

## Appendix F

# Public Accounts Committee recommendations



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#### Ships surveys and inspections

NAO Report, 23 March 2001 (HC 338)

PAC Hearing, 2 April 2001

PAC 19th Report, 6 February 2002 (HC 608 2001–02)

Treasury Minute, 22 May 2002 (Cm 5512)

#### The Public Accounts Committee's key recommendations were:

PAC Conclusion 1 – The Maritime and Coastguard Agency (MCA) need to focus more of their work on the riskiest vessels ... Consider fewer, in-depth inspections of higher risk vessels.

PAC Conclusion 2 – The Agency should give more attention to human aspects of ship safety ... The Department should establish a comprehensive whistleblowing facility ...

PAC Conclusion 3 – The Agency should take firmer action to uncover and pursue significant breaches of maritime legislation ... should review effectiveness of training ... should determine whether training programmes coupled with more risk focussed inspections increase the number of significant breaches identified ...

#### The Department's response

- A risk-based approach developed by the National Audit Office (NAO) is used to review and determine the UK annual inspection programme of different ship types. A more sophisticated risk model has been designed for allocating resources to different groups of vessels and, subject to successful trial and assessment, will be in place in April 2003.
- A system is in place for identifying high-risk foreign vessels for inspection.
- A prototype for the selection of UK ships has been developed.
- Maritime and Coastguard Agency (MCA) surveyors are trained to pay attention to operational issues and to link inspection with a consideration of safety management issues.

- The Department for Transport hopes to have a whistleblowing system in place by early 2003.
- The International Safety Management (ISM) Code extension is now effective, the effective date of 1 July 2002 having passed. More focus is therefore given to the human element, with the introduction and enforcement of the second phase of the ISM Code, the application of safety management requirements to domestic passenger ships, and full implementation of the Convention on Standards of Training Certification and Watchkeeping (STCW).
- An assessment for 2001–02 of cases that resulted in ‘No Further Action’ has been undertaken and all were found to have resulted from external factors beyond Agency control.
- Further training has taken place for MCA staff.
- New and more comprehensive guidance on the reporting and follow-up of significant breaches was made available to Agency staff in April 2003.
- A number of surveyors and Coastguard Officers will be trained in evidence-gathering techniques and procedures during 2002–03.

## The Channel Tunnel Rail Link

NAO Report, 28 March 2001 (HC 302)

PAC Hearing, 9 April 2001

PAC 22nd Report, 13 February 2002 (HC 630 2001–02)

Treasury Minute, 22 May 2002 (Cm 5512)

### The Committee’s key recommendations were:

On Eurostar passenger forecasts – There is evidence that even expert forecasts of user numbers for new ventures are subject to very great uncertainty. When negotiating deals that are heavily dependent on the number of users and the income generated, then departments should examine a wide range of sensitivities around bidders’ forecasts before signing a deal.

On private sector risk – One of the functions of risk capital in a project is to secure the commitment of the private sector by giving them something to lose if the project fails. In this case the shareholders in London and Continental Railways (LCR) gained from substantial contracts placed with them by LCR.

Although the proportion of risk capital is a matter for negotiation with bidders: it is a false economy to proceed with a public private partnership (PPP) in which too little risk capital has been subscribed by the private sector.

On taxpayer risk – In the 1998 restructuring deal the Department put in place complex arrangements that expose the taxpayer to risk for many years. The Department will need to ensure that the substantial risks are monitored and managed carefully throughout the life of the project.

On regeneration benefits – Without the Department's reliance on a monetary value placed on economic regeneration, then the justification for proceeding relied on wider policy benefits, such as national prestige, which are inherently unquantifiable. Decisions to proceed with major projects should be based on a comprehensive assessment of expected benefits as well as costs. The PAC look to the Department to monitor the realisation of regeneration benefits after the link has been completed.

### **The Department's response**

- The Treasury has just concluded a public consultation on revised appraisal guidance that will set more stringent procedures for departments to follow for taking account of undue optimism in revenue forecasts.
- The Department for Transport has had in place since 1998 the necessary rigorous procedures in order to monitor the project throughout its construction and operation.
- The risk associated with repayment of the bonds issued to LCR is not substantial; these are expected to be repaid through project cashflows.
- Tax payers have not signed a blank cheque: under the terms of the restructuring, the amount of support available to LCR is capped. In the event that this cap is reached (or expected to be reached), Government would have the option to terminate the arrangements with LCR.
- The decision to proceed with the Channel Tunnel Rail Link (CTRL) project in 1996 and the renegotiated deal in 1998 was based on an extensive assessment of expected benefits and costs undertaken in consultation with industry experts and advisors. As the Committee notes, some, such as national prestige, could not be quantified.

- Since the 1998 CTRL decision, the DfT has adopted a new comprehensive process for appraising the costs and benefits of projects and this has come into effect.
- The Department is monitoring commercial developments along the line of the CTRL. It receives forecasts of potential development gains from LCR. These monitoring reports, as well as other data and analysis, will be used to evaluate the outcomes and to inform future policy decisions on transport and regeneration.

## Royal travel by air and rail

NAO Report 22, June 2001 (HC 25)

PAC Hearing 16, January 2002

PAC 60th Report, 17 July 2002 (HC 529 2001–02)

Treasury Minute, 28 November 2002 (Cm 5676)

### The Committee's key recommendations were:

The general conclusion of the report is that the Royal Household has made major savings in the cost of Royal travel.

The Committee makes four recommendations – two for the Department for Transport and two for the Ministry of Defence (MOD) and Cabinet Office. The recommendations and the DfT/MOD/Cabinet Office response are that:

*'The Department for Transport and the Royal Household should consider clarifying the existing guidance on royal travel relating to the size of official parties.'*

This recommendation has been implemented. Following consultation between the Department for Transport and the Royal Household, the relevant guidance has been clarified.

*'The Ministry should take close account of market rates in setting charges for the use of 32 Squadron for private use.'*

The MOD has taken steps to ensure that where the whole aircraft is used by the Royal Household for private purposes, a commercial equivalent price will be charged for the BAe 146 and the BAe 125, as these aircraft are available commercially.

*‘A similar system of market rates should be adopted for recharging journalists when accompanying Ministers.’*

The Government accepted that there should be a consistent approach to charging. Guidance will shortly be issued to departments.

*‘The Ministry and the Household should explore all opportunities for combining such positioning flights with genuine training opportunities, thereby releasing more flying hours for operational use and making more effective use of 32 Squadron’s aircraft.’*

The MOD will continue to seek to combine training flights with Royal and other tasks when opportunities present themselves. It should, however, be noted that such opportunities have decreased in recent times with the reduction in aircraft numbers in 32 (The Royal) Squadron and the shift to greater use of simulator training than was previously the case.

*‘In reviewing the future of the Royal Train all options for future rail provision including leasing from a commercial operator should be considered.’*

The planned review of future rail provision is currently under way. It is expected that the initial stages will be completed by the end of the financial year. Should the review conclude that there is an ongoing need for a Royal Train, the Royal Household and the Department will ensure that all options for its provision are fully examined and assessed. The Committee’s view that cost should not be the only consideration will also be taken into account.