House of Commons

Committee of Public Accounts

Customer First Programme: Delivery of Student Finance

Eighth Report of session 2010–11

HC 424

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The Committee of Public Accounts

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Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

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

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Summary

Under the Customer First Programme, delivery of grants and loans to Higher Education students in England is being transferred from local authorities to the Student Loans Company (the Company), a non-departmental public body of the Department for Business, Innovation and Skills (the Department). In 2009, the first year of a three-year phased implementation, the Company began assessing applications from new students; by 2011 it will be responsible for applications from all students in England.

Performance in processing applications and communicating with students in this first year was completely unacceptable. There were failures in the Company's management and the Department's oversight, and when these problems became apparent they were not tackled with urgency. As a result, many students waited weeks or months for their financial support.

Fewer than half of all applications were fully processed by the start of term, and the Company took on average a third longer to process applications than local authorities did the previous year. The Company answered fewer than half the calls it received in 2009; in September 87% of calls went unanswered. Disabled students suffered disproportionately in 2009, as the Company devoted too few staff to processing their applications.

The Company also demonstrated a number of IT failings in 2009: most importantly, it did not sufficiently test its crucial document scanning – the failure of which was the catalyst for the failure of the entire system.

The Department's risk management and performance monitoring were all found severely wanting in 2009. The Department underestimated the risks in centralising the service, the Programme Board lacked skills and experience, and there was poor communication between the Programme Board, the Company's Board, and the Department.

The failings in this service highlight wider weaknesses in the Department's oversight of its devolved services. We are disappointed and concerned that responsible officials appear not to have been held to proper account for their failures. There are also a number of lessons – for example, in piloting programmes and testing IT systems – which should be studied by other departments.

In 2010 the Company has improved its performance, although the rate of improvement has been disappointing. We expected better. Over two-thirds (69%) of applications from new students were fully processed by the start of term, the Company's contact centre has outperformed its targets for answering calls, and management information and governance arrangements have been overhauled. However, a quarter (26%) of applications were not sufficiently processed for students to receive even an interim

payment by the start of the first term, which was only a limited improvement on the 34% of applications unprocessed in 2009. and uncertainties remain over the Company's ability to deliver and maintain a service that provides value for money.

On the basis of a Report by the Comptroller and Auditor General,[1] this Committee took evidence from the Department and the Company on the Customer First Programme's performance in 2009 and how it could be improved. In October 2010, the Department provided the Committee with an Updating Memorandum[2] which included information on the Company's performance in 2010 in processing applications for the 2010/11 academic year. The National Audit Office re-performed the analyses to verify the reasonableness of the Department's figures.

1 C&AG's Report, Session 2009-10, *Customer First Programme: Delivery of student finance*, HC 296

2 Ev18

Conclusions and recommendations

1. **It is completely unacceptable that, by the start of term in autumn 2009, the Company had fully processed only 46% of students' applications.** Performance did improve in 2010, to the extent that 69% of new applications were fully processed by the start of the autumn term although there were still 100,000 cases (one in four) which were not sufficiently advanced to enable any payment to be made before the start of term. The Company has a target to process applications within six weeks of receipt and for 2011 it should guarantee to make at least an interim payment on all eligible applications submitted more than six weeks before terms starts. The Department should provide the Committee with a further Memorandum on performance next October. We expect to see a step change in performance to give us the assurance that proper value for money is secured from this programme.

2. **Targets set by the Department to measure the Company's performance in 2009 were inadequate to monitor its performance effectively.** The main target set by the Department was wrong. It measured whether applications had been *partly* processed rather than *fully* processed. The Department and the Company must develop clear, customer-focused targets for all loans, grants and allowances covering the full process from application to approval and payment.

3. **The Company's service to students applying for Disabled Students' Allowances in 2009 was significantly worse than its overall service, with fewer than a quarter of the 17,000 applicants having received payment by the end of December 2009. The Company deployed too few people to process these applications in 2009.** In 2010 the Company has doubled the resources it devotes to the processing of Disabled Students' Allowances, which is welcome. However, it was still taking nearly 18 weeks to process these applications from new students, and this is unacceptable. The Company must work with the Department to set stringent targets for processing applications for Disabled Students' Allowances and ensure sufficient resources are in place by next summer to provide a better service for disabled students.

4. **It is completely unacceptable that 56% of telephone calls to the Company went unanswered in the year to January 2010, and this figure peaked at 87% in September 2009 - when students needed to know whether they would get money in time for the start of term.** The Committee expects the Company to achieve the industry best practice standard of answering at least 95% of calls. We note that the Company's performance improved in 2010, answering 96% of telephone calls in the peak period of August to September. The Company now needs to bring its target into line with best practice and maintain its performance at or above that level.

5. **The Company did not adequately test its document scanning system before going live, and could not cope when the system subsequently failed.** The scanning system is crucial to the timely processing of applications and the Department should assure itself that the Company now has robust contingency plans for maintaining an effective service in the event that the scanning system, or other aspects of its IT, fails again.

6. **The Programme has been dogged by significant delays and cost overruns, notably IT systems.** The Department's plans for achieving financial savings of £20 million a year from 2011-12 have slipped to 2012-13, and it now considers that these savings might be delayed further and possibly reduced. At a time when the Department is facing financial challenges, it is imperative that it achieves the planned savings once the service to the public has been improved and stabilised. The Department should seek increased efficiency at the Company through faster processing and minimising the need for telephone contact with applicants.

7. **Governance arrangements to oversee the programme failed to identify or address emerging risks and problems.** The Programme Board lacked the requisite skills and experience, the three sub-programme boards failed to escalate awareness of emerging risks, and the Company's Board itself was consequently unaware of serious problems with the processing of applications. The Department and the Company should review whether the revised governance structure successfully addresses the weaknesses in the old Programme Board. They should ensure there is full and open communication between all tiers of management, including robust challenge and interrogation of management information and emerging risks.

8. **The Department failed to take prompt action to address serious problems with the Student Loans Company**. For example, despite the unacceptable delays in processing applications in time for the 2009/10 academic year, and the Hopkin Review's recommendations of December 2009, the Company's Chair and Chief Executive were not replaced until May 2010. The Committee is disappointed that the responsible officials in the Department appear not to have been held accountable for their failures. We believe improvements can only be secured when the civil service ensures proper accountability and responsibility for successes and failures. The Committee expects the Department to provide assurance that in future it will closely monitor the performance of the Company, and indeed that of other bodies within the Departmental group, and intervene quickly and decisively wherever the quality of service being provided to users falls short of the standards expected.

9. **The failings in the design and execution of the Customer First Programme have been seen in other programmes sponsored by the Department and more widely across other government programmes which are delivered by arm's length bodies. These include weaknesses in management information, target setting, testing IT systems, piloting, risk management and departmental oversight. We are particularly concerned that in this case the OGC Gateway review process did not surface the problems.** The Treasury has responsibility for disseminating lessons across government and should write to the Committee to explain how it will draw the lessons from this report to wider attention. The Cabinet Office Efficiency and Reform Group should examine the operation of the OGC Gateway process in this case to see if improvements can be made to ensure it operates as intended and provides early notification of problems.

1 The Service provided by Company

The Customer First Programme

1. The Customer First Programme (the Programme) is an initiative of the Department for Business, Innovation and Skills (the Department), designed to centralise and modernise delivery of grants and loans to students from England. Its main aims are to: improve customer service (through faster and more consistent processing of applications); achieve financial savings; and enhance the governance of the system. Under the Programme, responsibility for assessing applications for student finance is being transferred, over three years, from local authorities to the Student Loans Company (the Company), an arm's length public body chiefly funded by, and accountable to, the Department. In 2009, the first year of implementation, the Company became responsible for assessing all first year students; by 2011 it will process all applications from students in England.[3]

2. The first year of the new system was not a success: the Company had major problems in processing applications and in customer service. In March 2010, the Comptroller and Auditor General concluded that the service had not achieved value for money.[4] Previously, at the joint invitation of the Minister of State for Higher Education and the Company's Chairman, Professor Sir Deian Hopkin had carried out a review of the service, which was published in December 2009.[5] In spring 2010, the Department commissioned consultants PricewaterhouseCoopers to assess the Company's readiness to deliver an improved service in 2010 and its progress in implementing the recommendations of the Comptroller and Auditor General and Professor Hopkin.[6]

Performance in processing main applications

3. By the start of the first term of the 2009/10 academic year, the Company had fully processed only 46% of the 385,200 applications from new students for student support (Figure 1). In 5,600 cases, students had applied in time for the Company's administrative deadlines of April and June 2009, but had still not been paid by mid-November. Even by the end of January 2010, 23% of all new applications had not been fully processed and paid.[7]

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3 C&AG's Report, para 1.2

4 C&AG's Report, para 18

5 Review of the delivery of financial support to students in England by the Student Loans Company for the academic year 2009/10 and plans for academic year 2010/11 (Hopkin Review), Professor Sir Deian Hopkin, December 2009, www.bis.gov.uk

6 Independent Health Check Review of Student Finance England , PricewaterhouseCoopers report for the Department for Business, Innovation and Skills and the Student Loans Company, April 2010

7 C&AG's Report, paras 5-6,2.15-2.16

Figure 1: Comparison of performance in processing applications from new students at the start of term, 2008/09 to 2010/11

	Academic year		
	2008/09 (by local authorities)	2009/10 (by the Company)	2010/11 (by the Company)
Applications received	360,800 (100)	385,200 (100)	396,600 (100)
Applications fully processed at start of term	228,000 (63)	176,200 (46)	272,800 (69)
Provisional or interim assessment made	37,200 (10)	76,300 (20)	21,500 (5)
Insufficiently processed to enable any payment at start of term	95,600 (27)	132,700 (34)	100,000 (26)

Sources: C&AG's Report (Figure 8) for 2008/09 and 2009/10 data; Updating Memorandum

4. The Department and the Company told us at the hearing that they were confident the Company would markedly improve its performance in 2010 compared to the previous year, and that the majority of applications would be processed by the start of term.[8] Even where applications were received late and would not be fully processed in time for the start of term, the Company said it would make interim payments (of 75% of the full maintenance loan). This led the Company to conclude that every student ought to start university in 2010 with some financial support, even if they applied late.[9]

5. The Updating Memorandum showed that the Company had, by the start of the first term of the 2010/11 academic year, fully processed 69% of the 396,600 new applications (Figure 1). This means the Company had fully processed more applications, and a higher percentage of applications received, from new students by the start of the first term than achieved either by the Company in 2009 or by local authorities in 2008.[10] For another 5% of applications, the Company had made a provisional or interim assessment, meaning that these students would still be entitled to interim payments. However, 26% of all applications (just over 100,000) had not been processed sufficiently to enable any payment at the start of term.[11]

6. As at 10 October 2010, the Updating Memorandum showed that the average time to process an application from a new student in 2010 was 10.8 weeks. For 2009, the Comptroller and Auditor General found that new applications had taken 12.4 weeks on average, although this measurement was taken at the end of January 2010 (rather than October 2009, which would be directly comparable with October 2010). However, for

8 Qq 10-11, 15

9 Q 141

10 Ev18; C&AG's Report, Figure 8

11 Ev 18

2010, the Company is still slower than local authorities in processing applications from returning students (8.7 weeks compared with 5.6 weeks).[12]

Performance in processing applications for targeted support

7. In addition to student loans and grants, the Government makes a number of targeted support grants available to students with particular additional needs. The largest of these funds is Disabled Students' Allowances, which is intended to help meet the extra course costs students can face as a result of physical or mental disability or specific learning difficulty.[13] By the end of December 2009, the Company had fully processed and made a first payment on less than a quarter (24%) of the 17,000 applications it had received for these Allowances. These applications took the Company on average 20 weeks to process.[14] At the hearing, the Company apologised to those disabled students who had been affected by the delays, and acknowledged that its service last year had been completely unacceptable.[15]

8. At the hearing the Company told us that the service in 2010 should be better, since the number of advisers handling these applications had been more than doubled to 52 in July 2010. It also stressed that those who had performed this role last year now had more experience, had been given enhanced training, and processes had been streamlined. Overall the Company assured us that disabled students would not be as disadvantaged by the system as they had been in 2009.[16]

9. The Company told us that its inexperience in dealing with Disabled Students' Allowances contributed to its problems in processing these applications in 2009.[17] This was despite the fact the Company had, since 2006, been running a pilot programme, in which it took over the student finance processing responsibilities from 11 local authorities. The Comptroller and Auditor General concluded that the Company had failed to design and test the pilot in such a way as to obtain useful lessons for running the full service on a national scale from 2009.[18]

10. According to the Updating Memorandum, as at 8 October 2010 the Company was taking on average 17.8 weeks to process and pay applications from new students for Disabled Students' Allowances. Of the 16,000 applications from new students it had received for the 2010/11 academic year, 5,200 (33%) had been approved, with first payments being made in respect of 3,300 (21%).[19] This was an improvement over the performance in October in the previous two years but a lower proportion than had been processed and paid by the end of December 2009.[20]

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12 Ev 18; C&AG's Report, Figure 6

13 C&AG's Report, para 2.17, Appendix 2

14 C&AG's Report, paras 2.18, 2.20

15 Qq 16-17

16 Qq 18-20

17 Q 22

18 C&AG's Report, para 2.2

19 Ev 18

20 C&AG's Report, para 2.18, Ev 18

11. The Company's targets for processing these applications have also been made tougher, with 95% of applications expected to be processed within the target times for two key stages of processing (assessing whether a student is eligible, then assessing the support to which they are entitled). In the period February to December 2009, the Company had achieved 45% (first stage) and 15% (second stage) of applications processed before its then 15-day targets.[21] For both stages, the target was reduced from 15 working days for the 2009-10 financial year to 10 working days for 2010-11.[22] In the year to date, the Company has missed both targets, achieving 80% for the first stage and 92% for the second stage; although in September 2010, the latest month for which there were complete data, this had improved to 100% and 93% respectively.

12. It was impossible to assess the Company's performance in 2009 regarding other forms of targeted support, such as Childcare Grant and Parents' Learning Allowance. While the Department had set targets for processing applications, the Company did not collect the management information that would allow its performance to be assessed against them.[23] For the 2010-11 financial year a new target has been introduced for Childcare Grant (95% of applications to be processed within four weeks of receipt), and the Company is now measuring its performance against it: in September 2010 it was meeting this target in all cases.[24] The Updating Memorandum stated that other forms of targeted support (such as Parents' Learning Allowance) are now included within the six week target for processing main student finance applications.[25]

Performance in handling customer contact

13. The Company runs a contact centre that handles calls from applicants and their sponsors. In the 12 months to the end of January 2010, more than half (56%) of all calls to the Company went unanswered. At its worst, in September 2009, the Company received some 4 million calls (as many as it had received in the whole of the previous year), of which 87% went unanswered.[26] The Company had set a performance target of answering 55% of calls within 60 seconds, which was far behind industry benchmarks. In addition, in measuring its performance, the Company excluded callers who were unable to connect to the queue.[27] In 2009 it also did not assign enough staff to its contact centre to cope with forecast peak demand.[28] Assessing the Company's readiness to cope with peak demand of calls in 2010, PricewaterhouseCoopers suggested the contact centre was still under-resourced, and recommended its peak time staffing be increased by 100 telephonists to meet the predicted volumes.[29]

21 Ev 18; C&AG's Report, Figure 11

22 Ev 18

23 C&AG's Report, para 2.22

24 Ev 18

25 Ev 18

26 C&AG's Report, paras 10, 2.25

27 C&AG's Report, para 2.24

28 Hopkin Review, p 18

29 Independent Health Check Review of Student Finance England, PricewaterhouseCoopers report for the Department for Business, Innovation and Skills and the Student Loans Company, April 2010, p 8

14. The Company apologised to those who had received poor customer service in 2009 and accepted its performance was completely unacceptable.[30] The Company told us it had increased its number of telephonists, added another 600 telephone lines, and improved its system of interactive recorded messages. The Company has also toughened its target and aimed to answer 80% of all calls, and would include those who do not get through in its measure of unanswered calls. The Department told us that the management information it was now receiving presented a more accurate picture of customer service at the contact centre. As at late July 2010, the Company had answered 90% of all calls in the year to date.[31] The Updating Memorandum showed that this performance was maintained through the peak period for calls, with the Company answering 96% of calls in July, August and September.[32] However, the Company's target still falls short of accepted best practice, which is to answer 95% of all calls.[33]

30 Q 15

31 Qq 70-71, Q 121

32 Ev 18

33 Committee of Public Accounts, Twenty-fourth Report of Session 2009-10, *HM Revenue & Customs: Handling telephone enquiries*, HC 389, para 2

2 Management and oversight of the Programme

15. The Department has set a number of targets against which it monitors the Company's performance. In 2009 the main target, covering the processing of applications for maintenance loans and grants, was shown to be flawed. Instead of covering the whole process from application to approval for payment, it measured the time taken to make an "initial decision" on an application. This was despite the recommendation of a report, published in 2006 by the then Department for Education and Skills, that the process be measured in full. In some 52% of cases in 2009, the Company's "initial decisions" were simply requests for applicants to submit further evidence.[34]

16. The Department acknowledged that the target was inadequate. It meant that throughout the summer of 2009 the Department had thought it was getting assurance that applications were being processed when in practice they were only being acknowledged and questions asked by the Company.[35] The Department explained that it had set the Company this target because it mirrored how local authorities' performance had been measured in previous years and would facilitate comparisons between the new service and the old. However, the Department agreed that it had not heeded its earlier report and so had not set the right target, and in consequence had received only a partial picture of the Company's performance.[36] The Company acknowledged that its own failure to understand its poor performance in summer 2009 was in part due to poor management information, but told us that the quality and timeliness of its management information had since greatly improved.[37] The Department was in agreement.[38]

17. In the wake of the Hopkin Review, new targets were in place in mid-February 2010.[39] In its Updating Memorandum, the Department told us that the new targets required the Company to process within six weeks the applications that included full supporting evidence.

18. The immediate cause of the major problems with the service in 2009 was the malfunction of the document scanning system.[40] In procuring the software to run the system, the Company had failed properly to specify its requirements (specifically, the volume at which the system would be used). The Company launched the system before testing it fully. In operation, the system failed to cope with the volume of work and broke down; the Company's contingency plan was introduced late and did not work in the way the Company had expected. The situation was aggravated by the fact that the documents to

34 C&AG's Report, paras 2.9-10

35 Q 121

36 Q 64-69

37 Qq 107-108

38 Q 120; Ev 18

39 Qq 122-125

40 Q 2

be scanned had been sent to the Company's office in Glasgow, while application forms were sent to its processing centre in Darlington.[41]

19. The Company agreed that it could have been relatively cheap to fully test the scanning system before launch, and could not tell us why it had failed to do so.[42] It told us that, with hindsight, it had been wrong to locate scanning and processing in different sites.[43] Following remedial work on the scanning software which the Company had requested from its supplier, the scanning system was relaunched in March 2010. The Company and Department told us it has subsequently been operating satisfactorily.[44] However, the Department stated that the cost of the scanning system had increased by £1.0 million (63%) above its original £1.6 million budget.[45]

20. Other difficulties in the IT elements of the Programme led to delays and increased cost: overall, there was a cost overrun (at December 2009) of £10.5 million (75%) above the business case estimate of £14 million for IT systems.[46] Another of the key planned IT improvements, new contact centre technologies, had still not been implemented as at October 2010. The Updating Memorandum showed this element of the Programme had been budgeted at £4.6 million, but was now forecast to cost £11.0 million, a predicted overspend of £6.4 million (139%).[47]

21. The Company had told the Comptroller and Auditor General that it had taken seven months to implement a change to enable students to reset their own passwords on the student finance website.[48] However, at the hearing the Company told us that it had not yet got this change to work.[49] The failure to resolve this issue in 2009 led to high volumes of calls to the contact centre from students who could not access their application details: in the first half of 2009 this was the single most common reason for calls to the Company.[50] The Updating Memorandum stated that it was now possible for students to reset their online passwords, and that the proportion of calls about this issue had declined since the previous year.[51]

22. The Department expected the centralisation of the service to achieve annual savings of around £20 million from the 2011-12 financial year and that the Company's operating costs would be far less than the grants which the Department had given to local authorities to run the previous service. Cost overruns had challenged the Programme's budget, but at the time of the Report by the Comptroller and Auditor General (March 2010) the

41 C&AG's Report, paras 9, 2.5-2.6; Qq 74-76

42 Qq 82-85

43 Q 74

44 Qq 76, 79; C&AG's Report, para 9; Ev 18; Independent Health Check Review, PricewaterhouseCoopers, p 4

45 C&AG's Report, para 2.4; Ev 18

46 Q 77; C&AG's Report, para 2.4

47 Ev 18

48 C&AG's Report, para 3.12

49 Q 114

50 C&AG's Report, para 3.12

51 Ev 18

Company was making other cost reductions to compensate, expecting its operating costs to be in line with the original business case from 2011-12.[52]

23. At the time of our hearing, the Department told us the timetable for generating savings had slipped by one year, so that the Programme was now not expected to break even and to achieve financial returns until the 2012-13 financial year. The Department told us that, while cost savings were an objective for the Programme, the absolute requirement was to achieve improved customer service, particularly in 2010, and that it would not put customer service at risk by an unyielding pursuit of savings.[53] In October 2010, the Updating Memorandum stated that the Department was still discussing the Company's financial requirements and that the need for additional resources for the 2011/12 academic year and beyond was likely to further delay, and possibly reduce, the expected financial savings.[54]

24. In 2006, reviews commissioned by the Department had identified weaknesses in the Company's management culture and capacity. The Company introduced an organisational development programme, but the programme was incomplete by the time the service went live in 2009, and the Company's own review acknowledged its culture as a contributory factor to its failings in 2009.[55] The Department considered that the Company had been over-optimistic about its ability to resolve any technical problems and as a consequence had failed to alert the Department to escalating risks during 2009.[56] Overall the Department concluded failures in leadership and management in the Company lay behind the poor performance.[57]

25. As late as April 2010 PricewaterhouseCoopers told the Department it was surprised by the lack of focus and urgency within the Company in setting right the problems identified in 2009.[58] In December 2009 the Department had accepted the Chairman of the Company's advice that two directors resign. After receiving the PricewaterhouseCoopers report, ministers decided to invite the resignations of the Company's Chairman and Chief Executive, which were received in May 2010.[59] The Department conceded that with hindsight it might have taken more far-reaching action earlier.[60] Nobody in the Department lost their job as a result, although the performance of the programme was reflected in the appraisal of the officials concerned.[61]

26. At the time of our hearing, the Company's Chairman, Chief Executive, Chief Operating Officer, and Director of Human Resources were all interim appointments. The Company

52 C&AG's Report, paras 3.15-3.16, 3.21; Qq 23-28

53 Qq 23-24

54 Ev 18

55 C&AG's Report, para 3.7

56 Q 40

57 Q 2

58 Independent Health Check Review, PricewaterhouseCoopers, pp 7-8

59 Q 31

60 Q 53

61 Q 112

expected a permanent Chief Executive to be in place by the end of 2010.[62] A new permanent Chairman was subsequently appointed, taking up his post on 1 November 2010; however, the Company has still to recruit a permanent Chief Executive and four permanent executive directors.[63]

27. Centralising the processing of student finance applications was inherently high risk, and the risks attached to the Programme were highlighted at an early stage. The first Office of Government Commerce Gateway Review in March gave it an overall Red rating, while the third Gateway Review (July 2009), gave the Programme an Amber/Green rating, concluding it was well managed, that the programme management was strong, and that it was monitored appropriately by the Department.[64] The Department considered that the OGC's third evaluation had not been fit for purpose in that it did not highlight that risks were not being properly managed.[65] Overall, the Department (together with the Company's Board) had underestimated the challenging nature of the Programme.[66]

28. There were significant problems in 2009 with the effectiveness of the governance structures the Department set up to oversee the Programme. The Programme Board had no expertise in IT, finance or human resources, nor any experience of undertaking a major centralisation project. While greater specific expertise was located in three sub-programme boards, these did not successfully identify emerging risks and escalate awareness of them, either to the Programme Board, the Company's Board, or directly to the Department, in time for effective intervention.[67] The Department considered that the Company was responsible for the failure to inform it of the developing problems in 2009. However, it also accepted responsibility for not supervising the Company more effectively. At the time of our hearing, it informed us that a new Programme Board had been established, with new systems that would improve the Department's capacity to monitor the Company's performance.[68] In the Updating Memorandum, however, the Department informed us that the Programme Board was being closed down, and had been replaced with a revised governance structure.[69]

29. The problems experienced by the Department in managing the performance of the Company are in keeping with problems it has had with a number of its arm's length bodies.[70] In the past two years, for example, we have criticised the Department for similar failings in its oversight of the then Learning and Skills Council, in respect of its delivery of the Train to Gain programme and the capital funding of further education colleges.[71] The

62 Qq 95-96

63 Ev 18

64 C&AG's Report, paras 3.2-3.3 ; Q34

65 Q 47

66 C&AG's Report, para 18

67 C&AG's Report, para 15; Qq 39-42

68 Q 50

69 Ev 18

70 C&AG's Report, para 3.28

71 Committee of Public Accounts, Sixth Report of Session 2009-10, *Train to Gain: Developing the skills of the workforce*, HC 248; and Forty-eighth Report of Session 2008-09, *Renewing the physical infrastructure of English further education colleges*, HC 924

Department has implemented a range of reforms to its processes for managing arm's length bodies, and it told us that the Cabinet Office had concluded it was making good progress in improving its relationship with delivery partners.[72] In March 2010 the Comptroller and Auditor General had concluded it was too early to say what impacts such measures would have.[73]

72 Q 7, Qq 55-56, Q 117, Q 155

73 C&AG's Report, para 3.28

3 Future developments

30. The Programme faces ongoing risks, with the number of applications the Company deals with rising steeply as by 2011 it takes on responsibility for all students in the student finance system.[74] The Department told us it would review options for removing this work from the Company if the service failed again in 2010 but the only real option would be to hand the work back to local authorities; an option it told us it had not examined in detail. The Department further explained that, because of the need to ensure continuity of service and the lead time required to introduce any change of service provider, it was to an extent locked in to its current arrangements. It has sought to improve the service by changing the management arrangements of the Company.[75]

31. The Updating Memorandum drew our attention to two developments which may have implications for the design of the Programme and the role of the Company. The status of the Company is "under consideration", and proposals on how student support is administrated, taking into account the Government's response to the Browne Report, will be developed in a Higher Education White Paper, expected in early 2011.[76] Through the Memorandum, the Department also informed us that in January 2011 there will be a final OGC Gateway Review, which will review the strategic business case for the Programme, and the financial benefits realised to date.[77]

32. A number of the problems experienced by the Company and Department in 2009 are not unique to this particular programme or department. In recent years our predecessors have repeatedly criticised departments for failing to ensure programmes and related IT systems were effectively piloted before the launch of a new national service.[78] Similarly, our predecessors have observed numerous problems encountered by departments in their management of arm's length bodies in the delivery of services and introduction of new systems.[79] We put it to the Department and the Treasury that, where there are generic lessons to be learned from programmes which have experienced difficulties, there ought to be a better process of sharing information about them, not just within the individual department responsible, but across Whitehall. The Department agreed, suggesting that this could involve the National School of Government, and affirming that the permanent secretaries of all departments needed to act collectively to ensure learning was shared throughout Whitehall.[80]

74 C&AG's Report, para 1.2

75 Q 144-147

76 Ev 18; Public bodies reform—proposals for change, Cabinet Office press release, 14 October 2010

77 Ev 18

78 For example: Committee of Public Accounts, Tenth Report of Session 2002-03, *Individual Learning Accounts*, HC 544; Fourteenth Report of Session 2003-4, *Inland Revenue: Tax Credits*, HC 89; Forty-fifth Report of Session 2004-05, *Criminal Records Bureau: delivering safer recruitment?*, HC 453; Fifty-fifth Report of Session 2005-06,*The Delays in Administering the 2005 Single Payment Scheme in England*, HC 893

79 For example: Committee of Public Accounts, Fifty-fifth Report of Session 2005-06,*The Delays in Administering the 2005 Single Payment Scheme in England*, HC 893

80 Qq 160-161

Formal Minutes

Wednesday 1 December 2010

Members present:

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon
Dr Stella Creasy
Jackie Doyle Price
Matthew Hancock
Rt Hon Mrs Anne McGuire
Ian Swales

Draft Report (*Customer First Programme: Delivery of Student Finance*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 32 read and agreed to.

Conclusions and recommendations 1 to 9 read and agreed to.

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

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

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

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 7 December at 10.00 am

Witnesses

Tuesday 27 July 2010 *Page*

Simon Fraser, Permanent Secretary**, Michael Hipkins,** Director, Financial Support for Learners, Department for Business, Innovation and Skills and **Ed Lester,** Interim Chief Executive, Student Loans Company Ev 1

List of printed written evidence

1 Department for Business, Innovation and Skills Ev 18

2 Department for Business, Innovation and Skills Ev 18

3 Department for Business, Innovation and Skills Ev 18

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–11

First Report	Support to incapacity benefits claimants through Pathways to Work	HC 404
Second Report	Delivering Mulit-Role Tanker Aircraft Capability	HC 425
Third Report	Tackling inequalities in life expectancy in areas with the worst health and deprivation	HC 470
Fourth Report	Progress with VFM savings and lessons for cost reduction programmes	HC 440
Fifth Report	Increasing Passenger Rail Capacity	HC 471
Sixth Report	Cafcass's response to increased demand for its services	HC 439
Seventh Report	Funding the development of renewable energy technologies	HC 538
Eighth Report	Customer First Programme: Delivery of Student Finance	HC 424