose and complies with the Technical Notes issued.

**9.74** The data collected by the NDTMS is a National Statistic, complying with the National Statistics Code of Practice.

**9.75** The key risk to data quality for the first element of the target is potential double counting of patients in treatment. This is mitigated by data quality checks carried out on a monthly basis at the NTA to identify any potential duplicate records.

**9.76** The key risk identified to the measurement of users completing treatment programmes is the failure of drug treatment providers or agencies to record a patient as being discharged when they fail to attend treatment. The NTA carries out checks of data submitted to NDTMS to identify patients who have not been discharged, but who have not recently received treatment. Agencies are asked to review the records identified by these checks, and if a patient is no longer in treatment, the last date of treatment will be entered into the system as the 'discharge date' used for the purposes of measuring the target.

**9.77** The 2006 Departmental Report reports the most up-to-date figures available for both elements of the target. The increase in participation of problem drug users is well reported, and the claim to be ahead of schedule to meet the 2008 target is clearly demonstrated.

**9.78** The second element of the target is to increase year-on-year the proportion of users successfully sustaining or completing treatment programmes. The data system would provide data to enable calculation of the figure. The Departmental Report states that "over 30,000 more people had either successfully completed or continued treatment at the end of March 2005 compared to March 2004". As this does not give details in terms of percentages, it is not possible for the reader to determine whether there have actually been year-on-year increases in the proportion of users successfully sustaining or completing treatment programmes.

## PSA Target 7

**Secure sustained annual national improvements in NHS patient experience by 2008, as measured by independently validated surveys, ensuring that individuals are fully involved in decisions about their healthcare, including choice of provider**

### Conclusion – Amber (disclosure needs strengthening)

**9.79** The data system is broadly appropriate, but due to the nature of surveys there are limitations that cannot be easily mitigated or controlled cost-effectively. More disclosures could be provided by the Department to explain the implications of these limitations.



**9.80** Although the Departmental Report 2006 does not report the survey results in detail, the publication of the 'patient experience' element of the PSA figures on the Department's website is clear and transparent, offering quantifiable data that can be compared to previous surveys. Suitable disclosures are also provided where data is not comparable. We recommend that results continue to be reported in this way, in order for readers to be able to see the reason behind the Department reporting this target as being 'on course'.

**9.81** Although surveys include patient involvement in decisions, the outcome of this has not yet been reported, it is therefore too early to tell whether the results will be fairly reported from the system.

## Characteristics of the Data System

**9.82** The 'patient experience' element of this target is measured using patient surveys run by each NHS Trust. These are based on five key dimensions rated by patients as important:

- access and waiting;
- safe, high-quality co-ordinated care;
- building closer relationships;
- a safe, clean and comfortable place to be; and
- better information and more choice.

**9.83** Success will be defined through increasingly positive national survey results under each patient dimension.

**9.84** The 'patient involvement' element of the target is also being measured through these patient surveys, which will ask the extent to which patients feel involved in decisions about their treatment/care. Data collection for this element began in 2006, with results expected to be available for reporting in 2007.

## Findings

**9.85** The surveys are overseen and regulated by the Healthcare Commission, through contracts with the Picker Institute and the National Centre for Social Research, who act as coordination and advice centres for NHS Trusts.

**9.86** The system has been well specified; a wide range of in-house and external specialists were consulted in the design of the system, the surveys are administered by an independent body and there is a list of approved contractors to carry out the surveys. The coordination centres were procured using competitive tendering

exercises and contracts are in place between them and the Healthcare Commission, which include specifications providing assurance over data quality.

**9.87** The Department and the Healthcare Commission conducted a joint review of the methodology behind this target in 2006, which highlighted some of the data system's problems, including non-response rates, the weighting of results and comparability of results when survey questions are altered. A definitive methodology has been agreed which should minimise risks to data quality, for example the risk that results cannot be compared if questions are changed. Future question changes will be reviewed thoroughly to ensure comparability is not compromised.

**9.88** The Technical Note provides a web-link to the methodology review paper. However, the limitations of the system could be more explicitly reported to aid the user in interpreting the results.

**9.89** There are some risks to data collection. Although samples are selected which are representative of the general population of patients, this is no guarantee that a representative sample of responses will be received. For example, the Healthcare Commission has identified low response rates from black and ethnic minority groups as well as younger patients. However, these risks are being managed by the Healthcare Commission and the Picker Institute.

**9.90** The 2006 Departmental Report provides a summary of the surveys conducted in 2004-05, although details are not given for the five key dimensions. These were subject to the joint review of the methodology conducted by the Department and the Healthcare Commission to ensure the PSA metrics were robust and fit for purpose and new scores were subsequently published. It is difficult to assess the accuracy of the reported 'on course' status while the Departmental Report 2006 states that figures are not directly comparable with those from previous surveys.

**9.91** However, the Department has published PSA results on its website in the Chief Executive's Report to the NHS (June 2006). The results are reported in a clear and transparent manner, with comparisons to prior years where possible. Suitable disclosures are provided to explain where certain results are not comparable with previous survey results.

**9.92** The public's response on whether they were given a choice of provider has not yet been reported, as data on choice only began to be collected in the surveys from 2006. The Department have told us that results will be published once available. The Department is aiming to report the results in 2007. This is adequately disclosed in the Technical Note, but is not disclosed in the Departmental Report or Chief Executive's Report to the NHS.

## PSA Target 8

**Improve the quality of life and independence of vulnerable older people by supporting them to live in their own homes where possible by:**

- a** Increasing the proportion of older people being supported to live in their own home by one per cent annually in 2007 and 2008

**Conclusion – Amber (system needs strengthening)**

**9.93** We have concluded that the data system is adequate for the purpose of measuring performance against the target. However, we are concerned that the system for reporting performance against the target may not be controlled to ensure reports are robust and fair. The Departmental Report 2006 stated that progress against the target was "On Course", but this was inconsistent with the Departmental Report's acknowledged lack of available data. Data for the 2005-06 baseline, against which progress would be measured, was not available.

### Characteristics of the system

**9.94** Data is derived from Local Authority (LA) RAP<sup>14</sup> returns and ONS population estimates. RAP returns are an established data source, used to provide a range of information for performance assessment.

### Findings

**9.95** The data sources chosen are established LA returns, which are also used for Audit Commission performance assessments/LA ratings, and to help determine resource allocations.

**9.96** Controls over the data at the Health and Social Care Information Centre (HSCIC) are robust and operating effectively.

**9.97** However, reporting for this element of the target could be improved. The Departmental Report for 2006 states progress as "On Course". It is difficult to see how this can be justified, as it also states that "...data for the first assessed year will not be available until the autumn of 2006."

## PSA Target 8

**Improve the quality of life and independence of vulnerable older people by supporting them to live in their own homes where possible by:**

- b** Increasing by 2008 the proportion of those supported intensively to live at home to 34 per cent of the total of those being supported at home or in residential care

**Conclusion – Green (disclosure needs strengthening)**

**9.98** The data system is appropriate for this element of the target. Although there are some risks to data quality, these have been recognised by the Department and HSCIC. The Department have disclosed the steps taken to manage these risks and the implications of limitations in the data collected, which cannot be cost-effectively controlled.

### Characteristics of the Data System

**9.99** Data is derived from two online submissions by LAs to the HSCIC: a Home Help return (HH1) and a Supported Residents return (SR1).

**9.100** The HH1 return is an established process, in use since 1992. LAs are required to provide details of the number of households receiving various, defined levels of care during a specified week in September each year.

**9.101** The SR1 return has been in use since 1993. LAs use this return to provide details of the number of people supported in residential care which is funded by the LA, as at 31 March each year.

### Findings

**9.102** The HH1 return records the number of households receiving home help, as a proxy for older people receiving home help, on the assumption that older people are more likely to receive such care. This could distort the calculation, either:

14 Referrals, Assessments and Packages of Care.

- by including households receiving home help which do not contain older people (defined as 65+); or
- by underestimating the number of older people receiving help, if the household contains more than one.

**9.103** There is a risk to data quality by reliance on LAs completing the HH1 and SR1 returns accurately, completely and without deliberate or inadvertent bias.

**9.104** A further concern is the timing of returns, which (for comparability) are at pre-defined dates/periods each year. This could offer the opportunity to manipulate the results by ensuring that the peak of activity is focused at this time. However, this is mitigated by:

- validation and monitoring at HSCIC, which require (inter alia) explanations of variances  $\pm 20$  per cent; and
- the fact that returns are used for other purposes, such as resource allocation.

**9.105** Reporting is clear and transparent, and the Technical Note makes clear a number of caveats, for example that households receiving home help are used as a proxy for older people receiving such help, and that the Department and the HSCIC are working on ways to measure the impact of the voluntary and community sector on this target.

## Standard 1 – Accident and Emergency Waiting Times

**Reduce to four hours the maximum wait in Accident and Emergency from arrival to admission, transfer or discharge**

Conclusion – Green (fit for purpose)

**9.106** We have concluded that although there are some risks to data quality, the Department is managing these and therefore the data system is fit for the purpose of measuring and reporting performance against the standard.

### Characteristics of the Data System

**9.107** This operational standard was previously a PSA target under Spending Review 2002. The definition of accident and emergency (A&E) in this context describes all services providing open access ‘emergency’ care. A&E Departments, Walk-in Centres and Minor Injury Units are all included in this definition.

**9.108** Data is collected by NHS Trusts weekly through ‘Situation Reports’ (SITREPs) and reported quarterly through the Department’s online Quarterly Monitoring A&E (QMAE) return on the Unify system [see paragraph 9.63].

## Findings

**9.109** Data entered into the Unify system is signed off by the Trust and is accessed by the local Strategic Health Authority (SHA), which monitors the information and conducts initial validation checks, based on its knowledge of local performance trends. The Unify system also contains some in-built checks to prevent or detect obviously incorrect data.

**9.110** Potential risks to data quality relate to errors or inconsistencies in Trusts applying national definitions and guidance to individual cases. The Department has sought to mitigate these risks by regularly reviewing and updating guidance, in response to comments from staff within Trusts.

**9.111** The target is well defined, being referred to in the Technical Note underpinning the target, and the definitions of the start and end points of measurement are publicly available through the Department’s website. The data used to report performance address its key elements. The Chief Executive’s Report to the NHS (June 2006) clearly reports performance against the target from Quarter 4 2003-04 to Quarter 4 2005-06.

## Standard 2 – Access to Primary Care

**Guarantee access to a primary care professional within 24 hours, and to a primary care doctor with 48 hours**

Conclusion – Amber (disclosure needs strengthening)

**9.112** The data system is broadly appropriate, but there are risks to the information obtained which cannot be cost-effectively controlled.

**9.113** The nature of the data system should be made clearer in the reporting of performance of progress against the target, and the risks inherent within the data collection process are currently not disclosed.

## Characteristics of the Data System

**9.114** The data for this target is collected by Primary Care Trusts (PCTs) via the monthly Primary Care Access Survey (PCAS). The telephone caller from the PCT provides identification – the practice is therefore aware that the PCT is requesting the information. The survey involves a series of short questions, including the availability of appointments within the 24/48-hour timeframe.

**9.115** The Department have made changes, since SR2002, to strengthen the survey, and make the survey more representative of patients' experiences of primary care access. PCTs contacted their local primary care providers (such as GP practices) by telephone to carry out the survey. Prior to July 2006, the PCAS was carried out on the Wednesday of the first full week of every month, which could have allowed practices to 'gear up' to deliver the target only on that day. From July 2006, the date and the time during working hours on which each practice was surveyed were randomised by the PCT every month.

## Findings

**9.116** From July 2006, the survey has asked for both the first and third available appointment to see a primary care doctor (previously only the first available appointment was requested). This is clearly stated in the Technical Note underpinning the target.

**9.117** The Department informs us that since April 2007 the frequency of the survey changed from monthly to quarterly and only the third available appointment has been used, the first appointment data is no longer requested and the Technical Note was updated. The Department states these changes have not affected data quality.

**9.118** Using the results of the PCAS, PCTs complete an online data return using the Unify system, which is submitted to the Department by a specified deadline at the end of the month of each survey. The data return to the Department is signed off by the Chief Executive or a senior Director at the PCT on submission to the Department. The Department's validation team carry out prescribed checks and resolve any queries with the relevant PCT before aggregating the data to produce monthly performance figures on a national basis.

**9.119** The system does not measure actual (or guaranteed) access to primary care as experienced by members of the public, but rather gives a monthly snapshot of availability at each practice, as reported by the practice.

**9.120** To deal with these issues, the Department informs us it has developed a new PCT performance indicator in conjunction with the Healthcare Commission. The indicator will combine PCAS scores with patient survey data taken from the GP Patient Survey introduced in 2006-07. The GP Patient Survey data gives a picture of GP access as experienced by patients across a number of domains. The indicator will use the patient survey data to moderate the PCAS - where the patient survey data reveals poorer levels of performance.

**9.121** Our review however examines the system in place before these changes were implemented and we therefore cannot comment on the proposed system.

**9.122** Our review of the Unify system itself at a local and national level did not identify any significant uncontrolled risks to data quality.

**9.123** The key risk to data quality lies not in the reporting channels from PCTs to the Department, but in the initial process of gathering data from primary care providers. There is no method of verifying directly the accuracy of responses being provided in the telephone survey. The Department has sought to address this by providing PCTs with detailed guidance on conducting surveys, as well as an on-line toolkit which provides further assistance on definition and classification.

**9.124** When this standard was initially introduced (as a PSA target) in 2002, there were widespread reports that it was generating a perverse incentive among primary care providers of not allowing patients to make non-urgent appointments in advance, outside the 24/48-hour deadline. This has been recognised by the Department, and details of progress in reducing the number of patients who cannot make non-urgent appointments in advance is given in the Chief Executive's Report to the NHS (June 2006).<sup>15</sup>

**9.125** The Chief Executive's Report states that data for this target is collected via the PCAS, but does not fully disclose details of this survey, or the risks to data quality associated with this method of collection. It does state, however, that reported results differ from patient survey results.

**9.126** The Departmental Report 2006 states that the standard "is measured through the PCAS ... which requires PCTs to contact all of their practices on a specific day to monitor the national access target." However, it does not state explicitly that the PCTs are doing so to obtain a 'snapshot' of available appointments rather than a complete record of patients actually offered an appropriate appointment during that month.

15 <http://www.dh.gov.uk/assetRoot/04/13/58/41/04135841.pdf> p6.

## Standard 3 – Convenience of booking appointments

**Every hospital appointment booked for the convenience of the patient, making it easier for patients and their GPs to choose the hospital and consultant that best meets their needs**

### Conclusion – Amber (disclosure)

**9.127** Data from the current systems are a proxy for the ‘booked for the convenience of the patient’ element. The data records bookings at a time convenient to the patient from a choice limited to a range of available appointment dates offered.

**9.128** There is not yet a system in place to measure the second half of the target, providing comparative information “making it easier for patients and their GPs to choose the hospital and consultant that best meets their needs.” The Department needs to more fully explain the limitations on the data available and progress towards full implementation of a system to measure performance against the standard.

### Characteristics of the Data System

**9.129** Choice at referral will ultimately be delivered through an electronic booking system ‘Choose and Book’, commissioned under the Department’s Connecting for Health programme. The original aim was to offer this choice by December 2005, but the systems are not yet fully implemented.

**9.130** At present, “booked for the convenience of the patient” means that patients should be given the opportunity to choose the most convenient date only from a range offered, either in the initial consultation with GPs where e-booking is available, or via telephone-based booking with the Choose and Book Appointments Line, or with the Trust. This applies to both outpatient appointments (first appointment with a consultant following GP referral) and inpatient admissions (patients admitted from elective waiting lists).

### Findings

**9.131** The current data systems for booking appointments is the Patient Administration System (PAS), used locally at Trusts, and the Department’s Unify system. Data are collected monthly from PAS via Unify, and submitted via the local SHA to the Department.

**9.132** There are interim milestones for booking of day cases, outpatient appointments, and inpatient elective admissions in addition to routine choice of hospital at the time of booking. The Department records and reports progress against these based on Local Delivery Plan Target T6.

**9.133** Our review of national guidance and monitoring procedures, as well as local level case study work, suggested that the processes for capturing, monitoring and reporting relevant data are sound.

**9.134** The data are signed off by the Trusts, and sent to the SHA, who may monitor the information against local delivery plans. The Unify system also contains built-in validation checks to prevent or detect obviously incorrect data.

**9.135** Some risks were identified by the Audit Commission in their 2004 report<sup>16</sup>, including risks around integration of PAS and GP systems within health communities.

**9.136** The implementation of ‘Choose and Book’ should provide an integrated system for managing data flows in the future, but does not mitigate all risks during the period of this review.

**9.137** The current system does not allow the “convenience” element of the target to be fully corroborated. Evidence from our review at local level enabled us to consider the administration, recording and reporting of bookings, including whether a choice of dates had been given. However, it is not possible to measure the extent to which these appointments were actually made for the “convenience of the patient”, since this depends chiefly on the substance of the telephone calls in which patients make the appointments, and at least partly on personal interpretation of “convenience”.

**9.138** The current system does not fully measure the “Choice” element of hospital and consultant, which has been introduced in stages for certain specialisms since 2004. However, this restriction is made clear in the Departmental Report.

**9.139** As outlined above, the use of Local Delivery Plan-related milestones to report on progress is appropriate, as this Standard does not have a quantified trajectory.

16 Information and data quality in the NHS: Key messages from three years of independent review (Audit Commission, 2004).

## Standard 4 – Mental Health Services

**Improve life outcomes of adults and children with mental health problems, by ensuring that all patients who need them have access to crisis services and a comprehensive Child and Adolescent Mental Health Service**

### Access to Crisis Services

#### Conclusion – Amber (systems need strengthening)

**9.140** The data system is broadly appropriate, but needs strengthening to ensure that the remaining risks to data quality surrounding the definition of a crisis resolution team and weaknesses in recording activity, which the Department has acknowledged and is taking steps to address, are adequately controlled. The weaknesses in data collection, identified by an independent technical review commissioned by the Department, are not currently disclosed, either in the Technical Note or in the Departmental reports.

**9.141** The system does not measure directly whether all patients have ‘access’ but rather how many patients have accessed the service; nor is it evident how the system records performance against the target measure to improve life outcomes for those patients gaining access.

### Characteristics of the Data System

**9.142** The standard does not have quantifiable targets for the number of teams, or the number of people treated. But the Department records this data as key delivery points used as a measure to report improved access to crisis services in the Departmental Report, which provides details of:

- the number of Crisis Resolution Teams (CRTs) in place at half-yearly intervals, from September 2002 to March 2005; and
- the number of patients receiving crisis resolution services.

**9.143** The primary data source for the number of patients treated for the “crisis services” element of this standard is the quarterly Local Delivery Plan Return (LDPR) completed by Primary Care Trusts (PCTs), and submitted via the Unify system.

**9.144** Data for the number of CRTs is derived from a mapping tool (Adult Mental Health Mapping) designed and operated by the Durham University Centre for Public

Mental Health. Local Implementation Teams enter data online annually, details of which include service type, location, capacity and staffing.

### Findings

**9.145** The Durham data collection systems were designed to capture the necessary data for measuring progress against all aspects of the previous PSA target, and the current standard, plus a number of other aspects of mental health provision. Advice was taken from Departmental statisticians, and the Durham University Centre for Public Mental Health, as acknowledged experts in the field, were engaged to design the systems.

**9.146** The mapping systems and associated controls are administered by individuals with the requisite technical and academic expertise to fulfil these functions. However, some risks to data quality have been acknowledged in discussion with staff at the Department.

**9.147** A technical review of access to crisis services was commissioned by the Department, from independent consultants Mental Health Strategies. The key focus of this report was the measurement of the number of patients served by crisis resolution teams. The results were reported to the Department in July 2005, and noted risks to data quality “...in many instances, crisis activity is not being recorded and reported appropriately”.

**9.148** Discussions with policy leads at the Department have highlighted the Department’s concerns over changes to the definition of a crisis resolution team, which has allowed local bodies to split existing teams to increase the number of teams reported.

**9.149** The absolute measures set out in the Standard also make it difficult to justify either “continuing progress” or the recorded “key delivery point”, as stated in the Departmental Report 2006. Overall, there is scope to improve disclosures generally for this standard, to provide clarification of data sources used, limitations to the data and to set out the performance measures which underpin the Standard.

**9.150** A footnote was added to the Departmental Report 2006 section on this standard, which states (for the 2005-06 Q2 number of people figures) “Due to definitional issues some data has been estimated.” However, no explanation is given about why, or how, the estimation has been done.

**9.151** We noted there is also a slight difference in the wording of the standard in the White Paper and the Departmental Report, the latter referring to “year-on-year improvements”.

## Access to Child and Adolescent Mental Health Service (CAMHS)

### Conclusion – Green (fit for purpose)

**9.152** The data system is fit for the purpose of measuring and reporting performance against the target, as further defined in the Technical Note. The Technical Note defines a comprehensive service as the availability of three core CAMHS services commissioned by PCTs and the Department uses the collected data to measure the availability of a comprehensive service.

### Characteristics of the Data System

**9.153** For CAMHS, the primary data system is another mapping system designed and operated by the University of Durham (CAMHS mapping). Each CAMHS provider completes an on-line questionnaire annually, with details including team provision, function, setting, staffing and usage.

**9.154** However, for the purposes of reporting progress against the standard as set out in the SR2004 White Paper, PCTs provide returns on CAMHS provision, providing Yes/No answers on availability of the three key strands of CAMHS:

- 24/7 emergency services;
- suitable CAMHS for 16-17 year olds; and
- CAMHS for those with a learning disability.

### Findings

**9.155** Controls over the mapping system for CAMHS are the same as those operating over crisis resolution teams above.

**9.156** The target as stated in the SR2002 aimed to measure annual year-on-year increases in a number of strands of the CAMHS Service. These are captured in the CAMHS Mapping. However, the SR2004 standard looks at attainment of the three key strands noted above, with data for this collated from the PCT returns.

**9.157** There were concerns over the original baseline data from the first CAMHS mapping exercise in 2002. However, as the standard is now based on absolute measures, rather than comparatives over time, this is not an issue for the purposes of this report.

**9.158** Reporting for this element of the standard provides details of the percentage of PCT areas offering each strand of the CAMHS services. As these CAMHS measures have changed from the SR2002 target, the Department should consider explaining the changes in the Technical Note or other external reports. It remains difficult for the reader to judge the Department's reported progress without comparative figures.

# PART TEN

## Former Department of Trade and Industry

### PSA Target 1

**Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors (Joint target with the Treasury)**

#### Conclusion – Green (fit for purpose)

**10.1** We have assessed the data systems supporting the measurement of this joint target as being fit for the purpose of measuring and reporting performance against the target.

#### Characteristics of the Data System

**10.2** This PSA target assesses the rate of productivity growth in the UK, and compares UK performance to that of our major international competitors (France, Germany and the USA). The target is made up of the following two elements:

- raising the rate of UK productivity growth over the economic cycle; and
- improving competitiveness and narrowing the gap with our major industrial competitors (France, Germany and the USA).

**10.3** Two measures are used to assess productivity, output per worker and output per hour, both of which are collected and produced by the ONS. International comparisons using output per hour data were previously classified as experimental, but since February 2006, has been reclassified as a National Statistic, due to methodological revisions made by the Organisation for Economic Cooperation and Development (OECD).

**10.4** For international comparisons, the stage of individual countries' economic cycles is important as it affects the level of productivity. Therefore, the OECD's estimates of output gaps are used to enable comparisons to be made. This information is referred to as International Comparisons of Productivity (ICPs) and is published on the ONS website.

#### Findings

**10.5** The indicators used by the Department are widely recognised as the most appropriate indicators to measure productivity.

**10.6** The overall success criteria specified in the Technical Note is that both of the separate target elements, as set out above, need to be achieved. In respect of the second element, however, it is not clear how the outcome would be assessed if a situation arose where the productivity gap narrowed with some competitors but increased with others. To allow for this eventuality, the Department should establish appropriate criteria for assessing achievement when the international productivity comparisons show mixed results.

**10.7** The Technical Note made reference to secondary data streams looking at the drivers of productivity. The sources of data are the result of a consultation by the Treasury and the Department in 2004 that resulted in a new, clearer and more focussed set of indicators to measure progress under each of the Government's five identified drivers of productivity: innovation, investment, skills, enterprise and competition. These drivers provide a good indication of what might be underpinning the primary productivity figures. We note that disclosure in relation to these productivity drivers was enhanced in the 2006 Autumn Performance Report via a link to 'UK Productivity and Competitiveness Indicators 2006, DTI Economics Paper No 17, March 2006', which covers all the five drivers in greater detail.



**10.8** The Department's reporting of the quality of the data systems used in the 2006 Autumn Performance Report is sufficiently detailed and includes an appropriate cautionary note about the interpretation of productivity data. However, measurement of this PSA target depends on the ability to undertake international comparisons of productivity after allowing for economic cycle variations. The assessments of the economic cycle, and of trend estimates of productivity, are undertaken by the Treasury. In their 2006 Autumn Performance Report the Treasury provided a link to their latest assessment of the economic cycle and to the methodology upon which the trend estimates are based. We consider that the Department could usefully expand their reporting of this target by similarly including these links in their future Performance and Departmental Reports.

## PSA Target 2

**Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business**

**10.9** This PSA target is made up of five different attributes/sub-targets. These are measured by separate indicators, meaning each of the data streams need to be considered separately. The PSA target is broadly similar to PSA 2 from the 2002 Spending Review. The individual attributes/sub targets are similar and broadly the same sets of indicators are used.

### a) World class research at the UK's strongest centres of excellence

Conclusion – Amber (systems need strengthening)

**10.10** We have assessed the data system supporting the measurement of this sub-target as being broadly appropriate but consider that it needs strengthening to ensure that all aspects of the target can be measured. At present, the data systems to measure research in the nine broad scientific disciplines are well established however, whilst the Department has non-scientific indicators in place, they are not suitable for measuring performance against this PSA target.

## Characteristics of the Data System

**10.11** The data streams used for this sub-target are the same as those used previously for the similar sub-target in the 2002 Spending Review.

**10.12** The data used to measure success against this measure comes from a report compiled by Evidence Ltd, an external contractor. Their report is based on data provided by Thomson Scientific Inc (and previously its predecessor, ISI - the Institute for Scientific Information) on the share of all world citations<sup>17</sup>, and the Organisation for Economic Cooperation and Development (OECD) for human capital data.

## Findings

**10.13** The Department considers Thomson and OECD to be reputable international data sources and considers that it can rely on the accuracy of the data provided. Thomson Scientific Inc is widely recognised as the world's leading supplier of information on research journal publications and their citations. The OECD is the definitive source for international comparisons of science and innovation data. These are appropriate data sources for measuring this sub-target. The Department told us that it undertakes checks to ensure that the data Evidence Ltd use has been accurately drawn from these sources, but it does not document these checks. In addition, the Department also carries out a reasonableness check comparing data year-on-year.

**10.14** The Department's contract with Evidence Ltd requires the contractor to carry out quality checks on each of the indicators used. The Department concluded that it is not necessary to carry out any work to verify that these quality checks are undertaken by Evidence Ltd as it considers that the contractor can be relied upon to comply with the contract terms. However, we consider that the Department should ensure that it monitors the behaviour of the external contractors through visits, or examination of documentary evidence, to ensure that they are complying with the terms of the contract and thereby providing assurance about the quality of the data.

**10.15** The aim of the 2004 Spending Review sub-target is to measure the level of "World class research", by reference to the number and share of citations appearing in internationally recognised research journals, compared to the performance of "UK's science and engineering base" in the 2002 Spending Review. The measures adopted to specifically measure the SR2002 sub-target have not been changed or added to in order to allow for measurement of the SR2004 sub-target.

<sup>17</sup> This data source records the number of times that published research papers are quoted as authoritative sources for substantiation in subsequent research papers published in the internationally recognised research journals.

**10.16** The Department confirmed that the focus of the target has changed slightly in that it is now intended to cover all research, rather than just scientific and engineering research. However, the current indicator about share of world citations only considers “the broad nine science disciplines”. There is currently no indicator that adequately measures non-scientific research.

**10.17** The Department recognises the need to establish another indicator to effectively measure arts, humanities and social research, and is in discussion with the Treasury to develop an appropriate indicator. We note that there is a separate reporting framework for Research Councils for arts, humanities and social research, which may be used when this is more developed.

**10.18** The disclosure in the Department’s performance statements sets out the latest results and adequately describes the data systems used.

## **b) Sustainable and financially robust universities and public laboratories across the UK**

### **Conclusion – Red (not fit for purpose)**

**10.19** We have concluded that the data system for supporting the measurement of this sub-target is not fit for the purpose of measuring and reporting performance against this sub-target. Whilst the Department has identified data sources, it has not established robust baselines or set any specific targets or defined success criteria for all aspects of the sub-target. As a result it will not be possible for the Department to accurately assess whether it has achieved the sub-target at the end of the PSA period.

### **Characteristics of the Data System**

**10.20** The Department uses two data sources for measuring performance against this sub-target. The first data source is the ‘Monitoring Financial Sustainability in UK HEIs’ report. This is an annual report produced by the UK Higher Education Funding Councils and provides an indication of universities’ sustainability. The first such annual report was produced in April 2006. The report is made up of two elements:

- institutional frameworks (or statements) towards achieving long-term sustainability – this is to be a biennial exercise where universities are asked to prepare a framework which sets out how long-term sustainability is to be achieved; and

- a related set of 19 indicators or ‘trigger metrics’ – these provide a standard set of data covering key resources of money, people, equipment and buildings. This data comes from sources already available to the Funding Councils.

**10.21** The second data source is an annual monitoring exercise of Public Sector Research Establishments (PSREs). As part of this monitoring exercise a sample of PSREs are asked to make an assessment of their sustainability in key areas including strategic profile, income profile, physical infrastructure and staff and then to make a single overall assessment of their sustainability with reference to a traffic light colour rating. The PSRE’s assessments are then subject to a review and moderation by JM Consulting on behalf of the Department. The annual monitoring exercise was carried out in 2005.

### **Findings**

**10.22** At the time of our fieldwork no baseline had been set for measuring the sub-target in respect of the universities. We understand the Department has now set a baseline. However, the baseline is taken from the first annual report from the UK HE Funding Councils which states that as it is the first report, the outputs should be considered indicative, and so may not be a robust baseline.

**10.23** The Department has also not established a baseline for the PSRE’s sustainability as it does not feel it is possible to set a quantitative baseline. Again, without a baseline, it will be difficult for the Department to be able to assess whether the sub-target has been met.

**10.24** Whilst the 2006 Autumn Performance Report specifies that the Department’s goal is overall improvement in the trajectory towards sustainability in future years, no specific target has been set, or success criteria specified. Therefore the Department will not be able to measure if it has met the target.

**10.25** The reporting in the Departmental performance reports should be enhanced to further explain progress against the target and the quality of the data systems used. As part of Government’s 10 year Science and Innovation Framework 2004-14, the Department produces an annual report that describes progress against the policies and actions necessary to realise the Government’s ambition of creating a knowledge based economy, including consideration of progress on financial sustainability. In the Departmental performance reports clearer reference should be made to the Department’s most recent 10 year Science and Innovation Framework 2004-14 annual report.

### c) Greater responsiveness of the research base to the needs of the economy and public services

#### Conclusion – Amber (disclosure needs strengthening)

**10.26** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target. However, for six of the eight indicators contributing towards the assessment of performance, in the absence of appropriate baselines or targets, the Department should supply more narrative to explain the extent to which they show improvement.

**10.27** We understand that since our fieldwork was carried out, the Department has set an overall target and made progress in establishing international benchmarks with the USA.

#### Characteristics of the Data System

**10.28** The Department uses two survey-based data streams to measure performance against this sub-target as follows:

- UK Higher Education – Business and Community Interaction (HE-BCI) survey, managed by the Higher Education Funding Council for England (HEFCE); and
- the more recently designed Public Sector Research Establishment (PSRE) Knowledge Transfer Survey managed by the Office of Science and Innovation, and outsourced to Technopolis Ltd to gather similar data for Public Sector Research Establishments.

**10.29** These data streams are designed to provide insight into the knowledge transfer between higher education institutes and research establishments on the one hand and business on the other. The Department is currently using eight indicators to measure performance for this sub-target.

**10.30** The Technical Note sets out ten measures to assess performance against this sub-target. However, two of the indicators (number of publications and patents jointly authored between science base and industry, and the level of business confidence in university knowledge transfer activities) are not being reported on. This is because the number of joint publications could be a misleading measure, because it would be inadvisable for business and higher education establishments to disclose

information which would be patented, and there is a significant time lag between research and exploitation. To date, it has not been possible to develop a suitable measure for the level of business confidence, and progress is being monitored by a number of proxy measures, including the qualitative message coming from business.

#### Findings

**10.31** According to the Technical Note, the target for success for six of the indicators in use is improvement towards “world leading benchmarks”. However, at the time of our fieldwork there were no clearly defined international benchmarks in place, as there were no exactly comparable studies. The Department have reported historic UK data which does show movement through time. However, the Department have not formally disclosed a baseline or a target against which performance might be assessed.

**10.32** We understand that since our fieldwork the Department has set an overall target and made progress in establishing international benchmarks with the USA.

**10.33** There are detailed data validation procedures in place at HEFCE for the HE-BCI survey, and these are appropriately documented. The Department also has access to the raw data, and performs its own analysis which provides assurance that errors in the data would be picked up. The Department maintains a good overview of data quality issues through its presence on the HE-BCI Stakeholder group.

**10.34** The PRSE survey has been running for only two years and is therefore a less mature data stream. The PRSE survey is subject to basic validation checks by the contractor (Technopolis Ltd). The requirements in this regard are well documented in the contract. The Department has not validated that these are being performed, but it does again have access to the raw data and does some basic checks to ensure the data is robust. To have increased confidence in the data provided by Technopolis Ltd, the Department should obtain evidence that they are carrying out the required data validation checks.

**10.35** Reported data in the Department’s performance statements discloses the latest results and adequately describes the data systems used.

#### d) Increasing business investment in R&D, and increased business engagement in drawing on the UK science base for ideas and talent

##### Conclusion – Green (fit for purpose)

**10.36** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

##### Characteristics of the Data System

**10.37** The Department reports performance against this sub-target through seven indicators. Five of these indicators derive from the two-yearly Community Innovation Survey (CIS) commissioned by the Department with the ONS responsible for the data collection. The other two indicators are obtained from the National Statistics on Research and Development Cost (BERD survey) produced by the ONS, and patent data from the OECD.

##### Findings

**10.38** There is a CIS project board with representation from the Department and the ONS and other interested parties. They meet every few months to discuss issues including data quality, survey design, and costing. This is a key control for the Department over the quality of the data and the continuing appropriateness of the data source for measurement of this PSA sub-target.

**10.39** The CIS sampling methodology employed by the Department complies with the generally accepted practice and is sufficiently robust for what the Department is trying to measure. It will ensure that the sample and results are representative of the population. The response rate has also improved since the previous survey and is above the targeted level.

**10.40** Business Enterprise R&D (BERD) is a National Statistic collected by ONS and is appropriate for measuring performance against this sub-target.

**10.41** The Technical Note indicates that the Patents indicator will be measured using the preferred measure of Triadic patents (i.e. those taken out in the US, the EU and in Japan). However, in the 2006 Autumn Performance Report, the Department reported against this target using Patents grants at the USA Patent Office per million population. No reason is given in the Performance Report

to explain the different measure for reporting against this indicator. The Government's response to the consultation on productivity indicators in October 2004 accepted the recommendation that US patents should be used instead of Triadic patents data in the set of UK productivity indicators. The Department's performance reporting disclosure should include an explanation of this and the Technical Note should be updated to reflect this change.

**10.42** In addition, the Technical Note also states that a key performance indicator for this sub-target will be Gross Domestic expenditure on R&D (GERD) as a percentage of GDP. However, GERD data has not been reported on by the Department. The Department states that GERD was not part of the specification in the previous Technical Note, and has decided that GERD will not be used in assessing performance against the PSA target. However, as this indicator is in the current Technical Note it should either be reported against, or, pending revision of the Technical Note, an explanation given as to why it is not appropriate to report against GERD.

#### e) A more responsive supply of science, technology, engineering and maths skills to the economy

##### Conclusion – Red (not fit for purpose)

**10.43** We have assessed the data system supporting the measurement of this sub-target as not being fit for the purpose of measuring and reporting performance against the sub-target. The only live indicator for this sub-target is collected as part of the source, used to inform sub-target (a). Although there are no issues with the quality of data from this source we consider that this data alone is insufficient to offer a full analysis of success against this sub-target which will be evidenced by a range of factors. If this sub-target is to be retained, the Department needs to begin work to update the Technical Note to include additional indicators.

##### Characteristics of the Data System

**10.44** The Technical Note specifies two indicators: number of science, engineering and technology students receiving enterprise training; and PhDs awarded per head of the population. The first of these is no longer collected, with the last available data covering 2002. The figure for PhDs awarded per head of population is taken from the Evidence Ltd report, as used for Attribute 1 of this PSA target. The source data for this is collected by OECD.

**10.45** The Technical Note for this sub-target was structured to ensure consistency with the Government's 10 Year Investment Framework for Science and Innovation (2004-14). Accordingly, this sub-target was introduced for 2005-08 PSA period, whereas it had previously formed one of a basket of measures feeding into a broader sub-target. Given that performance against this sub-target is also influenced by the activities of the former DfES, this might have been better established as a shared target. The Department uses PhDs as the measure, as it feels it reflects the main direction of the Department's funding in this area.

## Findings

**10.46** We consider that the one remaining indicator is insufficient to measure the entirety of performance in this area. If this sub-target is to be retained, the Department should begin work to define further indicators and update the Technical Note in conjunction with the appropriate partner Department(s) so as to allow for a more complete analysis of progress against this sub-target.

**10.47** As described in the section on sub-target (a) of this PSA target, there are no issues with the quality of the data stream used.

## PSA Target 3

**Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base**

**10.48** This target is made up of two elements, one relating to competition and the other to consumer empowerment.

**... the UK framework for competition ... is at the level of the best by 2008...**

### Conclusion – Green (fit for purpose)

**10.49** We have assessed the data system supporting the measurement of this target as being fit for the purpose of measuring and reporting performance against the target.

## Characteristics of the Data System

**10.50** The Department assesses progress against this element of the target by commissioning a survey of experts in the competition field, both in the UK and abroad, who are asked to give an objective assessment of the UK's competition regime.

**10.51** The 2004 peer review showed that the UK had maintained third position behind the US and Germany. The criterion for success is for the UK to maintain and improve its position as a world class regime following implementation of the Enterprise Act.

## Findings

**10.52** We have reviewed the proposal for the 2006 peer review exercise that is due to report in 2007. We note that the contractor intends to address the potential shortcomings noted in respect of the 2004 peer review (i.e. low response rate and heavy weighting of respondents from the UK and the US).

**10.53** In assessing performance the Department also takes into account the results of independent surveys, and in particular, the Global Competition Review survey of enforcement agencies. This is an independent survey into which the Department has no input, but which acts as a secondary source of information to the Department's peer review, which remains as the primary source. Appropriate disclosure of the status of the Global Competition Review has been made in the Departmental Report and the 2006 Autumn Performance Report.

**... Consumer empowerment and support is at the level of the best by 2008...**

### Conclusion – White (too early to form a view)

**10.54** We have concluded that the data system supporting this element of the target has yet to be fully established to measure performance against this target, and therefore it is too early to form a view on its fitness for purpose. We understand that, the OECD research programme that will lead to the identification of appropriate indicators for this target will not be completed in time to allow for measurement of the target during the SR 2004 period. However the Department is currently commissioning a project to benchmark the UK consumer regime internationally which should be completed by early 2008 for the purpose of being able to assess performance against this target at the end of the SR 2004 period.

## Characteristics of the Data System

**10.55** The Department's assessment of performance against the consumer element of the target is more qualitative, based on data from independent surveys, as there is currently little consensus about what makes an effective consumer regime, and no established methodology to compare the performance of the UK consumer regime accurately to that of other countries. In addition, as recognised in the Technical Note, the breadth of experience and expertise available to compare competition regimes does not exist in the same form on the consumer side.

**10.56** The Department has developed a balanced scorecard for monitoring interim progress on this sub-target. The scorecard was developed in consultation with key stakeholders from Business, consumer groups and Government, and considers the UK's progress against three key outcomes. These are an increase in consumer empowerment, a proportionate and responsive consumer rights framework, and a risk-based enforcement regime leading to high levels of compliance.

## Findings

**10.57** A DTI led OECD-level research programme examining specific aspects of consumer regimes in participating countries is underway, with the aim of identifying common features of effective regimes. The understanding of what makes an effective consumer regime will improve as this research programme progresses.

**10.58** Pending the outcome of the research programme, the Department drew on the Office of Fair Trading (OFT) business and consumer survey, the Consumer Direct Satisfaction Survey and the OFT annual survey of consumer awareness, in assessing progress for the 2006 Autumn Performance Report. The OFT and the Consumer Direct surveys are not specifically designed to measure performance against the PSA target and do not cover all aspects of empowered consumers, or the international aspect of the target.

**10.59** The Technical Note defines success by the expectation that the UK will be one of the highest-scoring countries on most, or all, of the features studied under the ongoing OECD research programme. However, until this work is completed, and relevant measurable and comparable data streams identified, the Department will not be able to accurately measure performance against this target.

**10.60** In order to be able to measure the performance against the target by 2008 the Department is currently commissioning a project to benchmark the UK consumer regime internationally, which should be completed by early 2008. The project is in its early stages but it is envisaged that there will be two levels of analysis: the first stage looking at consumer markets as a single entity; and the second will look at the operation of individual markets. Across the whole study comparison of the consumer regime will be made across seven national regimes including the UK.

## PSA Target 4

**Lead work to deliver the goals of energy policy:**

- a** **Reduce greenhouse gas emissions by 12.5 per cent from 1990 levels in line with our Kyoto commitment and move towards a 20 per cent reduction in carbon dioxide emissions from 1990 levels by 2010, through measures including energy efficiency and renewables (Joint with Department for Environment, Food and Rural Affairs, DEFRA and the Department for Transport, DfT)**

## Conclusion – Green (disclosure is adequate)

**10.61** We have assessed the data system supporting the measurement of this joint sub-target as being appropriate for the sub-target and that the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.

**10.62** The gas emissions sub-target is shared with DEFRA and DfT, with DEFRA taking the lead in this area. The DEFRA 2005-08 PSA data systems were validated by the NAO in 2005-06.

**10.63** The data system is well established and DEFRA carry out suitable monitoring of the AEA Energy & Environment (formerly NETCEN) who produce the data on DEFRA's behalf. Appropriate disclosures are made in the reporting regarding the uncertainties over the data quality. However steps should be taken to improve the clarity of the Technical Note with relation to measurement of energy efficiency and renewables.

## Characteristics of the Data System

**10.64** The current sub-target is very similar to the PSA 4 target set in PSA period 2003-06, with some minor changes in wording and a new emphasis on "energy efficiency and renewables".

**10.65** The sub-target is split into two separate measurements: reduction of greenhouse gases; and reduction in carbon dioxide emissions. There are also measures implicit in the target on use of renewables and energy efficiency. However, DEFRA has stated that these measures are contextual and will not be reported on as part of the actual target.

**10.66** The AEA Energy & Environment provides data on the level of greenhouse gases and carbon dioxide emissions. AEA Energy & Environment obtains the data from a variety of sources and the system has been in place for several years. Data is provided in its final form with no further work required by DEFRA, and therefore the Department.

## Findings

**10.67** The key findings from the DEFRA 2005-08 PSA data systems validation were:

- DEFRA's contractual arrangements with AEA Energy & Environment reflect the requirements of the United Nations Framework Convention on Climate Change (UNFCCC). The contract is assessed for renewal every three years, and DEFRA reviews AEA Energy & Environment's compliance with the requirements of ISO 9000 as part of the process. DEFRA holds quarterly meetings with the contractors to ensure compliance with the standard.
- DEFRA also takes appropriate assurance from external audits and reviews undertaken on AEA Energy & Environment's work, verifying that recommendations have been followed up as required under the terms of the contract.

**10.68** The Department's performance statements report the most recent results and are consistent with the reporting of the other Departments which share the sub-target.

**10.69** The 2006 Autumn Performance Report also discloses information on the statistical uncertainties within the data and directs the reader to full information which is given in the annual UK Greenhouse Gas Inventory. This report gives a significant amount of detail of the uncertainties relating to different sectors and the different gases, in accordance with a methodology stipulated by the UNFCCC.

## PSA Target 4

**Lead work to deliver the goals of energy policy:**

### b Maintain the reliability of energy supplies

## Conclusion – Red (not fit for purpose)

**10.70** We have assessed the data system supporting the measurement of this sub-target as not being fit for the purpose of measuring and reporting performance against the sub-target.

**10.71** Whilst the work of the Joint Energy Security of Supply group (JESS) is important and relevant to meeting the Department's targets and objectives, the use of the JESS reports for measurement of the target is not appropriate, as its scope is too narrow to provide an adequate measure of energy security.

**10.72** Following the Energy Review 2006, the Department has been considering how to improve the reporting on energy security. The Department published its Energy White Paper in May 2007 which made a commitment to introduce a new security of supply information service, the Energy Markets Outlook, from Autumn 2007. This will replace the JESS and should help to address the current weaknesses in the data system.

## Characteristics of the Data System

**10.73** The current sub-target is very similar to the PSA 4 from the PSA period 2003-06 with very little changes to wording of the target and data system used. The JESS working group is jointly chaired by the Department and Ofgem with representatives from a number of other bodies including the National Grid and the Foreign and Commonwealth Office. The group's role is to monitor energy security in the UK's gas and electricity markets. The work is focussed on the medium to long term at least seven years ahead, rather than the short term. The JESS working group produces reports twice a year with the aim of compiling information and making it available to the energy markets. The reports provide an insight into the work of the group, information on the background to issues relating to security of supply, and an update to indicators on security of supply the group is developing. The reports bring together data from the Department's National Statistics the Digest of UK Energy Statistics (DUKES) and data from Ofgem and the National Grid.

## Findings

**10.74** The use of the JESS report as the data source means that only the gas and electricity energy markets are considered, and not other energy sources such as coal, oil and renewables. Also, it does not consider the wider aspects such as the adequacy of the UK's energy infrastructure and the resilience of energy systems to extreme events that can cause interruption.

**10.75** In addition, the success criteria for the sub-target requires the Department to meet demand for each year to 2008. The JESS reports focus on the medium to long term, at least seven years ahead, and specifically states that the short term is not considered. The JESS reports will contain information on demand in prior years but it is only provided as data to support forecasts for future years, and so does not focus on whether immediate demand is being met.

**10.76** Department performance statements refer to the JESS reports but also refer to two other data sources. The first is the National Grid Winter 2006-07 Consultation Report published by Ofgem, which sets out detailed analysis for the supply-demand outlook for the coming winter. The second is the Section 172 of the Energy Act 2004 annual report to Parliament, which reports on the availability of electricity and gas for meeting reasonable demands of consumers in regard to both the short and long term. In particular, this covers the supply-demand balance for the previous winter, the winter ahead and longer term (similar to the JESS reports), delivery networks and emergency preparedness. Neither of these data sources are referred to in the Technical Note supporting PSA 4 but would seem to provide more relevant data for reporting against the success criteria than the JESS reports.

**10.77** The Energy Review 2006 identified a number of challenges for the Department in energy security. The Department has been looking at ways to enhance what is reported and to expand on the data published. The Department published its Energy White Paper in May 2007 which made a commitment to introduce a new security of supply information service, the Energy Markets Outlook (EMO) from Autumn 2007. This will replace the JESS. The EMO will be jointly run by the Department and Ofgem with significant input of data and analysis from the National Grid and other industry sources. It is intended that the EMO will broaden the scope of the JESS by having a longer timescale, covering other fuel types and energy carriers, not just gas and electricity, and having more detailed data and in-depth analysis with a regularly updated website.

## PSA Target 4

Lead work to deliver the goals of energy policy:

- c **Ensure the UK remains in the top three most competitive energy markets in the EU and G7**

### Conclusion – Green (fit for purpose)

**10.78** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

**10.79** The data system is well established and is relevant and addresses all aspects of performance expressed by the sub-target.

### Characteristics of the Data System

**10.80** This sub-target is measured using a methodology developed by the Oxford Economic Research Associates (OXERA) on behalf of the Department based on energy liberalisation at each stage of the supply chain. It is applied to energy markets in the EU and G7 on an annual basis.

## Findings

**10.81** The sub-target has been carried forward from the PSA period 2003-06 unchanged.

**10.82** The methodology has been subject to peer review in 2003 by key players in the energy market. Some changes were made to the methodology as a result of recommendations from this review.

**10.83** A working group has been set up to assess the aggregation method in the ranking methodology. Initial findings suggest that the methodology is still the most appropriate.

**10.84** The Department maintains a good oversight of the data provider's work through regular steering committee meetings and other ad hoc contact.

**10.85** The UK data used in the methodology comes predominantly from the Department's National Statistic, the Digest of UK Energy Statistics (DUKES). International data comes from the relevant country's national authority or company published accounts. The Department is unable to carry out any verification of the international figures. No explanation of this limitation is made in the reporting in performance statements.



## PSA Target 4

Lead work to deliver the goals of energy policy:

- d **Eliminate fuel poverty in vulnerable households in England by 2010 in line with Government's Fuel Poverty Strategy objective (Joint with the Department for Environment, Food and Rural Affairs)**

### Conclusion – Green (fit for purpose)

**10.86** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target. However, improvements could usefully be made to enhance disclosures for this sub-target in performance statements covering the comparability of year-on-year data, the significance of assumptions and estimates used in the model, and differences between England and UK results.

**10.87** The sub-target is shared with Department for Environment, Food and Rural Affairs (DEFRA), however, the Department take the lead and have established the data system. The DEFRA elements of the data system were validated in 2005-06.

**10.88** The data is well established and uses a specifically designed fuel poverty model to measure the number of vulnerable households in fuel poverty. The Department maintains adequate controls in monitoring Building Research Establishment Ltd (BRE) who manage the model on the Department's behalf.

### Characteristics of the Data System

**10.89** The sub-target is the same as the PSA 4 target in the 2003-06 period with the same fuel poverty model being used, subject to some improvements and with slightly more specific success criteria.

**10.90** The Department measures the number of vulnerable households in fuel poverty in England using a fuel poverty model. The model uses information from the English house condition survey carried out by the Department for Communities and Local Government (DCLG) and the Department's Fuel Prices. The fuel poverty model is designed and managed on behalf of the Department by BRE through a three year contract.

## Findings

**10.91** The data system is well established and adequately designed for measuring the fuel poverty sub-target using relevant data and a specific model which has been subject to a number of changes to improve the quality of data produced. The Department satisfactorily monitors the work of BRE primarily through monthly progress meetings where the project plan is discussed. The methodology used by BRE has been fully documented, as are any changes that are made to the model between years.

**10.92** However, the Technical Note does not adequately describe the data system; it is not clear from the Technical Note that a fuel poverty model has been developed that uses the English house condition survey and other data, and that it is operated by a third party on behalf of the Department.

**10.93** Following suggestions for improvement to the model by BRE a full peer review was carried out in 2005 by independent experts. Following this, a fuel poverty methodology group, made up of experts, has been set up to oversee implementation of recommendations from the peer review and to consider further improvements to the methodology.

**10.94** Changes in the methodology have enabled the Department to more accurately calculate the number of vulnerable households in fuel poverty. Overall success for the sub-target does not involve comparison of outturn data between a baseline date and target date; but it is to eliminate fuel poverty in vulnerable households by 2010, so in this respect, data between years does not need to be directly comparable. However, the performance statements do compare fuel poverty figures between 1996 and 2004. There were significant changes made to the model between 1996 and 2001, and following this, after the peer review, although the Department has sought to minimise such methodology changes between data. These changes are not reported in the performance statements, nor is the fact that the model is based on a number of assumptions and estimates, and that a change to one or more could have a significant effect on the number of vulnerable households in fuel poverty. However, the performance statements do refer the reader to the fuel poverty annual report which fully details the methodology.

**10.95** The Department only has responsibility for fuel poverty in England. Fuel poverty in Scotland, Wales and Northern Ireland is the responsibility of devolved administrations, and the Department has no involvement in determining the definition of fuel poverty, or in the data streams supplying the fuel poverty figures for these countries. The performance statements, however, disclose the UK-wide figures without explaining that DTI only has responsibility for the England figures.

## PSA Target 5

**Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe (Joint with the Department for International Development)**

Conclusion – Green (disclosure is adequate)

**10.96** This target, relating to reducing Trade Barriers, is shared with the Department for International Development (DFID). The data systems have been significantly improved since the 2003-06 PSA, and with a clearer focus on desired outcomes, measurable impacts and defined data streams. However, the Department is unable to use the data streams due to the lack of progress in the Doha negotiations following the suspension of negotiations in July 2006. Instead, the Department has provided a qualitative assessment of progress which is consistent with that provided in DFID's Autumn Performance Report.

**10.97** The lack of progress against the target has not impacted on our ability to assess the data system. We consider that the data system is appropriate for the target and the Department have explained fully the implications of limitations that cannot be cost-effectively controlled.

**10.98** Ratings by sub-target are as follows:

- a** Secure further progress via CAP and WTO negotiations in reducing CAP trade-distorting support – Green (Disclosure).
- b** Reduction in EU barriers to trade – Green (Disclosure).
- c** Reduction in non-EU developed countries barriers to trade – Green (Disclosure).
- d** Increase in the value of EU imports from least developed countries (LDCs) by at least \$6.5 billion by 2010 – Green (Disclosure).

## Characteristics of the Data System

**10.99** Target 5 is broken down into four sub-targets addressing different aspects of trade relating to both progress in removal of barriers and the level of trade with developing countries. The data system again requires utilisation of international data, with customs data being the key source.

**10.100** This PSA target is an evolution of a SR02 PSA target, which centres on the UK's contribution to the World Trade Organisation (WTO) Doha round of trade negotiations. The UK has no direct control over the delivery of this target, and instead relies on its influence and credibility with EU and WTO member states. However, the Department is unable to use the data streams due to the lack of progress in the Doha negotiations following the suspension of negotiations in July 2006.

## Findings

### Target 5a Secure further progress via CAP and WTO negotiations

**10.101** For the measurement of this sub-target on trade negotiations, the Department has used the three categories of trade and agricultural support currently in place within the EU: export subsidies; domestic support; and restrictions on access third countries have to EU markets.<sup>18</sup> The Department has specified measures for progress within the three categories as detailed in Figure 3.

**10.102** The categories and measures are appropriate indicators for the overall target, are clearly measurable, based on outcomes, and are underpinned by well defined baseline figures. The Department has also disclosed within its Technical Note the steps to be taken to address the direct limitations of the data streams on which it intends to place reliance.

### Target 5b Reduction in EU barriers to trade and Target 5c Reduction in non-EU developed countries' barriers to trade

**10.103** These two sub-targets focus on reductions to importation tariffs to EU countries (5b) and non-EU developed countries (5c). For EU countries tariff rates are calculated from customs data for duty paid and the value of imports. For non-EU countries data is taken from estimates by international institutions and academics of the impact of the Doha Round on developed

<sup>18</sup> These are taken from the WTO framework, which identifies three categories of support: export subsidies, domestic support, and restrictions in the access third countries have to domestic markets ('market access').

countries' average tariff levels. Clear disclosure is given in the Technical Note detailing these processes and associated limitations.

#### **Target 5d Increase in the value of EU imports from least developed countries (LDCs) by at least \$6.5 billion by 2010**

**10.104** This sub-target focuses on EU trade with developing countries and is measured using UN data on EU exports. While this is an appropriate measure and data source, there are two main limitations on the data system. Firstly, due to slow data compilation processes, export data can be subject to delays of up to a year for some EU countries. In addition, there is a time lag between the achievement of trade agreements and the impact of these agreements on trade flows, which inhibits the ability to be measure performance within the short PSA cycle. As a result the Department has detailed both limitations in the Technical Note and has also set the date for achievement of the target as 2010 – two years after this PSA period. This is considered a reasonable approach to reduce the risk of inaccurate reporting.

### PSA Target 6

#### **Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with**

- a an increase in the number of people considering going into business**

Conclusion – Green (fit for purpose)

**10.105** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

**10.106** The survey used by the Department to assess progress is well established and is an appropriate measure for this sub-target. Both the 2003 baseline survey and the 2005 survey have been operated in a well controlled manner with suitable oversight by the Department of the independent research organisations carrying out the surveys on their behalf.

#### Characteristics of the Data System

**10.107** The current sub-target is the same as the PSA 6 target set in PSA period 2003-06. The Department measures the number of people considering going into business (would be entrepreneurs) through the Small Business Service (SBS), Household Survey of Entrepreneurship. This is conducted on behalf of SBS by an independent research organisation. The survey is carried out approximately every two years across England with a minimum of 6,000 adults surveyed.

**10.108** Supporting information is also provided by the Global Entrepreneurship Monitor's Total Entrepreneurial Activity Index, which considers the number of people involved in nascent business, and in new firms which have operated for up to 42 months.

#### Findings

**10.109** The Department have been suitably involved in the design of the survey which has used a consistent methodology and has asked the same key questions for each survey undertaken.

**10.110** The Department has adequate controls in place to monitor the independent research organisation carrying out the survey, through a steering group and involvement in the review of the report produced.

**10.111** Reported data in the Department's performance statements discloses the latest results (derived from the 2005 survey results) and adequately describes the data systems used.

**10.112** It is unclear at present when the next survey will be conducted due to changes in responsibility, as SBS will cease to exist as a separate agency from 1 April 2007 and will become part of the main Department.

### PSA Target 6

#### **Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with**

- b an improvement in the overall productivity of small firms**

Conclusion – Green (fit for purpose)

**10.113** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

#### Characteristics of the Data System

**10.114** The current sub-target is the same as the PSA 6 target set in PSA period 2003-06. The Department measures productivity using the data from the ONS Annual Business Inquiry (ABI). Productivity is defined as the Gross Value Added (GVA) per employee. In the Technical Note, the Department has defined that the measure of success is for productivity of small firms to increase more than the productivity of all firms over the period 2003-08.

## Findings

**10.115** The ABI provides a reliable comparable source of productivity data and is well established, making the data stream fit for purpose.

**10.116** The Department has adequate procedures in place over the aggregation of the raw ONS ABI survey data and the validation of these figures received. However, in some cases there was no documented evidence of the analysis and validation performed and no periodic management review undertaken.

**10.117** The performance statements clearly disclose the most recent results and include adequate disclosure of the data stream used and any limitations.

## PSA Target 6

**Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with**

**c) more enterprise in disadvantaged communities**

### Conclusion – Green (fit for purpose)

**10.118** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

### Characteristics of the Data System

**10.119** The current sub-target is the same as the PSA 6 target set in PSA period 2003-06, however, the data stream used to measure performance has been changed as the previous one was not deemed fit for purpose.

**10.120** The data stream now used to measure the sub-target is the ONS Labour Force Survey (LFS). Success in the target will be measured if there is an increase in the self-employment rate in disadvantaged communities at the end of the period, taking into account the economic cycle.

**10.121** The disadvantaged communities are based on the enterprise areas in England (15 per cent most deprived wards in England according to the DEFRA 2000 Index of Multiple Deprivation).

**10.122** The baseline year for measuring the target will be calculated at the end of the PSA period when a matching point in the economic cycle can be determined. LFS data is available to calculate this baseline.

## Findings

**10.123** The previous data stream (VAT registrations) used to measure the SR02 target was deemed not fit for purpose. A workshop was held by the Department with representatives from relevant parties to discuss alternative data sources for the SR04 target. The LFS chosen provides a more appropriate data source for measuring the targets as it provides employment data for working-age adults in the enterprise areas.

**10.124** The Department has adequate procedures in place over the aggregation of the raw ONS LFS survey data and the validation of the figures received.

**10.125** However, it was noted that in some cases there was no documented evidence of the analysis and validation performed, and no periodic management review undertaken.

**10.126** The performance statements report how the self-employment rate has been changing in recent years, but as the baseline year is not yet known it is not clear if the target is being met. Therefore the reporting also includes the results of the self-employment rate for the other 85 per cent of wards so that a comparison can be made.

**10.127** We consider that the performance statements adequately disclose the limitations of the data system.

## PSA Target 7

**Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (Joint with the Treasury and the Department for Communities and Local Government, DCLG)**

### Conclusion – Amber (systems need strengthening)

**10.128** We have assessed the data system supporting the measurement of this target as broadly appropriate but we consider that it needs strengthening to ensure that remaining risks are adequately controlled. The key issue is that the regional Gross Value Added (GVA) ONS data, which underpins the headline measure, is, at present, only available on a current price basis. To accurately measure this target, real price series are under development but will not be available until 2009. In addition, we consider that there should be a more explicit disclosure of the significance of the limitations in the headline measure for this target.

## Characteristics of the Data System

**10.129** This is a joint target with the Treasury and the DCLG and corresponds to the PSA 7 target, set in PSA period 2003-06. The data systems supporting this target were last validated by the NAO in 2006 as part of the validation of the Treasury's 2005-08 PSA data systems.

**10.130** The first part of this target measures trend growth rates in each region, with the aim of achieving sustained improvements in every region compared to a baseline period of 1989 to 2002. The second part of the target measures the relative growth rates of the three best performing regions in England against the other remaining regions, with the aim of reducing the gap between these two groups. The best performing regions are London, South East and East. The remaining regions are North East, North West, Yorkshire and the Humber, West Midlands, East Midlands and South West.

**10.131** The measure used to assess economic performance of the regions is regional GVA. This is a National Statistic produced by the ONS with a minimum twelve month time lag. GVA is the difference between output and intermediate consumption for any given sector/industry, i.e. the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. The data can be subject to revision as more robust data becomes available.

**10.132** Due to the time lag in producing regional GVA data, 21 proxy measures are also being used to look at performance, in addition to the headline GVA measure. These proxies include business surveys, employment statistics, unemployment rates, earnings growth, VAT registrations, and indicators of the five drivers of productivity (innovation, enterprise, skills, employment and transport). Improvements in the majority of these proxy measures will be viewed as evidence that the target is being met.

**10.133** The 21 proxy indicators were developed by expert stakeholders as part of a specific exercise to obtain a more focussed set of productivity indicators to help monitor progress towards narrowing the UK's productivity gap. Of the 21 indicators 18 are based on National Statistics, two are drawn from the Community Innovation Survey and one is from the Global Enterprise Monitor UK survey. The Global Enterprise Monitor UK survey provides the only source of data on entrepreneurship and is from a respected international academic institution.

## Findings

**10.134** The key findings from the NAO's validation of the Treasury's 2005-08 PSA data systems were as follows:

- Christopher Allsopp, Fellow in Economics at New College, Oxford, was commissioned in 2003 to carry out an independent review of the regional information and statistical framework needed to support the regional GVA figures. The Allsopp Report, issued in March 2004, concluded that "present estimates of regional GVA were not of sufficient quality to support analysis of the Government's policy objectives to increase growth in the regions".
- The ONS has committed to full implementation of the recommendations made in the Allsopp Report, and proposes to deliver the first regional GVA data under this new regime in 2010.
- More use should be made of the supplementary measures to give a clearer picture of performance against this target (see paragraph 10.138 below, a detailed published assessment of progress in relation to each proxy measure has now been made).

**10.135** The Department monitors progress against Allsopp via its attendance at the ONS Stakeholder Group.

**10.136** A key issue is that the regional GVA ONS data is, at present, only available on a current price basis. Real prices series are still under development by ONS in line with the recommendations in the Allsopp Review. ONS proposes to deliver the first estimates of real regional GVA in December 2009.

**10.137** Furthermore, the ONS publishes regional measurements of GVA with a 12-18 month time-lag, and estimates of trend growth would be based on a methodology where average growth rates between points are calculated only when the national economy can be identified as being 'on trend'. The timeliness of the regional data and potential impact of the economic cycle adds to the uncertainty in producing an estimate of the headline measure (GVA per head trend growth rates).

**10.138** Previous NAO validation reports have criticised the adequacy of the reporting against this target on the grounds of a lack of information on the problems of producing accurate GVA figures, and for not drawing on more of the proxy measures to provide a clearer picture of performance. However, in line with the undertaking in the Technical Note, the Government published a comprehensive report on progress against this target ("Regional Economic Performance: Progress to Date") alongside the Pre-Budget Report 2006. This report

included an assessment of progress to date based on a detailed assessment of annual changes in GVA for each region and the 21 proxy indicators. The report also made it clear that a full assessment of trends in regional economic activity and disparities cannot be fully determined until the current economic cycle is complete.

**10.139** The Department's 2006 Autumn Performance Report included a clear link to summary assessment of progress for this PSA target that was consistent with the more detailed analysis in the Report published alongside the Pre-Budget Report 2006. In light of this, we consider that most of our earlier concerns about the reporting of this target have been addressed. However, whilst both Reports highlighted the steps being taken to produce more accurate GVA data in response to the Allsopp Review, we consider that there should still be more explicit disclosure of the significance of the current limitations in the regional GVA data. Particularly as these limitations led the Allsopp Review to conclude that the present estimates were not of sufficient quality to support analysis of the Government's policy objectives to increase growth in the regions.

## PSA Target 8a

**By 2008, deliver a measurable improvement in the business performance of UK Trade and Investment's international trade customers, with an emphasis on new to export firms**

### Conclusion – Green (fit for purpose)

**10.140** We have assessed the data systems supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting against the sub-target.

### Characteristics of the Data System

**10.141** Performance in relation to trade development is assessed against the following indicators:

- i** at least a 30 per cent point increase by 2007-08 in the proportion of UKTI trade development resources focused on new-to-export firms;
- ii** at least 40 per cent of new-to-export firms assisted by UKTI improve their business performance within two years; and
- iii** at least 50 per cent of established exporters assisted by UKTI improve their business performance within two years.

Indicator i is new for SR04, whilst the other two indicators have evolved from their SR02 predecessors.

**10.142** The data underpinning assessment of indicator i is based on internal management information derived primarily from UKTI's resource budgets that support UKTI's trade development work. Data for indicators ii and iii is obtained from a performance measurement survey and analysis carried out by external consultants. Until Q4 2005 these were carried out by Reading Business School and covered 800 companies a year. From the beginning of 2006 a new system, the Performance Impact and Monitoring Survey (PIMS) conducted by OMB Research, was introduced. This builds on the methodology developed by the Reading Business School and extends coverage to 2,500 companies each year and gathers a broader range of performance and evaluation data.

### Findings

**10.143** The data stream used to measure indicator i is UKTI's resource budget and management data. It is an internal data stream. It is not possible to easily track funding streams specifically to new-to-export projects/firms and there is a degree of subjectivity in the categorisation of expenditure. We did not undertake an in depth audit of the determination of the key estimates regarding the level of resources on particular programme schemes devoted to new-to-export firms. We did, however, confirm that they were in line with our expectations.

**10.144** In relation to indicators ii and iii, the Department have maintained an active relationship with the data providers and ensured data quality through review and scrutiny of the outturn. The provisional nature of the data from the first round of PIMS interviews, which showed a significant increase in the new-to-export indicator, is adequately disclosed in the 2006 Autumn Performance Report.

**10.145** The definition of a new-to-export firm in the Technical Note is incomplete, as it does not specify that there is also an upper limit of 25 per cent of turnover. This limit has been actively implemented by International Trade Teams, and is therefore an integral part of the definition. We note that reference is made to the 25 per cent limit for the first time in the December 2006 Autumn Performance Review for UKTI, but not for the Department and Foreign and Commonwealth Office (FCO).

**10.146** The Technical Note needs to be updated, as it refers to the Reading Business Group surveys, and does not cover the PIMS carried out by the new contractor, OMB Research, who were appointed on 1 January 2006.

## PSA target 8b

### Maintain the UK as the prime location in the EU for foreign direct investment

#### Conclusion – Amber (disclosure needs strengthening)

**10.147** The data system is broadly appropriate. However, the first indicator i of this sub-target is measured using the ratio of Foreign Direct Investment (FDI) to GDP which can be influenced by factors in addition to foreign investment into a country, such as the relative size of GDP between countries. As these other influencing factors are not fully explained in the Department's performance reporting, we have assessed the data system supporting the measurement of this target as Amber.

#### Characteristics of the Data System

**10.148** This element is measured by two indicators:

- i** improve the UK's ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the UN Conference on Trade and Development (UNCTAD) "World Investment Report"; and
- ii** 374 (in 2005-06), 440 (in 2006-07) and 524 (in 2007-08) successful inward investment projects secured by UKTI in each year of the Spending Review of which 75 per cent are knowledge driven. This sub-target is measured using the electronic project tracking system, using definitions of success agreed by the Committee on Overseas Promotion, a joint UK Trade and Investment Inward investment and RDA committee.

#### Findings

**10.149** The Technical Note indicates that the UNCTAD inward investment stocks as a percentage of GDP is a composite indicator and its movements are influenced by factors in addition to foreign investment into a country. These factors are broadly the US dollar exchange rates used to calculate Foreign Direct Investment (FDI) stock (at year end exchange rates) and GDP (at average for the year exchange rates), and the relative size of GDP between countries. However, these limitations, which can influence the ratio of FDI to GDP and significantly alter the rankings, are not further explained in Departmental reporting, and as a result, the UK rankings are not put into proper perspective.

**10.150** When calculating the UK's movement in the annual rankings, provisional data used in one year is then finalised in the following year, leading to an apparent discrepancy in the UK's rankings year on year. However, we note that the rankings are now clearly marked either 'provisional' or 'revised' in the 2006 Autumn Performance Reports for all three Departments.

**10.151** In relation to indicator ii, the Technical Note defines a 'success' and 'significant involvement' but not the term 'knowledge driven'. However, the Committee on Overseas Promotion (COP) revised its definitions in February 2006, and these are now used in reporting against this target. As a result, the definitions in the Technical Note need to be updated.

**10.152** Progress on the PSA target is reported by the three Departments; the Department, FCO and UKTI. The overall assessments are generally consistent, for example, the 2006 Departmental Reports and Autumn Performance Reports for the Department and FCO both report an ON COURSE overall assessment. However, there was an inconsistency in the 2005 Autumn Performance Reports, when FCO provided a more optimistic assessment– a GREEN (Ahead) overall assessment, whereas the Department reported an ON COURSE overall assessment. UKTI provides assessments against the individual indicators within the PSA target, but no overall assessment.

## PSA Target 9

**By 2008, working with other Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion**

#### Conclusion

**10.153** The Government's Women and Equality Unit is responsible for overall delivery of this cross-Government Gender Equality PSA. The Unit was moved to the newly created Department for Communities and Local Government (DCLG) as part of a machinery of government change, and with it this PSA transferred to the DCLG.

**10.154** Therefore no validation of the data systems has been carried out by the NAO's DTI audit team. Instead, this target's data systems will be validated by the NAO's DCLG audit team.

## PSA Target 10

**By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible market**

**10.155** This target, which comprises the five sub-targets set out below, is new for the SR2004 PSA 2005-08 period. As anticipated in the original Technical Note, an updated Technical Note was issued in June 2006 as, by this time, the data systems had been more clearly defined and baselines had been established and agreed. In addition, criteria for measuring overall success in the achievement of the PSA target have been agreed and are detailed in the Technical Note.

**10.156** As each of the sub-targets depends on a different data system we have set out our findings and conclusions in relation to each of the sub-targets in the following paragraphs.

### **10a Raising the self employment rate of under-represented ethnic minorities, relative to that of other groups**

#### **Conclusion – Green (fit for purpose)**

**10.157** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

**10.158** The data system provides relevant and reliable data to allow for the measurement of the target, it is adequately controlled by the Department and reporting is satisfactory but would benefit from further explanation in a couple of areas. In particular, that final assessment against this sub-target will only be possible once the effects of the economic cycle have been assessed and taken into account.

#### **Characteristics of the Data System**

**10.159** This data system uses readily available employment data from the ONS Labour Force Survey. The data is available on a quarterly basis and is aggregated and subject to simple analysis by the Department to provide self-employment rates for under-represented ethnic minority groups.

**10.160** The classification of ethnic groups is based on the 2001 Census. Under-represented ethnic minorities have been determined by a review of data from the 2001 Census and the Labour Force Survey between 2001 and 2004. Those ethnic minority groups below the average self employment rate have been determined as under-represented ethnic minorities. The results for Indian and Pakistani ethnic minority groups were inconclusive and so have been excluded from the under-represented ethnic groups.

#### **Findings**

**10.161** We found no documented evidence to support the decision to choose the Labour Force Survey as the data source for this data system. However, we consider that it is the most appropriate data source and is also used by other Departments to provide employment data for ethnic minority groups.

**10.162** This sub-target has two success criteria for measuring the target. Firstly, that there should be a statistically significant increase in the self-employment rate of under represented ethnic minorities and secondly that there should be a statistically significant reduction in the difference between self-employment rate of under-represented ethnic minorities and the rate for other groups. No consideration has been given as to how overall success would be judged if one of the success criteria was met and the other was not.

**10.163** The Department carry out satisfactory review and appropriate analysis of the Labour Force Survey data from ONS. However, a number of the checks carried out on the data by the Departmental statistician are not always fully evidenced and no formal management review is carried out on the analysis performed. In addition, we found that there were no documented procedure instructions covering the processing of the ONS data or the required management checks. However, this omission is unlikely to have had any significant impact, as no complex data manipulation or statistical analysis is required, and much of the required manipulation of the data is achieved via a simple spreadsheet model.

**10.164** Reporting is adequate for this sub-target. However, as disclosed in the Technical Note, the final assessment against this target can only be made once the economic cycle has been taken into account. To date no adjustment for the effect of the economic cycle has been made. To provide the reader with a full understanding of this sub-target, the need to take account of the economic cycle when assessing performance against this sub-target should be disclosed.



**10.165** In addition, we noted that, whilst it is disclosed in a footnote to the performance statements that the Indian and Pakistani ethnic minorities are excluded from the under-represented ethnic minority groups, there is no further explanation provided to explain why this is the case. To aid the readers' understanding, we consider it would be helpful to disclose that the results were inconclusive as to whether they were an under-represented group or not.

### 10b Reducing the incidence of racial discrimination at work reported by ethnic minority employees

#### Conclusion – Red (not fit for purpose)

**10.166** We have assessed the data system as not fit for the purpose of measuring performance against this target.

**10.167** The data system is adequately specified and the Department maintain suitable controls and contact with the external contractor responsible for the underpinning survey data. The Technical Note states that success will be measured through a statistically significant reduction in non-white employees in Great Britain experiencing racial discrimination at work in the last two years between the 2005 and 2008 survey. However, the sampling method used in the survey means it is not possible to calculate a confidence interval and so the results of the next survey in 2008 cannot be compared to those of the 2005 survey in order to determine if there has been a statistically significant reduction. Therefore, as the Department would not be able to report success against this target as it could not be measured with sufficient confidence with the current survey, we have assessed that the data system is not fit for purpose.

#### Characteristics of the Data System

**10.168** The Department measure the incidence of racial discrimination at work through their Fair Treatment at Work Survey. The survey is based on face-to-face interviews with employees across Great Britain. The survey is focused on asking employees if they have been treated unfairly by their employer in the last two years and if so they are then asked if they considered this unfair treatment as discrimination. The first survey was conducted in 2005 and this has been treated as the baseline for measuring performance. It is intended that the next survey will be carried out in 2008.

**10.169** The 2005 survey was largely designed by the Department but the fieldwork was conducted by a contractor, TNS Social on the Department's behalf as part of a larger omnibus survey. The Department collated the results of the fieldwork and produced the completed survey report.

#### Findings

**10.170** The fieldwork was contracted to TNS Social through a competitive tender for the 2005 survey. The Department were satisfied that TNS Social had the appropriate skills to conduct the survey on their behalf. A new contract will be awarded for the 2008 survey.

**10.171** The 2005 questionnaire and survey methodology was largely designed by the Employment Market Analysis and Research team at the Department. It then underwent further development through cognitive testing and pilot testing by the contractor before the full survey was carried out.

**10.172** The Technical Note states that the baseline has been set at four per cent of non-white employees in Great Britain experiencing racial discrimination at work in the last two years, as found in the 2005 survey. The Department has defined that success will be measured through a statistically significant reduction between the 2005 and 2008 surveys. However, the use of the mixture of cluster and quota sampling in the survey instead of random sampling means it is not possible to calculate a confidence interval and so the results of the next survey in 2008 cannot be compared with those of the 2005 survey to determine if there has been a statistically significant reduction. Therefore, the Department would not be able to report success against the target as it could not be measured with the current survey.

**10.173** Using random sampling instead of cluster and quota sampling would allow confidence intervals to be calculated. If this method is used in the 2008 survey it would not enable the Department to measure whether it has met the target over the 2005-08 PSA period as it will still not be possible to compare the results to the 2005 survey. However, it would allow the Department to set a robust baseline position going forward for the next round of PSAs.

**10.174** Whilst the Department are unable to actually monitor the interviews as they are part of a larger omnibus survey they did receive technical reports from the contractor detailing the full methodology used and control procedures operated by the contractor. All survey data has been retained by the Department, along with details of the full methodology so that the survey can be easily repeated in 2008.

**10.175** The Department have only limited reporting on this sub-target. They have now reported in the performance statements the baseline results from the 2005 survey. As the next survey will not be conducted until 2008, there will be no data to assess progress until 2008 although the assessment of progress will not be statistically robust for the reasons set out in paragraph 10.171.

### **10c Maintain and improve the overall level of UK labour market flexibility**

#### **Conclusion – White (not established)**

**10.176** The Department has not yet put in place a system to measure performance against the target.

**10.177** The data system to support this sub-target is currently under development by the Department.

#### **Characteristics of the Data System**

**10.178** The proposed data system will be based on the UK and regional aggregate labour market flexibility indicators developed by Dr Vassilis Monastiriotes at Royal Holloway. The data source will be an annual time series providing information on market flexibility that could be updated annually, called the Index of Labour Market Adaptability (ILMA). The aggregate index will be composed of three elements:

- i** Production function flexibility – labour input flexibility, proxied by an indicator reflecting internal, external, numerical and functional flexibility;
- ii** Labour cost flexibility – wage flexibility, unemployment flexibility and union flexibility; and
- iii** Supply side flexibility – labour mobility.

#### **Findings**

**10.179** At the time of our validation exercise, the work on the development of the methodology and the initial time series had not been completed and only an initial exploratory meeting had been held with the Treasury. Following our validation exercise the Department has produced a detailed paper and had discussions with the Treasury and are now in the process of agreeing the final data system.

### **10d There is a statistically significant increase in number of employees that have information and consultation procedures**

#### **Conclusion – Green (disclosure is adequate)**

**10.180** We have assessed the data system supporting the measurement of this sub-target as being appropriate for the sub-target and the Department have explained fully the limitation arising due to six year interval between surveys.

**10.181** The use of the Workplace Employment Relations Survey (WERS), as the data source provides the Department with suitable data for measuring performance against this target. It is a well established and highly regarded survey and is well controlled and monitored by the Department. However, because the survey data from the next WERS will not be available until 2010, it will not be possible to measure performance against this target until after the SR2004 period.

#### **Characteristics of the Data System**

**10.182** The Department uses the WERS to measure the number of employees that have information and consultation procedures. This survey is jointly sponsored by the Department, the Economic & Social Research Council and the Policy Studies Institute.

**10.183** The WERS 2004 involved face-to-face interviews and questionnaires with managers, employee representatives and employees in work places across Great Britain.

**10.184** The next WERS will be carried out in 2010, two years after the end of the 2005-08 PSA period. In the intervening period, the Department plan to use the Work Life Balance survey as an indicator to assess progress against the target in 2007.

#### **Findings**

**10.185** The WERS is a well established and widely used survey that has been in existence since 1980. The survey provides suitable data for measuring this sub-target.

**10.186** The WERS is developed in wide consultation with the academic community. The fieldwork component of the survey was put out to competitive tender with the National Centre for Social Research chosen to carry out the work for the 2004 WERS.

**10.187** The survey process was overseen by a steering group made up of the sponsor parties, the National Centre for Social Research and independent experts. They met regularly to review the work and reports produced by the contractor. The Department also received regular update reports as the data was collected. The Department also ensured that all interviewers had appropriate skills through a two day training session and by observing a number of interviews.

**10.188** The Department received a technical report detailing the full methodology used. The Department also has access to all raw data ensuring that the survey could be easily replicated in the future.

**10.189** There is currently limited reporting on this sub-target in the performance statements of the Department. The 2004 WERS report was used to establish the baseline data for this sub-target but no assessment can be made until at least 2007 when the Work Life Balance Survey will be carried out.

**e) There is a statistically significant increase in the number of economically active people of working age who feel well or very well informed about their rights at work**

Conclusion – Green (fit for purpose)

**10.190** We have assessed the data system supporting the measurement of this sub-target as being fit for the purpose of measuring and reporting performance against the sub-target.

**10.191** The Employees' Awareness, Knowledge and Exercise of Employment Rights Survey provides a suitable data source for measuring this sub-target and the survey is appropriately overseen by the Department.

Characteristics of the Data System

**10.192** The Department measures the number of economically active people of working age who feel well, or very well informed, about their rights at work through the Employees' Awareness, Knowledge and Exercise of Employment Rights Survey.

**10.193** The baseline survey was carried out in 2005 via face-to-face interviews with economically active individuals. The next survey will be undertaken in 2008 and used to measure whether the target has been met.

**10.194** The 2005 survey was carried out on behalf of the Department by a joint partnership between the Institute for Employment Studies (IES) and the British Market Research Bureau (BMRB).

Findings

**10.195** The survey is an appropriate data source for measuring this sub-target. The survey directly addresses how well interview respondents feel about their rights at work.

**10.196** The 2005 survey was designed by the Department but the survey was carried out by IES and BMRB – the contract was awarded through a competitive tender.

**10.197** The 2005 survey was considerably different to the earlier 2001 survey, which was based on telephone interviews and had a very low response rate. The changes to the survey have meant that more reliable results have been obtained.

**10.198** The survey was subject to cognitive development and pilot testing by the contractor. The Employment Market Analysis and Research (EMAR) project manager was involved in attending pilot interviews and interviewer debriefings. We found that the Department exercise appropriate monitoring controls over the survey through an advisory group consisting of representatives from the Department, IES, BMRB, the Advisory, Conciliation and Arbitration Service (ACAS), the Department for Constitutional Affairs (DCA) and Legal Services Research Centre (LSRC). The group have reviewed the data produced.

**10.199** The Department receive a findings report and a full technical report detailing the full methodology used from the contractors.

**10.200** Limited reporting is given in the Department's performance statements at present with only the baseline data disclosed. No measurement will be possible until the next survey is carried out in 2008.

PSA Target 11

**Reduce the civil nuclear liability by 10 per cent by 2010, and establish a safe, innovative, and dynamic market for nuclear clean-up by delivering annual two per cent efficiency gains from 2006-07, and ensuring successful competitions have been completed for the management of at least 50 per cent of nuclear sites by end 2008**

**10.201** This target is new for the SR2004 (2005-08) period. The target was agreed prior to the creation of the Nuclear Decommissioning Authority (NDA). The DTI acknowledged at that time that the target would need to be further developed and revised to better reflect the reality of the NDA's operations. Work is currently ongoing to implement these revisions.

**10.202** The Department have yet to assess the progress against all of the elements of this target because two of the three target elements have yet to become active, and the first reporting period for the remaining element does not end until 31 March 2007.

#### 11a Reduce nuclear liabilities by 10 per cent by 2010

##### Conclusion – White (too early to form a view)

**10.203** This element of the PSA target is not yet active. We have assessed that the Department has established a system but that it is too early to form a view on its fitness for purpose because the system is still under development.

**10.204** The Department and the NDA are currently reviewing the data system used to measure this target, the Life Time Plan (LTP), and further enhancements and refinements will be made.

##### Characteristics of the Data System

**10.205** The data system that is being implemented, which will underpin the measurement of this target, is known as the LTP process. This is a ‘cradle to grave’ assessment of sites’ nuclear decommissioning and clean-up plans. This is an enhancement of the previous system known as the Life Cycle Baseline (LCBL) process which was derived from a US Department of Energy model and was developed for the Department’s Liabilities Management Unit with the assistance of their advisors Bechtel. The initial development work was completed within the Department before the establishment of the NDA.

**10.206** The LTP process describes in terms of scope, schedule and cost, the activities to be undertaken by the various site contractors to decommission the NDA’s civil nuclear sites and to take them to their proposed end states. As mentioned the NDA is working to produce a robust cost figure for the historic civil nuclear liability, based on the LTP process, by March 2008.

##### Findings

**10.207** An independent review carried out in 2005-06 of the LTP process concluded that the system required improvement. Since its formation in 2005 the NDA has been working towards improving the robustness of the LTP with work ongoing at present through the LCBL improvement project. It is too early to determine the extent to which the revised procedures (some of which have yet to be incorporated in the baseline model) will improve the LTP.

**10.208** Verification and assurance of the LTP preparation process, and the LTP content, is a key focus within the NDA and is achieved at several levels within the NDA and the site decommissioning contractors, and through independent reviews. The collation of this substantial body of underpinning evidence is being run as a specific project within NDA.

**10.209** This element of the PSA is designed to encourage behaviours in the NDA and the site decommissioning contractors that will lead to:

- A focus on reduction of the most significant nuclear hazards;
- Effective delivery of in-year decommissioning activities, on time and under budget;
- Maximising of in-year commercial revenues;
- The creation of robust, defensible estimates for future decommissioning activities and commercial revenue generation; and
- Innovation that will reduce the overall cost of decommissioning operations.

**10.210** Currently, the reporting against this target in the Department’s performance statements is limited as the data system is still under development and it will not be actually measured until after 2008

#### 11b Deliver annual two per cent efficiency gains from 2006-07

##### Conclusion – Amber (systems need strengthening)

**10.211** This is the only element of the target that is currently active. We have assessed the data system supporting the measurement of this sub-target as broadly appropriate but that it needs strengthening to ensure that the remaining risks are adequately controlled. We have reached this conclusion in light of NDA’s internal auditor’s conclusion that, although the measurement and reporting of efficiency gains is well developed, there are still some further refinements required to the methodology before efficiency gains can be robustly measured. To this end, we understand that an improved methodology has now been agreed in principle between the Department and the NDA.

## Characteristics of the Data System

**10.212** Measurement of this sub-target is ultimately derived from the LTP process (see nuclear liability sub-target above for further details). The development work on the LTP (as discussed above) is focused on the long term. However, the LTP process provides sufficient scope to evaluate progress in the near term and is sufficiently refined to allow for the measurement of this target.

**10.213** As per the DTI SR2004 Efficiency Technical Note, efficiencies will be identified by comparing actual progress and costs at sites with the LTP programme of work for each site. Each site's LTP will set out the full scope of the work to be carried out at that site over the year and the budgeted cost of that work. Progress is monitored monthly by the NDA on a site by site basis, with appropriate contingency procedures to deal with unforeseen developments. The aggregate actual cost of the work completed is compared with the budgeted cost of that work and will thus be readily identifiable, in line with standard project management techniques.

## Findings

**10.214** The year 2006-07 was the first in which the sub-target was measured. The NDA on advice from their Audit Committee have liaised with the Office of Government Commerce on the development of a methodology for measuring efficiencies and the OGC have now agreed a methodology with the NDA (June 2007), which will need to be formally agreed with the Department.

**11c Establishing a safe, innovative and dynamic market ... ensuring successful competitions have been completed for the management of at least 50 per cent of UK nuclear sites by the end of 2008**

## Conclusion – White (too early to form a view)

**10.215** This element of the target does not become active until 2008. We have assessed that the Department has established a system but that it is too early to form a view on its fitness for purpose. The system could be subject to change depending on whether competition is measured by liability reduction, value of programme work, or by the number of sites offered for competition, for example, Sellafield alone constitutes about two thirds of the historic liability.

## Characteristics of the Data System

**10.216** The current target was based on the original proposal for sale of the British Nuclear Group (BNG) – the parent company for the BNG Sellafield Ltd and Magnox Electric Ltd Site License Companies – as a single entity. With the change in Government thinking on how BNG will be broken up; and the proposed revision of how competition will be measured (by number of sites or liability), the target will be subject to a degree of change. With this in mind, it is difficult to conclude at this stage on the robustness of the systems underpinning the target.

## Findings

**10.217** The NDA published in their approved strategy a section on competition and contracting. The Department, NDA and the Treasury are currently in discussion as regards revising the sub-target – as outlined above.

**10.218** Due to recent announcements that BNG is to be sold in separate business parcels rather than as a single entity; and the proposed revision of how competition will be measured (by number of sites or liability), the systems underlying the target (and possibly the target itself) will be subject to a degree of change. It is therefore premature to conclude on the data systems supporting this sub-target.

## PSA Standard

**Maintaining the UK's standing as one of the best places in the world for online business**

## Conclusion – Red (not fit for purpose)

**10.219** We have assessed the current data system supporting the measurement of this standard as not being fit for the purpose of measuring and reporting performance against the standard.

**10.220** The current data system is not fit for purpose and our initial review of proposed changes to the data system indicate that this data system would exclude the USA and Australia and there would also be some data comparability issues between the EU and non-EU countries (Canada, South Korea and Japan). It is difficult to assess the significance of these limitations at this stage but they may make it difficult to assess the UK's standing.

## Characteristics of the Data System

**10.221** The PSA standard is closely linked to the SR2002 PSA 8 target which was to “make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques”. In the 2005-08 period there is no longer a PSA target for online business but instead the Department are reporting on performance in relation to this standard.

**10.222** The two data sources used previously to measure performance for the SR2002 PSA8 target and the PSA standard, the International Benchmarking Study and the International Broadband Study, are no longer carried out by the Department (the last studies were conducted in 2004).

**10.223** The Department is currently reconsidering how to measure performance against this PSA standard. The proposals being discussed will use readily available public data mainly from Eurostat and be based on a similar sophistication index model as used in the International Benchmarking Study. The new ‘National Standard Index’ (NSI) would be based on five sub-indices (ICT usage, broadband, e-commerce, environment and ICT investment) each comprising of 13 indicators. The index would cover EU countries and would also include Canada, South Korea and Japan. However the model would not allow for the inclusion of the USA and Australia as there is no readily available data.

## Findings

**10.224** The Technical Note does not adequately describe the data system to be used to measure the PSA standard. It is very brief and does not give sufficient detail on the data sources to be used, baselines, targets dates and success criteria. We understand that following our fieldwork, the Department have been in consultation with Treasury and are in the process of publishing a revised Technical Note for the standard.

**10.225** The previous data sources used, the International Benchmarking Study and the International Broadband Study have not been carried out since 2004 and so no data has been produced to measure performance. The Department concluded that it was no longer cost-effective to carry out the International Benchmarking Study given the increased availability of alternative data.

**10.226** The method for monitoring future performance has yet to be finally decided but an initial review of the proposals would indicate that the new data system would have a number of limitations.

**10.227** The index would only cover the EU countries and Canada, South Korea and Japan. It would omit the USA and Australia. The Department recognise that the absence of the USA is not ideal as in many respects the USA leads the world in its use of ICTs. In isolation the absence of the USA would not prevent the Department from assessing the UK’s performance relative to other countries.

**10.228** However, the proposed index will have a number of data comparability limitations. For a number of the indicators, data for the non-EU countries will come from alternative data sources to the EU countries, meaning that there will be limitations to the extent that the UK’s performance can be directly compared to Canada, South Korea and Japan.

**10.229** The current reporting in the performance statements is focused on the reporting on the SR2002 PSA 8 target and not specifically the PSA standard. As neither of the original data sources are available, a number of alternative sources of indicative information have been used for reporting purposes none of which have been detailed in the Technical Note.

# PART ELEVEN

## Home Office

### PSA Target 1

**Reduce crime by 15 per cent, and further in High Crime Areas, by 2007-08**

**Conclusion – British Crime Survey and Police Recorded Crime – Amber (systems need strengthening)**

**11.1** The British Crime Survey (BCS) data system is broadly appropriate but needs strengthening to ensure the remaining risks are adequately controlled. The Home Office Review Group are considering the results of independent reviews of crime statistics to assess whether the BCS could be improved. Improvements suggested include filling gaps in existing coverage by including people under 16 and commercial businesses as part of the victimisation survey.

**11.2** The Police Recorded Crime (PRC) data system is broadly appropriate to PSA 1. Most police forces now have the right approach to crime recording, but there remains further scope to improve the quality of crime data and underlying management arrangements in a minority of forces.

**11.3** Streamlined processing of BCS data which the Home Office are testing is expected to reduce manual input and reconciliation between stages, thereby mitigating the risks associated with manual integration of separate systems.

### Characteristics of the Data System

**11.4** Two data systems underpin PSA 1:

**a** The BCS is the main source of data for PSA 1 and measures overall crime. It is an annual survey of adults in England and Wales aged 16 and over living in private households, which asks them about their experiences of property and personal crimes in the last 12 months and their fear of crime. The BCS

includes crimes which are not reported to the police, so it gives a more accurate picture than police records of crime levels and trends for the crimes that it covers and the population within its scope. It is also unaffected by changes in the level of reporting to the police and in police recording practices.

**b** The PRC – crimes reported to and recorded by police forces at a local level. It is used to compare the average clearance in the crime rate in the 40 High Crime Areas (HCAs) compared with the average clearance in the remaining Crime and Disorder Reduction Partnerships (CDRPs). This is necessary because the BCS does not provide data at CDRP level.

### Findings

#### British Crime Survey

**11.5** The Home Office is aware of the limitations of this longstanding data system and actively seeks to manage the associated risks. The BCS is a survey rather than a full count, consequently estimates are subject to a margin of error and possible bias from people's failure to respond. These risks are mitigated by the BCS having a large sample size (approximately 48,000), a continued high response rate of more than 75 per cent and adjustments to take account of non-response. However, the BCS does not capture crimes against youths under 16, those not living in "normal" households such as those in group residencies and the homeless, and businesses. There is no statistical data which determines whether the exclusion of these groups has a significant impact on overall results. For this reason we have rated the BCS system as amber.

**11.6** Data for BCS is collected quarterly and updated on a rolling basis. The data supplier, BMRB Social Research, carries out checks to reduce the risk of the results of interviews being processed in error and a quarterly review of datasets for consistency prior to their

electronic submission to the Home Office. The Home Office undertake a monthly sample check to ensure that offences have been accurately coded and investigate significant variables in the submitted datafile against previous verified data.

**11.7** Processing of BCS data involves four separate software systems with considerable manual input and reconciliation between each stage. The Home Office have been testing a new integrated processing system that will streamline their processing, although it has not run live to date. This will reduce manual input and reconciliation between stages and mitigate the risks associated with manual integration of separate systems.

**11.8** The Home Office has a Steering Group that meets twice a year to review the BCS's fitness for purpose, and a BCS user group which meets annually so that producers and users of BCS data can exchange information and views. In addition, the Home Office set up a Review Group to consider whether the BCS would benefit from further revision.

### Police Recorded Crime

**11.9** The system is heavily reliant on the completeness and accuracy of source data from 43 police forces. PRC data is collected monthly and published quarterly. The Home Office carry out validation checks on the date that it is submitted and has developed and implemented the National Crime Recording Standard (NCRS) supported by Home Office Counting Rules for the collection and validation of the data. External review of accuracy of data collected by police forces is assessed through inspections by Her Majesty's Inspector of Constabulary and the Audit Commission. The Audit Commission noted in June 2006 in their report Crime Recording 2005, that the NCRS has resulted overall in a much more consistent approach to the collection of data and recording of crime by police forces and the majority of police forces now have the right approach to crime recording. However, the report found that a minority of forces had not improved the quality of both their crime data and underlying management arrangements.

**11.10** In response to previous comments by the NAO the Home Office took the positive step in its 2006 Autumn Performance Report to include additional information on targets, data limitations and on what percentage changes would be statistically significant for all BCS estimates. There may be further scope to enhance performance reporting for PSA 1 by presenting more recent data in the Autumn Performance Report. Data for BCS is collected quarterly and updated on a rolling quarterly basis whilst Recorded Crime data is collected on a monthly cycle and published quarterly. However, reported performance for

PSA 1 in the December 2006 Autumn Performance Report was based on BCS data in the year to June 2006 and PRC data for the year to March 2006. As noted in paragraph 11.6, streamlined processing of BCS data may secure further improvements in the speed with which the survey results can be analysed and reported.

## PSA Target 2

**Reassure the public, reducing the fear of crime and anti-social behaviour and building confidence in the Criminal Justice System without compromising fairness [building confidence element shared with the Ministry of Justice and the Crown Prosecution Service]**

**Conclusion – British Crime Survey – Amber (systems need strengthening); Citizenship Survey – Green (disclosure is adequate)**

**11.11** The BCS is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled. The Citizenship Survey is appropriate for the target and the Department has fully explained the implications of limitations that cannot be cost-effectively controlled. The currency of certain aspects of the data underpinning PSA 2 will be improved from 2007-08 when the Citizenship Survey moves from a biennial basis to a rolling basis with results collected quarterly.

## Characteristics of the Data System

**11.12** Data from the BCS provides the majority of data used to measure the fear of crime and concern that anti-social behaviour is a problem, confidence in the local police, victim and witness satisfaction and public confidence in the Criminal Justice System. Our assessment of the BCS is set out previously in paragraphs 11.5 to 11.8.

**11.13** The Citizenship Survey, formerly the Home Office Citizenship Survey and transferred to the Department for Communities and Local Government on 5 May 2006, is a biennial survey that, amongst other things, provides information about perceptions of racial prejudice and discrimination by public and private sector organisations. In connection with PSA 2 it is used to measure black and minority ethnic perceptions of fair treatment.



## Findings

### British Crime Survey

**11.14** As described in paragraphs 11.5 to 11.8, the Home Office is aware of the limitations of the BCS and is actively managing the risks associated with those limitations. (Paragraph 11.5 refers to the reason why we have rated this system as Amber.) Although the survey has been amended at different points since its initial creation, questions requesting information from victims of crime about their experiences have remained the same, which has allowed emerging trends to be identified.

### Citizenship Survey

**11.15** All the main risks to data reliability and data quality of the Citizenship Survey have been recognised by the Home Office and effective controls have been implemented, where it is cost effective to do so, resulting in a robust data system.

**11.16** The data system is clearly defined and documented, both internally and in the Technical Note, which assists with data accuracy and comparability. In addition, there is clear segregation of responsibilities between those who report on performance and those responsible for delivery. The survey has used standardised questions, formats of data collection and data reporting on each occasion it has been carried out, which maintains comparability over time. Controls are in place over the completeness and accuracy of data collection and processing and there is a clear audit trail from sample selection to collation and analysis.

**11.17** The biennial nature of the Citizenship Survey, which was last carried out in 2005, has limited the ability of the Home Office to assess the impact of its performance against PSA 2 since then. This position should improve from 2007-08 onwards when the surveys will be undertaken throughout the year and collated on a quarterly basis. This will enable the results to be compared, on a quarterly basis, with the same period in the preceding year.

## PSA Target 3

**Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08**

**Conclusion – Police force data - Green (fit for purpose); Crown and Magistrates’ court data – Amber (systems need strengthening)**

**11.18** The underlying system, through which police forces provide data, is fit for the purpose of measuring and reporting performance against the target.

**11.19** The system through which Crown and Magistrates’ courts provide data relevant to this target is broadly appropriate but needs further strengthening, to ensure that remaining risks are adequately controlled.

**11.20** Reporting against this target could be enhanced if data on the proportion of offences brought to justice by convictions and by other means (e.g. cautions) was disclosed.

## Characteristic of Data System

**11.21** Responsibility for this target is shared between the Ministry, the Home Office and the Crown Prosecution Service.

**11.22** The Home Office collects these data from the police and the courts. They constitute National Statistics.

**11.23** As set out in the Technical Note, the crimes included in this target are, broadly, the more serious cases that come to the attention of the police. Brought to justice means that the offence resulted in a caution, conviction, penalty notice or was admitted by the offender. Formal warnings for the possession of cannabis are also included.

**11.24** In its 2007 Departmental Report, the Department noted the number of offences that were brought to justice in that year but did not distinguish between the number of cautions, convictions, penalty notices, admissions or formal warnings. For example, to reflect the fact that only 50 per cent of offences brought to justice were convictions by a court.

## Findings

**11.25** The data system is heavily reliant on the completeness and accuracy of source data collated monthly by 43 police forces and Crown and Magistrates’ courts. The Office for Criminal Justice Reform, a cross-Departmental team that supports all criminal justice agencies, carries out detailed and systematic validation checks on the data to identify inconsistencies and errors.

**11.26** The Home Office has developed and implemented the National Crime Recording Standard (NCRS) supported by Home Office counting rules for the collection and validation of data by police forces. The accuracy of this data is assessed through inspections by Her Majesty's Inspector of Constabulary and the Audit Commission. As the Audit Commission noted in June 2006 in their report *Crime Recording 2005*, the NCRS has resulted overall in a much more consistent approach to the collection and recording of crime by police forces. The report found that only a minority of forces had not improved the quality of their crime data and underlying management arrangements.

**11.27** In October 2006 Her Majesty's Courts Service (HMCS) introduced a quality assurance process to provide assurance over the accuracy of data provided by courts. This has involved providing guidance to staff on improving data accuracy and a self-certification system whereby Area Directors and Area Performance Managers are required to certify quarterly that appropriate quality assurance checks have taken place, any weaknesses identified and actions taken to rectify these.

**11.28** When we carried out our fieldwork in the first quarter of 2007 it was too early to assess the effectiveness of the quality control procedures. However we noted that HMCS does not provide any specific guidance to the area offices and courts on the types of checks that should be undertaken on data quality and this is left to the discretion of Area Directors, based on their assessment of risk. There is no central programme of work and areas only report by exception. HMCS are planning to review local practices and develop a framework of best practice, and until this review is conducted, there is the possibility that local controls are not effective enough to address all the potential risks.

## PSA Target 4

**Reduce the harm caused by illegal drugs, including substantially increasing the number of drug-misuser offenders entering treatment through the Criminal Justice System (CJS)**

**Conclusion – Drug Harm Index – Amber (systems need strengthening); Drug Intervention Programme Management Information System – Green (fit for purpose)**

**11.29** The Drug Harm Index (DHI) is broadly appropriate for the purposes for which it was developed, but has limitations resulting from the complexity and number of underlying data sources. Reporting would be enhanced if it was disclosed that the majority of the

underlying data for the DHI is derived from samples and surveys and is therefore of limited accuracy. The Drug Intervention Programme Management Information System (DIPMIS) is fit for purpose.

## Characteristics of the Data System

**11.30** There are two systems that underpin this target:

- a** the DHI which is used to measure the reduction of harm caused by illegal drug use. It is compiled by amalgamating an array of individual harm indicators which are weighted according to their economic impact, to allow year-on-year comparisons to be made. It uses statistics that are already available from a variety of sources such as: the Communicable Disease Surveillance Centre; the Office for National Statistics; Hospital Episode Statistics; Crime Statistics; the British Crime Survey, the Crime and Justice Survey and the Commercial Victimisation Survey; and
- b** DIPMIS is used to record the number of drug-misuse offenders who enter treatment programmes. It records information about offenders who misuse drugs and are undergoing treatment. The numbers entering treatment through the criminal justice system are measured using information provided by a number of sources, including treatment providers, public health organisations and police forces.

## Findings

### Drug Harm Index

**11.31** The DHI provides data that is appropriate for the target although, as the Home Office recognises, it has some limitations. Data systems do not exist for all possible harms, including significant harms, so the index can only be used to measure relative rather than absolute changes.

**11.32** The data systems supporting the DHI are well-defined. The Home Office consults with data managers each year to determine whether any changes to the methodology have occurred and there are any associated impacts on the index. The majority of the underlying data is collected through samples and surveys which, by their nature, have limited accuracy. Although reporting is comprehensive and the fact that not all the harms are captured is noted, there is no disclosure of the inherent limitations in the accuracy of the sample and surveys that make up the DHI.

## Drug Intervention Programme Management Information System

**11.33** The data produced by the DIPMIS system is fit for purpose. It is reliable for the use that it was intended and is comparable with prior periods. As the project to develop the system has progressed, identified risks have been mitigated by the implementation of remedial controls.

## PSA Target 5

### Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration

Conclusion – Amber (systems need strengthening)

**11.34** The data systems underpinning PSA 5 are broadly appropriate, but more work is needed to strengthen controls over the completeness and accuracy of data entered in A-CID by Home Office staff and information provided electronically and manually by the Ministry of Justice (MoJ).

### Characteristics of the Data System

**11.35** Two data systems are used to collect data and report against this target:

- a** A-CID – Applications and Initial decisions. This is an IT system used by the Bureau and Immigration Agency (BIA) to perform asylum tasks, including recording all applications for asylum, casework and decisions. It is updated regularly with data from the MoJ on the applications for Immigration Judge Appeals and their outcomes.; and
- b** ARIA – Immigration Judge Appeals data, which is managed by the MoJ.

### Findings

**11.36** There are acknowledged problems associated with the electronic transfer of data from the MoJ's ARIA system to A-CID, as a result of technical incompatibility between the Home Office and MoJ databases. Consequently records are often rejected by the system. Exception reports are generated to show rejected records, which are then manually re-entered. This exception reporting is an effective control and should be continued until the issues over the data exchange are resolved.

**11.37** The Home Office is also aware that there is a lack of accuracy of recorded initial decision data in A-CID at some data input sites and undertakes reviews to assess the quality of the information in the system by agreeing back to source documentation. The outcomes of these reviews show that more than 90 per cent of data in the system has been correctly entered.

**11.38** Appeals decision data is provided to the Home Office by the MoJ on paper for manual input to A-CID. There are no regular reconciliations undertaken between A-CID and ARIA. Given the problems noted above we recommend a reconciliation between A-CID and ARIA is regularly undertaken to mitigate the risk of inaccurate data entry.

## Police Standard

### Maintain improvements in police performance, as monitored by the Policing Performance Assessment Framework (PPAF), in order to deliver the outcomes expressed in the Home Office PSA

Conclusion – Amber (systems need strengthening)

**11.39** The Policing Performance Assessment Framework (PPAF) is broadly fit for the purpose of measuring and reporting performance against the Police Standard. It is capable of producing data which is sufficiently accurate for its intended use and is comparable with past periods and between police forces. However, there is scope for a minority of police forces to improve the quality of their crime data and underlying management arrangements.

**11.40** The Home Office should improve their reporting for this Standard by clearly and consistently disclosing outturn achieved against the key elements.

### Characteristics of the Data System

**11.41** The PPAF is an overarching performance framework used to measure, compare and assess the performance of the 43 police forces in England and Wales. It measures seven aspects of performance with a total of 52 indicators, both qualitative and quantitative, where appropriate using statistical techniques. To complement this, Her Majesty's Inspectorate of Constabulary (HMIC) also provides evidence on key areas of police performance through its programme of inspections.

## Findings

**11.42** The Police Standard does not have an accompanying Technical Note defining the terms used, how progress will be measured, success criteria and reporting. The Home Office have indicated that they are continuing to apply the Technical Note to SR2002 Police target (PSA 2) which was rolled forward into the Police Standard. However, reporting in the Home Office Departmental and Autumn Performance Reports 2006 is inconsistent and not directly comparable across the three headline elements (SR2002 PSA 2 target Technical Note measures). Reporting includes selected comments from PPAF outturn used to define progress.

**11.43** Police data is continually being provided and validated, but reporting only takes place annually. While most of the PPAF data comes from the BCS and Police Recorded Crime, the Home Office are not provided with additional front-line policing data until September and annual police forces performance assessments in October. PSA external reporting is in the Departmental Report and Autumn Performance Report. With this reporting timeframe, the PPAF data included in the Autumn Performance Report is a very timely update whilst that included in the full year Departmental Report is over 8 months old. Due to the PPAF yearly reporting cycle, the Home Office have reported 2004-05 police performance assessment data in their Departmental Report (July 2006) since the full suite of data and HMIC grades for 2005-06 were not available for reporting until their Autumn Performance Report (December 2006). Against this background, Home Office should consider whether there is scope to provide an interim update on police performance in the Departmental Report.

**11.44** Many of the measures used in the PPAF are derived from the BCS and PRC statistics, the accuracy of which has been assessed under PSA 1 and PSA 2 (paragraphs 11.1 to 11.17 refer). The risk of incomplete and inaccurate data from each of the 43 police forces is mitigated by an annual data quality review by HMIC and a Home Office sponsored programme of data quality reviews carried out over the last three years by the Audit Commission. These reviews have confirmed that most police authorities and forces achieve a good standard of crime data quality. As noted in June 2006 by the Audit Commission in their report Crime Recording 2005, the majority of police forces now have the right approach to crime recording. However, a minority of forces had not improved the quality of either their crime data or the underlying management arrangements.

**11.45** To ensure that the police force data is sufficiently reliable and comparable with past periods a number of external and internal data quality checks are carried out. The initial collection of crime/detections data and its completeness and accuracy is the responsibility of individual police force's Crime Registrars. The Home Office analyse the forces' submitted data and maintain an audit trail of any agreed amendments. 'Force feedback' is sent to each force Crime Registrar for agreement prior to publication.

**11.46** The Home Office carried out a consultation exercise with police forces in May 2006 to review the arrangements for managing the performance of policing, crime and drugs. Feedback was sought on the approach used to demonstrate performance in the areas of policing and related 'community safety'. The responses should help to refine and develop the framework in the short term and enhance wider management arrangements for performance reporting in the longer term.

## NOMS Standard

**Protect the public by ensuring there is no deterioration in the levels of re-offending for young offenders and adults. Maintain the current low level of prisoner escapes, including Category A escapes**

Conclusion – Amber (systems need strengthening)

### Re-offending

**11.47** The data system for re-offending is broadly appropriate but requires strengthening to ensure that the remaining risks are adequately controlled.

**11.48** The system does not account for all the factors that impact on re-offending. In our previous report in July 2006 we recommended that more research was needed into the factors driving reconvictions to enable better evaluation of the effect of policies and inclusion within the predicted re-offending baseline. This recommendation still applies however, if it does not prove cost-effective to include the factors, the limitation should be fully disclosed in the Department's performance reporting.

**11.49** Although it is unlikely that the use of reconviction rates as a proxy can be avoided, there is scope to make the measure more sophisticated by, for example, incorporating measures of frequency and severity of reconviction into the performance measure.

**11.50** The Home Office has begun to address concerns over the accuracy and completeness of data by moving to the Police National Computer, although the Department should ensure that it fully understands all the risks associated with the external data systems and the potential impact on their reported data.

**11.51** Reporting needs to be improved to clarify whether the NOMS target is to reduce or maintain the level of re-offending.

### Prisoner escapes

**11.52** The data system used to record prisoner escapes and absconds was not designed to collate and analyse such incidents for reporting purposes. This has resulted in the failure, on occasions, to provide robust information to respond to Parliamentary Questions on prisoner absconds. There is evidence of non-compliance with prescribed incident reporting procedures which could mean that data on prison absconds is not complete or accurate. Independent validation of the data produced by the system is designed to mitigate these risks. Data on escapes is collected in parallel by a separate telephone reporting system so there is less risk of error.

**11.53** The National Offender Management Service is introducing a system to manage and report data on offenders, known as C-NOMIS, which is expected to be fully operational in 2009.

### Characteristics of the Data System

**11.54** There are two data systems which are used to report performance against this standard:

- a** the Police National Computer system (PNC), which is used to calculate performance against the re-offending element of the target; and
- b** the Prison Incident Reporting System (IRS), which is used to calculate performance against the prisoner escapes element of the target.

**11.55** Re-offending is measured using re-conviction rates as a proxy, by comparing actual re-conviction rates with a statistically adjusted baseline rate. The baseline rate is adjusted as the likelihood that those exiting the CJS will re-offend is dependent in part on the characteristics of the offenders. For example, young offenders have been shown to be far more likely to re-offend than older offenders. The predicted baseline rate is calculated using a statistical process that estimates what the reconviction rate would have been in 2000 if the make-up of those leaving the CJS had been the same as the current year.

**11.56** The data source for both adult and young re-offenders is the PNC which contains data on the numbers leaving custody and starting community sentences. Data on the PNC is inputted by the 43 police forces and covers all types of recordable offences and convictions, including pre-court disposals. Police forces obtain information on convictions from a variety of systems, including the Crown Courts, Magistrates Courts and Probation Service. Information on release dates from custodial sentences is obtained from the Prison Service Inmate Information System and from the Youth Justice Board. Community sentence information is gathered from NOMS probation statistics.

**11.57** Prisoner escapes are measured over the whole financial year, Category A prisoners being those whose escape would be highly dangerous to the public, the police or the security of the state. The rate of escapes is expressed as the total number of escapes as a percentage of the average prison population for the year.

### Findings

#### Re-offending

**11.58** There are weaknesses in the robustness of the performance measures used for re-offending that have not been mitigated. In particular limitations in data about the factors impacting upon re-offending mean that the predicted rate against which actual performance is measured has inherent weaknesses as a baseline measure. For example, no account is taken of factors such as drug and alcohol use, employment, accommodation and marital background that are thought to be significantly related to re-offending.

**11.59** Further, adult offending behaviour not resulting in a re-conviction is not counted and serial re-offending is only counted as one episode of re-offending.

**11.60** Due to the use of numerous data systems in measuring re-convictions, there are multiple points of potential failure and risks to data quality, including concerns over the timeliness of data, particularly from the Courts Service. The Home Office has begun to address the concerns over the accuracy and completeness of data and input checks by removing reliance on the Offenders Index for adult offenders and moving to the Police National Computer, which should provide a more robust platform on which to base analysis. In addition, the NOMS is introducing a system called C-NOMIS, which should reduce the risk of inaccurate records on discharge from prison. However, the system is not expected to be fully operational until 2009.

**11.61** The quality of data on the PNC is subject to independent verification by the Audit Commission. The Audit Commission's report Crime Recording 2005 in June 2006 reported that full compliance with the National Crime Recording Standard had not been achieved. In addition, HMIC have a role in auditing the quality of data entered onto the PNC. NOMS is in discussion with HMIC about improvements in the quality of those data fields that impact on the measurement of re-offending.

### Prisoner escapes

**11.62** Data on prisoner escapes is recorded by HM Prison Service on the IRS in accordance with detailed incident reporting procedures. Compliance with these procedures is assessed by the Prison Service's Standards Assurance Unit on a sample basis. From time to time the Standards Assurance Unit has found some non-compliance with prescribed incident reporting procedures.

**11.63** The IRS system was not designed for the purpose of collating and analysing data for reporting purposes. It has weaknesses in data quality, primarily resulting from non-compliance with prescribed incident reporting procedures and a lack of investment and training in a legacy system. These weaknesses have been exemplified by the occasional failure of the system to provide robust information to respond to Parliamentary Questions on prisoner absconds. Despite these weaknesses, there is an established system for collection of the data, which is subject to independent validation. Results are being reported clearly against target, but the limitations on data quality have not been disclosed in the Home Office Autumn Performance Report 2006. Although the weaknesses in the system and the limitations on data quality do not affect reporting against the PSA target, there is an impact upon the reputational risk of the Home Office

**11.64** The Home Office is aware of the weaknesses in the IRS system and is taking action to mitigate them by implementing of a replacement system to manage and report data on offenders, known as C-NOMIS, which is expected to be fully operational in 2009.

# PART TWELVE

## Department for Work and Pensions

### PSA Target 1

- a Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020 (Joint target the with the Treasury)**

#### Conclusion – Green (disclosure is adequate)

**12.1** The data system is fit for the purpose of measuring and reporting performance against target 1a. Our review of the Treasury also concluded that the data system is fit for the purpose of measuring and reporting performance against the target, and this will occur during the period of SR2004.

#### Characteristics of the Data System

**12.2** Achievement towards target 1a is assessed by monitoring data obtained from the annual Household Below Average Income (HBAI) report which itself draws on the results of the Family Resources Survey (FRS), as follows:

- the number of children living in households with income below 60 per cent of contemporary median income before housing costs; and
- the number of children living in households with income before housing costs of less than 70 per cent of contemporary low-income level and material deprivation combined. A baseline for material deprivation has yet to be set, which means progress against this element of the target cannot currently be measured.

### Findings

**12.3** Both the HBAI and the FRS are National Statistic outputs managed by the Department for Work and Pensions (DWP), with the FRS work being undertaken by the Office of National Statistics (ONS) under contract to DWP. Our review identified effective controls, although the HBAI for 2005-06 has had to be reissued, following errors in data processing which meant that incorrect population control totals were applied to the original dataset.

**12.4** Assurance over the robustness of the HBAI series used to measure target 1a was obtained via a National Statistics Quality Review published in February 2004, which identified that there were appropriate controls in place to manage the data collection and reporting process. This did not identify any major areas of concern but it did identify timeliness of reporting as an area which could be given priority over further developments in data quality. The most significant recommendation was that a new FRS grossing regime should be introduced i.e. the basis for up-rating sample data to the full population. This was introduced prior to the commencement of the 2004 Spending Review with the result that more up-to-date population counts are now incorporated and hence more accurate figures produced.

**12.5** The Department meet with the National Centre for Social Research (NatCen) annually to discuss the performance of the FRS and the format of the questions for the year ahead. This process ensures that the FRS contains a series of questions which make the survey suitable for reporting against this target.

**12.6** The recent Departmental Report explains that the target is not yet assessed as 2004-05 outturn data on material deprivation has only recently become available, and the Government has not yet had the chance to analyse this and other information in order to set a baseline.

**12.7** An internal review performed by the Department identified a discrepancy between FRS and Labour Force Survey data. The FRS provided consistently higher estimates (two to three per cent) of the proportion of children in workless households. The review also identified that the FRS is subject to response bias, as those households without anyone in work are more likely to respond in comparison to households in which someone is working.

**12.8** The discrepancy still exists and the Department are currently working towards resolving this, although it has been identified that both surveys are reporting the same trend. Whilst taking this into account, the FRS data is the primary source of data and the Labour Force Survey simply acts as a consistency check. In addition, the 2001 census data subsequently indicated that FRS data is more reliable.

**12.9** A number of controls are applied to minimise risks to data reliability. These include:

- using the Institute of Fiscal Studies to provide assurance that the Department have correctly calculated the HBAI series from the FRS. Low-income households are determined using the HBAI series; and
- The FRS both under-reports the number of individuals with high incomes and also understates the magnitude of their incomes. An adjustment to correct the above is made to 'very rich' households in the FRS-based results using the Inland Revenue Survey of Personal Incomes (SPI).

**12.10** Discussions with the HBAI team indicated that, following their review of published data, an error was identified, and this was due to the misapplication of grossing factors. This was an element of the HBAI which was not subject to specific quality assurance examination by the Institute of Fiscal Studies. It has been confirmed with the HBAI team at the Department that this error had no impact on the child poverty statistics that were reported; its main impact was on workless households without children.

**12.11** The recent Departmental Report explains that the target is not yet assessed as the material deprivation questions have only been included in the FRS since 2004-05, and the Department have not yet had the chance to analyse this and other information in order to set a baseline. However, discussion with the Department indicated that there is sufficient information available to set the baseline, and it is highly probable that material deprivation will be reported during SR2004.

## PSA Target 1

- b** reducing the proportion of children living in workless households by five per cent between spring 2005 and spring 2008

### Conclusion – Green (fit for purpose)

**12.12** The Labour Force Survey (LFS) data used to report against target 1b is fit for the purpose of measuring and reporting against the target.

### Characteristics of the Data System

**12.13** Achievement towards target 1b is measured using LFS data. The LFS is published quarterly by the Office for National Statistics (ONS). Target 1b is monitored against the household datasets which are produced twice a year. Due to the weighting regime used on the household datasets, the number of those with unknown economic activity is significantly higher than those on the individual-level datasets. The measurement used is a National Statistic covering Great Britain and, although data is seasonally unadjusted, it is adjusted for unknown economic activity, for example when the survey respondent is unable to provide an answer to questions on behalf of another member of the household who is not present.

**12.14** Employment and unemployment statistics are generated by ONS via the LFS – a quarterly survey with a minimum coverage of 60,000 households or 120,000 individuals aged 16 and over. The estimates of employment and unemployment are produced by scaling up the LFS sample data to ONS population estimates. The LFS uses International Labour Organisation definitions for employment and unemployment. In September 2002, a review of the LFS was undertaken as part of the National Statistics Quality Review Programme. This concluded that the survey produced reliable data. However, ONS have revised the LFS data back to 1984 in line with the findings of the 2001 census, which found that there were one million more men of working age than previously thought and have subsequently increased the accuracy of data reported.

### Findings

**12.15** In general the LFS is the most relevant source for measuring progress against the target. The Department have established robust procedures for quality assuring the data they receive from ONS each quarter before it is released to analysts. Potential risks to data quality include weaknesses in underlying LFS data and the completeness of the data received. To mitigate this, checks are applied to confirm that all expected variables are received and



unexpected trends considered. Subsequent detailed assurance is based on cross-checking by two independent analysts, to ensure consistency of output/interpretation; and, for most of the targets, analysts validate LFS data by comparing it to alternative sources e.g. key benefits data or other surveys.

**12.16** Our audit of the Department's SR2002 PSA targets identified that, although controls over data were generally robust, there remained a definitional issue associated with the measurement of the economic cycle. This has been resolved, as both the Department and the Treasury now use the same definition of economic cycle, resulting in both quoting a commencement date of 1997 for the latest economic cycle.

## PSA Target 1

**c increasing the proportion of parents with Care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008**

### Conclusion – Red (not fit for purpose)

**12.17** The data systems used to report against target 1c are not fit for the purpose of measuring and reporting performance against the target as there are significant limitations regarding the assumptions made in respect of direct pay cases. We understand that the Department intend to further encourage direct pay cases under the Child Support Agency's successor body (the Child Maintenance and Enforcement Commission), and on this basis it is suggested that further detailed research into the compliance of direct pay cases is commissioned.

**12.18** Furthermore, should the Department wish to continue using this target to contribute to the overall objective of ensuring the best start for all children and end child poverty by 2020, they may want to consider reinforcing with Treasury the references to case compliance in the associated Technical Note.

### Characteristics of the Data System

**12.19** Achievement towards target 1c is measured using the data from the old and new child support computer systems, administered by the Child Support Agency. This is merged with additional information from the Income Support/Jobseeker's Allowance computer system.

**12.20** The target measures the proportion of parents/ persons with care who are in receipt of maintenance where they or their partner are claiming Income Support or income-based Jobseeker's Allowance. This is measured against the total parents/persons with care, who have a maintenance calculation in place.

**12.21** The Child Support Agency currently operates two systems for processing maintenance, an old system and a new system. The data collection process in respect of target 1c involves extracting 100 per cent from both the old and new child support systems. The benefit status of the parents/persons with care or their partner are matched against 100 per cent data from the Income Support computer system, with the exception of Jobseeker's Allowance cases which are matched on a five per cent sample basis.

### Findings

**12.22** The data collection process outlined above represents a considerable improvement on the previous methodology where old system cases were based on a five per cent data sample, and the benefit status of the parents/ persons with care was confirmed via a five per cent sample of Income Support computer system data. Furthermore, the Department were unable to report where the parents/persons with care partner was claiming benefit due to data limitations in IT systems.

**12.23** The Department's spring 2007 Performance Report could be misleading when making reference to the improvements brought about by the revised data collection methodology. The report states "The target is now measured using 100 per cent data (instead of a five per cent sample) from the Department's Child Support and Income Support computer systems". This statement is not entirely accurate as Jobseeker's Allowance data is obtained via a five per cent sample.

**12.24** As reported in our previous review, we have a number of concerns over the accuracy of data used to report against target 1c:

- direct pay cases, where maintenance is paid directly by the non-resident parent to the parent with care, are not reflected in CSA records. These are considered to represent around 10 per cent of old system and four per cent of new system cases. In the absence of detailed research to confirm this data 100 per cent of cases are considered compliant, and there is a risk of over-reporting against this category; and

- nil assessed cases, which make up around 50 per cent of old system cases and 10 per cent of new system cases. Where the parent with care is required to report this for benefit assessment purposes there is a suggestion that a small proportion of these cases are receiving some maintenance. In the absence of detailed research there is a risk of under-reporting against this category.

**12.25** The limitations described above were not disclosed appropriately in the Autumn Performance Report.

**12.26** The CSA regards a case charged through the agency to be compliant if they have paid any money in the (rolling) last quarter, this does not need to be the full amount and it does not need to be every month, so a partially compliant case still counts as compliant. Target 1c is part of the wider objective to “ensure the best start for all children and end child poverty by 2020”, and on this basis is not clear whether reporting partially compliant cases contributes towards achieving this overriding objective.

## PSA Target 2

**Improve children’s communication, social and emotional development so that, by 2008, 53 per cent of children reach a good level of development at the end of the Foundation Stage and reduce inequalities between the level of development achieved by children in the 30 per cent most disadvantaged super output areas and the rest of England by four percentage points from 16 per cent to 12 per cent. (Joint target with the Department for Children, Schools and Families, DCSF)**

### Conclusion – Amber (systems need strengthening)

**12.27** The data systems are broadly appropriate but need strengthening to ensure that all establishments are covered by the report and risks at each stage of the moderation process are adequately controlled. However, we understand that DCSF are moving to a 100 per cent data source from September 2007, which will enable reporting against all elements of the target and to help further improve the moderation process.

### Characteristics of the Data System

**12.28** The data systems used to measure performance against this target are the Foundation Stage Profiles which were classified as National Statistics in 2004. It is a statutory requirement, introduced for the 2002-03 academic year, that all five year olds in “settings”

(schools, nurseries, children’s centres etc) funded by local authorities should be subject to continuous observational assessment against 13 assessment scales devised by the Qualifications and Curriculum Authority. Three of these scales relate to personal, social and emotional issues, and four relate to communication, language and literacy. It is the level of attainment in these seven scales which forms the basis of the target reporting.

**12.29** Improvement in children’s communication, social and emotional development is measured through a 10 per cent sample of pupil-individualised records. A sample has been necessary because, until recently, assessment results were not systematically included in the data for the whole population. Of a sample of about 54,000, around three per cent of children are from settings funded by the private and voluntary sectors, which are not reported in the sample data.

**12.30** The results for children in the most disadvantaged areas are compared to those for the rest of the sample, each year. The relevant children are identified by comparing their home postcode against geographical units developed by the Office for National Statistics, to establish whether the child lives in the 20 per cent most disadvantaged areas as reported in the Index of Multiple Deprivation 2004.

### Findings

**12.31** The definition of the target level (i.e. “a good level”) and the baseline from which it should be measured were only finalised in spring 2006. The provisional target of 50 per cent was reviewed and has been raised to 53 per cent by 2008. The baseline has been established at 48 per cent of children reaching a good level, as measured through the Foundation Stage Profile in 2005. The target for reducing the inequality gap has been set at four percentage points – a reduction from 16 per cent to 12 per cent.

**12.32** The data is validated at each of the three stages of data input: at the setting; at the local authority; and at the DCSF. The DCSF prepare validation specifications and test data which they provide to all settings and Local Authority software providers. The DCSF then quality assure the test output before approving the system.

**12.33** Inconsistencies in assessments, which have the potential to be subjective, have been addressed by providing more comprehensive guidance and training, and better moderation within and between Local Authorities. However, the data still contains a level of subjectivity due to the observational nature of the Foundation Stage assessment and its varying application by local authorities, schools and teachers.

**12.34** From the start of the 2007-08 school year, a change will be made to the data collection system so that assessment results will be included systematically for the whole population, obviating the need for a sample. The DCSF have decided to use the complete population of data, rather than the sample, which will address the risk of sampling error and will extend coverage to include non-Local Authority funded education providers. When they move to utilising complete population data, the DCSF will need to ensure consistency by checking the new data set against that based on the 10 per cent sample.

### PSA Target 3

**As a contribution to reducing the proportion of children living in households where no one is working, by 2008:**

- a increase the stock of Ofsted-registered childcare by ten per cent

**(Joint target with the DCSF)**

**Conclusion – Green (fit for purpose)**

**12.35** The data system for the stock of OFSTED-registered childcare is fit for the purpose of measuring and reporting performance against target 3a, although reporting could be improved.

### Characteristics of the Data System

**12.36** In respect of target 3a, the stock of formal childcare is measured using data provided by OFSTED about registered childcare places in England. It covers full day care, registered childminders and out-of-school care. The data collected is on the number of provider places of a suitable standard as judged by the OFSTED Childcare Inspector, in accordance with National Standards for Childcare. Each registered childminder is subject to an initial inspection and further inspections on a planned frequency of three years.

### Findings

**12.37** The data system used for target 3a is generally fit for purpose. A small improvement could be made to the reporting if the DCSF made it clearer that the register of childcare places counts the places even if they are not filled; thus it is the total “stock” of places that is being measured, not the number taken up.

**12.38** When OFSTED took over responsibility for regulation of childcare from Local Authorities they obtained reports documenting childminders registered with each Local Authority, which were then compared to OFSTED registered childminders starters reports for the same period to ensure the completeness of data being reported. OFSTED accept that there will probably be a small percentage of nil providers registered at any point in time, but the annual fee process corrects this position.

### PSA Target 3

**As a contribution to reducing the proportion of children living in households where no one is working, by 2008:**

- b increase the take-up of formal childcare by lower income working families by 120,000

**(Joint target with the DCSF)**

**Conclusion – White (too early to form a view)**

**12.39** The new data system for target 3b should enable fuller analysis of take-up by age ranges and types of childcare and is expected to be reporting by the 2007 Autumn Performance Report. Although a system has been established, it is too early to form a view on its fitness for purpose.

### Characteristics of the Data System

**12.40** The DCSF have not yet assessed progress against target 3b, although the baseline level, revised target and the data source to be used to measure take-up were agreed in November 2006. Ministerial approval was given to DWP and DCSF to change the data source for setting the baseline, and to measure progress against this target, from the DWP’s FRS to DCSF’s Parent Childcare Survey. The survey was piloted and the results were used to inform and refine the question series. This was performed in conjunction with NatCen who have the contract for operating the survey for a three-year period, and the DCSF were actively engaged with this process.

### Findings

**12.41** For target 3b, the Technical Note originally outlined that the FRS would be used to measure progress against this target. However, DCSF and DWP decided jointly that because changes to the FRS childcare questions would affect data comparability, an alternative data source would be more appropriate. The DCSF survey series was selected as the best source.

**12.42** Subsequently, DCSF has set up the Parents Childcare Survey, which has been outsourced to NatCen, and the first results were reported in January 2007.

**12.43** Previously, target 3b focussed on increasing the take-up of formal childcare by low income working families by 50 per cent; it has also now been agreed that the target will be set, not in terms of a percentage increase, but as an increase in the number of children in lower income working families using formal childcare.

**12.44** The revised target will be to increase the take-up of formal childcare by lower income families (defined as families with an annual gross income of less than £20,000) by 120,000 by 2008. This is a more demanding target than the previous target to increase take-up of formal childcare by 50 per cent, which was likely to have meant an increase in take-up of around 85,000 childcare places. A new Technical Note was agreed in December 2006.

### PSA Target 3

**As a contribution to reducing the proportion of children living in households where no one is working, by 2008:**

- c **introduce, by April 2005, a successful light touch childcare approval scheme**

**(Joint target with the DCSF)**

#### Conclusion – Green (fit for purpose)

**12.45** The Childcare Approval Scheme (CAS), set up to meet target 3c, was in place for April 2005, and the target of 3,500 new approved carers was met in December 2006. Therefore, the data system for the CAS was fit for the purpose of measuring and reporting performance against target 3c.

#### Characteristics of the Data System

**12.46** For target 3c, “success” for the Childcare Approval Scheme is defined in the Technical Note. This relates to performance information (number of approvals, processing time, cost) supplied by the scheme operator, Nestor, which the DCSF monitor through meetings of the project implementation board.

#### Findings

**12.47** The CAS began in April 2005, accepting applications from carers providing care in the child’s home and childminders caring for children aged eight and over. The target of 3,500 new approved carers was reached in December 2006. Changes to the regulatory regime for childcare mean that childcare provided in the child’s home and care for children aged eight and over can now be registered by Ofsted on the voluntary part of the Ofsted Childcare Register (vOCR).

**12.48** The CAS is being phased out, as the scheme has now been superseded by the introduction of the vOCR. The target was closed in April 2007 when the vOCR began. At this point there were 4,200 new approved carers on the CAS.

### PSA Target 4

**As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle:**

- a **demonstrate progress on increasing the employment rate (Joint target with the Treasury);**
- b **increase the employment rate of disadvantaged groups: lone parents;**
- c **increase the employment rate of disadvantaged groups: ethnic minorities;**
- d **increase the employment rate of disadvantaged groups: people aged 50 and over;**
- e **increase the employment rate of disadvantaged groups: those with the lowest qualifications; and**
- f **increase the employment rate of disadvantaged groups: those living in the local authority wards with the poorest initial labour market position.**

**and significantly reduce the difference between the employment rate of this group and the overall rate**

#### Conclusion – Green (fit for purpose)

**12.49** The Labour Force Survey data used to report against all elements of the target is fit for the purpose of measuring and reporting against the target.

**12.50** Our review of the data systems in respect of the Treasury’s PSA targets, published in December 2006, also concluded that the data system in respect of target 4a is fit for the purpose of measuring and reporting performance against the target.

## Characteristics of the Data System

**12.51** All targets are measured using data from the LFS, and the characteristics of the data system are described at target 1b.

## Findings

**12.52** In response to Eurostat regulations, the Office for National Statistics began publishing labour force data on a calendar quarter basis from October 2006, as opposed to the seasonal quarterly basis previously used. The baseline for each of the sub-targets of PSA target 4 has been adjusted accordingly from spring (March – May) 2005 to Quarter 2 (April – June) 2005. Historical data have been revised on the same basis and, as a result, the baseline figures have altered slightly.

**12.53** Our previous report highlighted that the sample surveyed did not give adequate coverage to ethnic minority groups, which detracted from the value and reliability of the survey results. However, the Department has now satisfied itself that an appropriate sample has been achieved for ethnic minorities to accurately report the movement against the employment rate. However, where the extrapolated population is below 10,000, the Department will not report, due to the statistical uncertainty associated with such small populations.

**12.54** The 2006 Autumn Performance Report and the Technical Note highlighted statistical significance i.e. the level at which a change can be considered significant. For target 4b relating to lone parents, the definition of statistical significance remains at two per cent, despite our recommendation in our review of SR2002 that a more appropriate figure would be three per cent. In response to this DWP analysts have examined confidence intervals for lone parents over the last five years and the figures consistently show that a shift of two percentage points in either direction represents a significant change in employment rate. The results also show that the Department would be at least 97 per cent confident that the results were accurate and were a true reflection of what was happening in the labour market for lone parents.

**12.55** Target 4e is dependent upon a definition of qualification levels. Changes in the demographic indicate that the employment rate of people with no qualifications is now falling. Until 2002, this group made up the whole of the lowest 15 per cent qualified but, as the group now includes various qualifications, this position is obscured. The Department recognise this and will review further in the context of the CSR2007 target. In response to our previous recommendation regarding this, the change in demography has been highlighted in reporting against the current target.

## PSA Target 5

**By 2008 improve health and safety outcomes in Great Britain through progressive improvement in the control of risks from the workplace**

## Conclusion – Green (fit for purpose)

**12.56** The data systems are fit for the purpose of measuring and reporting performance against the target. There are issues surrounding under-reporting on the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) element of the target, however there are mitigating controls that enable the Department to gain assurance over the percentage reduction by comparing against an average of three-yearly data taken from the LFS.

## Characteristics of the Data System

**12.57** The measurement of performance against the target is derived from the three health and safety outcome indicators as outlined below:

- To reduce the incidence rate of work-related fatal and major injuries to three per cent by 2007-08 against the 2004-05 baseline. This data is gathered from reports made by employers and others to estimate the incidence of work-related fatal and major injuries. The LFS measure of all reportable injury will be used as well as the fatal and major injury measure to give a fuller view of work-related injuries to mitigate the risk of under-reporting;
- To reduce the incidence rate of work-related ill health to six per cent by 2007-08. This data is gathered through Self-reporting Work-related Illness (SWI) household surveys and other sources including the Health Occupational Report (THOR) specialist doctor monitoring schemes, the Industrial Injuries Scheme disablement benefit compensation data and death certificates; and
- To reduce the number of days lost due to work-related injuries and ill health to nine per cent by 2007-08. Estimates of days lost due to work-related injury and ill health come from LFS/ SWI surveys.

## Findings

**12.58** The Department operate the data systems through the Health and Safety Executive (HSE) and collect data from various sources.

**12.59** The Revitalising Health and Safety Strategy target data is used for the purpose of reporting fatal and major injuries. This data is collected via an Incident Contact Centre (ICC) which maintains a database, consisting of reportable injuries under Reporting of Injuries Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) disclosed by employers. The results from the LFS are used to confirm HSE's concerns that non-fatal injuries may be substantially under-reported (estimated to be around 40-50 per cent understated). As a result, the RIDDOR figures are up-rated using an expansion factor derived from the three-year average data taken from the LFS. A three-year trend is used to derive an up-rating factor in order to even out the effects of influences such as marketing drives, which could cause a sudden upturn in reported incidents. These target judgements go through an annual process to derive the reported rate.

**12.60** There are three Major Hazard sub-targets and these are measured using data collected by the relevant HSE directorates. The directorates have the authority to audit the licensees' arrangements for reporting to ensure that all reportable incidents are disclosed. A risk-based programme of audits is undertaken each year.

**12.61** Non-qualifying incidents, which are readily identifiable from a set of criteria, are screened out of the total number of events by HSE administrative staff to determine a first stage total. Furthermore, all qualifying events are then reviewed by an expert HSE panel (including a statistician), to give a second stage total.

**12.62** The remaining two elements of the target are reported using data from the Self-reported Work-related Illness survey (SWI), which is a subset of the questions in the LFS. Controls are in place which operate under ONS guidelines and data is reported as official National Statistics. HSE has built up its information base by developing a range of sources, including self-reporting by individuals, surveillance by specialist doctors and recording claims for disablement compensation. The different sources give different evidence on trends, which needs to be integrated to give an overall judgement about progress. Comparison is performed annually and as part of a formal exercise to review the results against other reported data, to give assurance over the completeness of the data reported.

## PSA Target 6

**By 2008, be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the guarantee element**

### Conclusion – Green (fit for purpose)

**12.63** The data system is fit for the purpose of measuring and reporting performance against the target.

### Characteristics of the Data System

**12.64** Achievement towards this target is assessed by monitoring the number of pensioner households in receipt of either, or both, elements of Pension Credit (PC) i.e. the guarantee credit and/or savings credit. The target specification is straightforward and is defined as "a household can mean either a single recipient or a couple and a recipient must be aged over 60". The data underpinning this measurement is obtained from the Income Support Computer System Quarterly Statistical Enquiry (ISCS).

**12.65** The most disadvantaged are defined as households in receipt of the guarantee element of Pension Credit, and is measured using the data system described above.

## Findings

**12.66** To ensure that no bias is introduced at the sampling stage, the Information Directorate (IFD) of the Department selects a five per cent sample from the ISCS on a random basis each quarter. Data cleansing and preparation is performed by IFD to ensure that data is fit for inclusion in the report on the PSA and internal targets. This includes subjecting the sample data to a process of automatic and manual rules to amend fields that have obvious outliers or conflicts.

**12.67** The live caseload and assurance over this target population figure is obtained by:

- Filtering National Insurance numbers linked to post codes to ensure no duplication of household counts. Some pre-determined addresses e.g. retirement homes are exempted from this process. There is a small risk that individuals in the same house are not couples but the potential under-reporting as result of this is considered immaterial by IFD;

- Cross-referencing to official DWP statistics, including estimates of those eligible for pension credit from data reported in the Family Resources Survey; and
- Checking the trend of the five per cent sample, quarter on quarter, for data inconsistencies. In addition, a monthly 100 per cent scan of ISCS data (less comprehensive and not subject to data cleanse) provides a reasonableness check on the five per cent sample.

**12.68** After the data-cleansing and preparation stages, a simple extrapolation of the five per cent sample is performed to produce final reported results against the target. This is also adjusted clerically for cases not held on ISCS but volumes here are small, as these amount to no more than a few hundred.

## PSA Target 7

**Improve working age individuals' awareness of their retirement provision such that, by 2007-08, 15.4 million individuals are regularly issued a pension forecast and 60,000 successful pension traces are undertaken a year**

### Conclusion – Green (fit for purpose)

**12.69** The data systems for the pension forecasts and pension traces are fit for the purpose of measuring and reporting performance against the target.

### Characteristics of the Data System

**12.70** This target relates to two elements of the strategy for empowering individuals to make real and informed choices on working and saving for retirement: pension forecasting and pension tracing.

**12.71** Individuals can receive four types of State Pension forecast: Combined Pension Forecasts (CPFs), Automatic Pension Forecasts (APFs), Individual Pension Forecasts (IPFs) or Real Time Pension Forecasts (RTPFs). The target will be met if 15.4 million individuals have, in the three-year period from the beginning of April 2005 to end of March 2008, been issued with:

- at least one of an APF, IPF or RTPF; or
- their State Pension information has been provided to their employer or a pension provider to enable the issue of a CPF.

**12.72** An individual receiving one or more of any type of forecast will count as one individual for the target.

**12.73** CPFs are a voluntary scheme whereby the employer or pension provider supplies the Pension Service with forecasts for their members, which are combined with the individuals' state pension forecast, which informs the individuals of their overall entitlement.

**12.74** If an individual has an old pension, but is unsure of the details, the Pension Tracing Service can undertake tracing for them, for example, where an individual has changed jobs a number of times through their working life and has lost contact with a previous employer and their pension scheme. The Pension Tracing Service has access to a database of over 200,000 occupational and personal pension schemes and can be used to search for a scheme.

**12.75** The Pension Tracing IT system holds information on the number of individuals requesting a pension trace and the number of successful traces. A successful trace is defined as a pension trace request which results in the most current address of a pension scheme, held by the Pension Tracing Service, being given to the individual who raised the request. The target will be met if 60,000 successful traces are undertaken in 2007-08.

### Findings

**12.76** There are two data sets, each used to measure the performance against one part of the target, and are simple counts of pension forecasts issued and pension traces performed. The data used for reporting purposes is not edited in any way.

**12.77** EDS and Accenture administer the systems which hold the data on behalf of the Department. They provide the data in respect of Pension Forecasting to the Database and Matching Service of the Information Directorate, who are responsible for managing the contracts with these providers. This involves frequent meetings of the data providers and management to monitor their performance against contract, and an issues log is maintained to aid this process.

**12.78** The Database and Matching Service are responsible for collation of the data extracted by EDS and Accenture, and the following initial checks are performed on receipt of the data:

- A check is carried out on whether all types of data are reported from all sources;

- Gap detection is performed to identify any logical sequence gaps;
- The processing dates are checked to ensure that they fall within the reporting period; and
- The data collected represents a count of forecasts performed and is compared against prior period data to identify any unusual trends.

**12.79** The Pension Tracing IT system data is compared against clerical work count data prepared by the operational section, which provides a 100 per cent check of pension traces performed. This gives management assurance that management information is complete and accurate.

**12.80** Once the data has been reported on the management information system, the Database and Matching Service review this against the original data set to ensure that the upload of data is complete and accurate.

**12.81** The Pension Reform Programme Division (within The Pension Service) who are the target owners, compare current data against prior periods. This process is designed to identify any unusual movements which are investigated via the Database and Matching Service where identified.

## PSA Target 8

**In the three years to March 2008:**

- a **further improve the rights of disabled people and remove barriers to their participation in society, working with other Government departments, including through increasing awareness of the rights of disabled people;**
- b **increase the employment rate of disabled people, taking account of the economic cycle; and**
- c **significantly reduce the difference between their employment rate and the overall rate, taking account of the economic cycle**

**12.82** Targets 8a(disability awareness) and 8b (disabled people's employment) have been updated and rolled forward from the 2002 Spending Review, where we awarded a green light for target 7b (disability rights) and an amber light for target 7a (disabled people's employment). The definition of a disability changed in SR2004 to a current disability consistent with the Disability Discrimination Act.

## Conclusion – 8a – Green (fit for purpose)

**12.83** The data systems for both the awareness of disabled people's rights and the employment rates are fit for the purpose of measuring and reporting performance against the PSA target.

## Characteristics of the Data System – 8a

**12.84** The data for assessing the awareness of the rights of disabled people comes directly from the Omnibus Survey which is conducted by ONS eight times a year. This includes the sampling of 24,000 households in Great Britain and generating around 14,400 interviews with adults aged 16 years or over. The level of awareness is taken from one question within this Omnibus Survey, from a set of around twenty introduced by the Department, and as such there is limited scope for inaccuracy except arising from non-disclosure by respondents.

**12.85** Part 1 of the PSA target will be considered to be met if there is a significant increase in the percentage of adults who are aware that the civil rights of disabled people are protected, measured as set out above, between October 2004-March 2005 and April 2007-March 2008. On the basis of the latest information on the target statistic, it is expected that a two percentage point increase in the measure between those dates would be statistically significant with 95 per cent confidence.

## Findings – 8a

**12.86** ONS run a data-cleansing exercise which removes all blank responses, including refusals to reply from the population. The remaining sample population is then queried to determine the percentage of individuals who had awareness of the Disability Discrimination Act 1995, whether by name or not. The Department conduct a trend review against previous data to ensure completeness and reasonableness of datasets from the Omnibus Survey.

**12.87** There has been no change in the Omnibus Survey with regards to the type of question posed but, should there be any proposed change in the future, this would be discussed between ONS and the Department.

## Conclusion – 8b and 8c – Green (fit for purpose)

**12.88** The Labour Force Survey (LFS) is fit for the purpose of measuring employment rates and reporting performance against the targets.



## Characteristics of the Data System – 8b and 8c

**12.89** Targets 8b and 8c are measured using the seasonally-unadjusted employment rate of disabled people, which is derived from the LFS and monitored quarterly. Both targets are measured using data from the LFS, and the characteristics of the data system are described at target 1b.

**12.90** To meet targets 8b and 8c requires that, by Spring 2008, taking account of the economic cycle, there is;

- an increase in the employment rate of disabled people of at least one percentage point; and
- a reduction in the gap between their employment rate and the seasonally-unadjusted employment rate of Great Britain of at least one percentage point.

## Findings – 8b and 8c

**12.91** Targets 8b and 8c are concerned with increasing the rate of employment of disabled people and reducing the gap to the overall GB level. The data for these targets is collected from the seasonally-unadjusted employment rate for disabled people, taken from the LFS, taking into account the economic cycle. Our findings in respect of the LFS are discussed at target 1b.

## PSA Target 9

**Improve Housing Benefit administration by:**

- a **reducing the average time taken to process a Housing Benefit claim to no more than 48 days nationally and across the bottom 15 per cent of local authorities to no more than 55 days, by March 2008**

**Conclusion – Green (fit for purpose)**

**12.92** The un-audited local authority data used to report against target 9a is fit for the purpose of measuring and reporting against the sub-target.

## Characteristics of the Data System

**12.93** In respect of target 9a, the speed of processing a claim is measured in days, and the definition of time measured is the time from the day the claim is received by the local authority to the day a decision is made by the local authority on how much benefit to pay the claimant. The bottom 15 per cent of local authorities are defined as those with the worst 15 per cent of reported scores for the speed of new claims processing in any particular quarter.

**12.94** The target is measured using the Housing Benefit (HB) management information annual un-audited data, available three months after the end of each reporting quarter, and is monitored on a year-to-date and quarterly basis.

## Findings

**12.95** Quarterly HB reports produced by each local authority are used to measure performance against target 9a. They are consolidated and compared with the audited data for the same period. The Department has identified that the comparison against the audited data set does not produce any significant variances, and that this does not warrant delaying the report.

**12.96** Performance data are reviewed against prior periods in order to identify spikes in the data or unusual trends. Any unusual trends are investigated by Information Directorate (IFD) who collect the data on behalf of the Housing, Research and Analysis Division. Where necessary, IFD then contact the local authorities for explanation of the differences.

**12.97** The Housing, Research and Analysis Division attend Local Authority Steering Groups on a four to six-weekly basis to discuss a range of issues surrounding the management of Housing Benefit. This assists their understanding of how these issues might impact on the reporting of performance data, and of emerging trends.

## PSA Target 9

**Improve Housing Benefit administration by:**

- b **increasing the number of cases in the deregulated private rented sector in receipt of Local Housing Allowance to 740,000 by 2008; and**
- c **increasing the number of cases in receipt of the Local Housing Allowance where the rent is paid directly to the claimant to 470,000 by 2008**

**Conclusion – 9b and 9c – White (too early to form a view)**

**12.98** We have been unable to form a view on its fitness for the purpose of reporting the target at a national level. On this basis we have awarded a white traffic light in respect of targets 9b and 9c, because the Department has not been able to fully monitor the target as this was dependant on the Welfare Reform Act receiving Royal Assent, which did not happen until 4 May 2007.

## Characteristics of the Data System – 9b and 9c

**12.99** Target 9b will be deemed to be met if data shows that the number of Local Housing Allowances (LHA) paid in April 2008 exceeds 740,000. Target 9c will be deemed to be met if data shows that the number of LHA cases receiving their rent directly, rather than rent being paid to the landlord, exceeds 470,000 in April 2008.

**12.100** The numbers of LHA claimants have been monitored using pilot data returned by participating local authorities. However, monitoring of the LHA at a national level will not begin until April 2008. The data will then be collected through the HBSD/IAD scan, which is a monthly 100 per cent claimant level dataset, returned by local authorities to the Department's Information Directorate. There is an ongoing validation process in place to ensure that the information provided through the scan is consistent with other sources of Management Information returned to DWP by local authorities.

## Findings – 9b and 9c

**12.101** In respect of targets 9b and 9c, a data system has been established on a pilot basis, and the Department are not expecting to be able to report against the target on a national level until after the current spending review. This is because the Department has been waiting for the Welfare Reform Act to receive Royal Assent prior to attaining the power to administer LHA.

**12.102** Data in respect of targets 9b and 9c is reported on a pilot basis using data reported by the local authorities included in the pilot. There were early issues regarding the consistency of the format in which data was reported, which were addressed through the Steering Group for Local Authority Software providers and consistency of reporting was achieved in the early months of the pilot.

**12.103** As the Welfare Reform Act only recently received Royal Assent, the Department is not expecting to be able to report on a national basis until April 2008.

## PSA Target 10

### Reduce overpayments from fraud and error in:

- a **Income Support and Jobseeker's Allowance; and**
- b **Housing Benefit**

**12.104** Both targets have been rolled forward from the 2002 Spending Review, where we awarded an amber light for target 10a and a green light for target 10b. The green light for target 10b was awarded taking into account the level of disclosure provided by the Department on known problems with the data system. However, our traffic light ratings for the 2004 Spending Review are awarded on the strength of controls surrounding the data system and target 10b has been adjusted to amber.

## Conclusion – 10a – White (too early to form a view)

**12.105** The Department has historically employed extensive data systems to underpin PSA 10a but in recognition of flaws previously inherent in the underlying methodology these are not being utilised in respect of SR2004 pending a review of baseline issues. As the resultant approach will apply a new methodology it is too early to form a view on its fitness for purpose.

## Characteristics of the Data System – 10a

**12.106** The department are currently not reporting against this system.

## Findings – 10a

**12.107** Following IFD's review of the SR2002 measurement methodology it is recognised that a number of limitations and uncertainties surround the current fraud and error estimates. In particular IFD have reported that there could be up to a 10 per cent difference between the current estimate and the baseline which is due to changes in measurement methodology rather than changes in the underlying levels of fraud and error in the benefits.

**12.108** In light of this and other identified concerns associated with the existing methodology IFD are in the process of reworking elements of the data system in order to re-establish the baseline for the current spending review. This exercise is not expected to be completed until December 2007 at the earliest, and we have not been able to review the results of this exercise during the course of our review. Therefore, progress towards this target is not currently assessed.

## Conclusion – 10b – Amber (systems need strengthening)

**12.109** The Department have introduced extensive data systems to underpin PSA 10b, which are broadly appropriate, but need strengthening to ensure that remaining risks are adequately controlled.

## Characteristics of the Data System – 10b

**12.110** The Department employs an extensive sampling exercise based on a detailed methodology, and this involves the review of housing benefit claims under the auspices of the Risk and Assurance Directorate (RAD). The results of these exercises generates the estimated fraud and error figures. Housing Benefit is paid by local authorities and funded by the Department through payments to local authorities. As part of an ongoing review of the methodology behind fraud and error estimation, the Department is currently seeking to improve the underlying methodology supporting this PSA.

**12.111** Target 10b expands on a similar target in SR2002. The levels of fraud and error are reported as National Statistics and there have been subsequent developments in the internal validation mechanisms which underpin these. The current process involves the Department's Performance Measurement Unit (PM), a sub-division of RAD, reviewing some 14,000 HB cases covering all 408 local authorities with the split by local authority determined by the Information Directorate (IFD).

## Findings – 10b

**12.112** IFD also recognised the following limitations and uncertainties, which specifically relate to housing benefit (HB):

**12.113** The Technical Note recognises that not all HB expenditure is within the scope of the HBR sample. It is estimated that around 15 per cent was not covered during the period under consideration, and whilst the results are extrapolated to cover the whole expenditure, this introduces significant extra uncertainty to the results. The largest element not covered, probably around 12 per cent, arises from the relatively long processing times for new HB claims in local authorities and the fact that the HBR does not, and could not easily, review the correctness of the expenditure that was paid retrospectively when claims were awarded;

**12.114** There are some cases where a suspicion of fraud or error arose during the course of the review, but for which it was not possible for the HBR processes to establish correctness or incorrectness conclusively. These are categorised as 'suspected non-residence' or 'causal link', or if there remains an unresolved suspicion after completion of a fraud investigation and the case is not suspected of non-residence, then it is assumed to be correct; and

**12.115** It is possible for an incorrect case to have been mistakenly recorded as correct. Since only 25 per cent of cases recorded as correct are validated in the field or centrally, there is the potential for some fraud and error to be missed, causing an understatement in the estimates. Analysis of the data recorded on the results of validation suggests that this is at most around £20m annually.

**12.116** The Audit Commission review the levels of fraud and error in respect of local authorities, which administer the HB on behalf of the Department. However, the information produced by the Audit Commission is not currently used by the Department to challenge the accuracy and completeness of their own estimates.

# PART THIRTEEN

## Cabinet Office

### PSA Target 4

#### Increase voluntary and community engagement, especially amongst those at risk of social exclusion

**13.1** This target was agreed as PSA target 6 for the Home Office for the Spending Review period 2005-08. However, ownership of the target was transferred to the Cabinet Office as part of Machinery of Government changes in 2006.

Conclusion – Voluntary activity – Green (fit for purpose); Capacity and contribution of voluntary and community services – Amber (systems need strengthening)

**13.2** This PSA target comprises two elements. Element 1 measures voluntary activity by individuals at risk of social exclusion. Element 2 addresses the capacity and contribution of the voluntary and community sector to deliver more public services. We have concluded that the data systems underlying each element are broadly appropriate although neither the target nor the Technical Note include a quantifiable measure of success for either element, such as a percentage increase in voluntary activity amongst those at risk of social exclusion or a percentage increase in capacity or contribution of the voluntary and community sector that must be achieved in order for the target to be met. Consequently it is difficult for the reader of the Departmental Report or Autumn Performance Report to judge how the Cabinet Office has determined that it is “on course/broadly on course” to meet the target (as reported in the 2007 Departmental Performance Report).

**13.3** Moreover, the index used to measure performance for Element 2 only considers inputs such as employee and volunteer numbers and the level of government funding. No output based measures exist that would allow the contribution of the sector to the delivery of more public services to be assessed. Consequently,

the index is limited to measuring the capacity of the voluntary and community sector to deliver public services. However, the basis of measurement is clearly disclosed in the Technical Note and the statisticians responsible for managing the data system recognise the limitations of the current measures and are working to address these over time.

**13.4** We have assessed the data system underlying Element 1 as green (fit for purpose) and that underlying Element 2 as amber (system needs strengthening).

### Characteristics of the Data System

#### Element 1

**13.5** The data system used to measure this element is the Citizenship Survey (CS), a well-established biennial survey which has been carried out by experienced contractors since 2001. The Home Office was responsible for survey design and management. Following Machinery of Government changes in 2006, the Department for Communities and Local Government (DCLG) is now responsible for overall management of the work performed by the contractors and for reporting the results of the “volunteering” element of the survey to the Cabinet Office (the target owner).

**13.6** The Survey was in part designed specifically to measure levels of volunteering. The sample includes a core sample of 10,000 people and an ethnic minority boost of another 5,000. The terms “social exclusion”, “voluntary activity” and “volunteering” are all clearly defined in the Technical Note, as are the three groups covered by the target.

## Element 2

**13.7** There is one data system, the State of the Sector Panel Survey (SOSP), which was created specifically to measure performance against this element of the target when it was owned by the Home Office. The Survey has operated since 2002-03 and is undertaken by accredited contractors. Data is collected by postal survey from a panel of over 3,000 voluntary and community sector organisations and validated by statisticians at DCLG on behalf of the Cabinet Office. The findings are also independently validated by the School of Social Sciences at the University of Southampton. The index is weighted in its combination of median data for employees, volunteers and funding.

## Findings

**13.8** For both elements of the target, there are clear reporting lines and regular communication between CLG statisticians and Office of the Third Sector staff within the Cabinet Office.

## Element 1

**13.9** Internal and external experts were involved in the design of the Citizenship Survey and the same standardised survey questions relating to the PSA target and formats of data collection and reporting have been used throughout the waves of surveys. Questions are asked about four core activities – formal, informal and employer volunteering and charitable giving – as well as barriers to volunteering. Clear and detailed Technical Reports accompanying each round of the survey are also published.

**13.10** Controls over data collection and processing are strong, particularly in training, contract management and monitoring at the Departmental level.

**13.11** There is a clear audit trail from sample selection to collation and analysis. Interview results are assigned a unique reference number within the Computer Aided Personal Interviewing System, which enables data tracking and ensures that no data is lost on transfers between systems.

**13.12** The Technical Note states that this element of the target will be achieved if the aggregate level of voluntary activity by those in the three risk groups is higher in 2007-08 than in the baseline year (2001). Neither the target nor the Technical Note sets a specific, quantifiable measure of success, such as a defined percentage increase in voluntary activity that must be achieved in order for the target to be met. The Cabinet Office does not consider that this would be appropriate given that the

response rate to the survey may vary over time and that success against this target will be a statistically significant increase in volunteering. However, neither the Technical Note nor the Departmental Report state that the Cabinet Office is aiming for a statistically significant increase in volunteering. Nor do the Note or Report specify a minimum response rate to the survey required for the results to be significant.

**13.13** Consequently it is difficult for the reader of the Departmental Report or Autumn Performance Report to assess whether the Cabinet Office actually is “on course” to meet this element of the target. We recognise that the CLG statisticians are working to an informal, internal target of a five per cent increase over the Spending Review period but consider it would increase transparency if, in future, the Department reported more information about how it would define success or the restrictions on it doing so.

**13.14** The infrequent nature of data collection and the time required to analyse the results has limited the statisticians’ ability to assess the impact of Departmental policies between the biennial surveys. However, from 2007-08 the survey is being run annually. In future, this will enable the results to be presented each quarter on a rolling annual average basis.

## Element 2

**13.15** The Technical Note states that this element of the target will be achieved if the index measuring the capacity of the voluntary and community sector to deliver public services is higher in 2007-08 than in the baseline period (2002-03). However, as with Element 1, neither the target nor the Technical Note includes a specific, quantifiable measure of success, although DCLG statisticians are working to an informal, internal target of a five per cent increase in the contribution made by the voluntary and community sector over the Spending Review period. The Cabinet Office does not consider it would be appropriate to specify a quantifiable measure of success for the same reasons as for Element 1 and also consider success against this Element to be a statistically significant increase in volunteering. However, as with Element 1, neither the Technical Note nor the Departmental Report state that the Cabinet Office is aiming for a statistically significant increase in volunteering. Nor do the Note or Report specify a minimum response rate required for the results to be significant.

**13.16** As we commented on Element 1, we consider it would increase transparency if, in future, the Department reported more information about how it would define success or the restrictions on it doing so.

**13.17** The NAO examination of the comparable Home Office PSA target in Spending Review 2002 reported that the measures of performance against the target (which covered contribution only) were too input focussed. The SR2004 target now focuses on capacity as well as contribution. However, we noted that the index used to measure performance for Element 2 is unchanged from that used in SR2002 in that it combines employee and volunteer numbers and the level of government funding. Consequently, the index measures only inputs and therefore can only conclude on the capacity of the voluntary and community sector to deliver public services. While the SOSP survey also provides the Cabinet Office with information about the voluntary and community sector, which has informed policy decisions, it does not contain any output based measures which would allow an effective assessment of the contribution of the sector to the delivery of more public services. The statisticians responsible for managing the data system recognise the limitations of the current measures and are working to address these over time. The current basis of measurement is clearly disclosed in the Technical Note.

**13.18** In the Departmental Report 2007, Cabinet Office reported that funding within the voluntary and community sector has increased and that the number of volunteers within panel member organisations has also increased. There is no reference to the third index measure (employee numbers). Consequently, reporting in the most recent Departmental Report is incomplete.

**13.19** Furthermore, year on year over the Spending Review period, the response rate to the survey by organisations which participated in the initial survey has fallen, leading to a progressive reduction in the number of core sample returns covering the full period. Although this has not impacted on the survey results to date, there is a strong risk that, by the end of the Spending Review period, the erosion of the core sample population could undermine the statistical validity of the index. DCLG statisticians and Cabinet Office staff are fully aware of the risk and are seeking to take appropriate statistically valid measures to mitigate it. If necessary, the impact of the reduction in response rates on the survey results will require disclosure in the Departmental Report or Annual Performance Report.