HM Treasury

Treasury Minutes

Government responses on the Twenty Third to the Twenty Sixth, the Twenty Ninth and Thirtieth Reports from the Committee of Public Accounts (Session 2013-14), and progress on Government Cash Management.

Cm 8774

January 2014

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Government responses on the Twenty Third to the Twenty Sixth, the Twenty Ninth and Thirtieth Reports from the Committee of Public Accounts (Session 2013-14), and progress on Government Cash Management.

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TREASURY MINUTES DATED 13 JANUARY 2014 ON THE TWENTY THIRD TO THE TWENTY SIXTH, THE TWENTY NINTH AND THIRTIETH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS (SESSION 2013-14), AND PROGRESS ON GOVERNMENT CASH MANAGEMENT.

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Twenty Third Report

HM Revenue and Customs

Progress in tackling tobacco smuggling

1: Committee of Public Accounts conclusion

Tobacco duties generated £9.9 billion of revenue in 2011-12, but tobacco smuggling represents a significant risk to revenues. It undermines initiatives to reduce smoking and it is linked to the activities of organised criminal gangs. HMRC estimates that duty not paid on tobacco smoked in the UK in 2010-11 resulted in revenue losses of around £1.9 billion. HMRC launched the latest iteration of its tobacco strategy in April 2011. This is a joint strategy with Border Force; HMRC has overall responsibility for delivering the strategy while Border Force is responsible for the seizure of illicit tobacco at the border.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 24 June 2013, from HMRC and Border Force on the renewed strategy to tackle tobacco fraud. The Committee published its report on 10 October 2013.

Resources

- NAO report: *Progress in tackling tobacco smuggling* - Session 2013-14 (HC 226)
- PAC report: *Progress in tackling tobacco smuggling* - Session 2013-14 (HC 297)

Government response to the Committee

2: Committee of Public Accounts recommendation

HMRC should be transparent about the extent to which its Spending Review investment is truly additional to the funding required for business-as-usual and where it has been used to make up any shortfall in funding elsewhere.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The department is transparent about its SR10 spending and has strong governance and assurance in place. Investment funding was not used to supplement HMRC business-as-usual activity. SR10 investment funding was used to expand the department's Fiscal Crime Liaison Officer (FCLO) network, funding an additional six posts, plus a further five posts previously funded by the Department of Health (DH) as part of their tobacco control strategy. DH funding ceased in 2011. Without additional investment, the five FCLO posts funded by DH would have been withdrawn.

3: Committee of Public Accounts recommendation

HMRC and Border Force should encourage innovative solutions to tackle problems, but these must be based on clear, well thought through, evidence-based proposals that can be implemented when funding is available.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 Both HMRC and Border Force encourage the development of innovative solutions to tackle illicit trade and recognise the need to balance ambition with realistic expectations. Based on lessons learned, including reviews of the less successful projects under SR10, a governance process has been adopted that challenges and assures the quality of approved business cases. The model for developing future initiatives to tackle tobacco smuggling will be based on the successful SR10 initiatives to increase investment in the overseas Fiscal Crime Liaison Officer network and Criminal Investigation, both of which have delivered returns significantly above target.

4: Committee of Public Accounts recommendation

HMRC should include its data sources, and a clear quantitative analysis, when providing its assessment of the financial impacts achieved by March 2015 from its projects funded by the 2010 Spending Review.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The department already includes data sources and analysis in SR10 reporting. Revenue Loss Prevented (RLP) captures an estimate of the value of the case at the point of intervention (for example: the initial arrest and seizures) to provide a real time indicator of the impact of criminal investigation work and assess the relative impact between individual cases. It does not take into account displacement effects. RLP reporting has been cautious. In every case, the NAO found a reason to increase the amount of RLP reported by the Department. Guidance on calculating RLP has been re-issued and data assurance improved.

5: Committee of Public Accounts recommendation

HMRC and Border Force should develop a clear and coherent rationale for the use of prosecutions and other enforcement action within the UK, based on good evidence of the deterrent effect. They should also publicise prosecutions and other enforcement action more widely to deter potential offenders. HMRC needs better relationships with Local Authority trading standards officers to achieve this.

5.1 Government agrees with the Committee's recommendation.

Work in progress: 31 March 2014.

5.2 HMRC and Border Force have a tobacco strategy that sets out how and when a criminal or civil enforcement response is deployed. The roll-out of a new inland 'hotspot' approach will improve working with local police forces and partner agencies including the Police and Trading Standards, responding to known organised crime activity in the community linked to tobacco smuggling. This will generate intelligence to help direct activity at the border. The department does publicise court successes and a new communications strategy is being developed to maximise deterrence as part of the new inland approach.

6: Committee of Public Accounts recommendation

HMRC should implement effective examples of joint-working more quickly across the UK.

6.1 The Government agrees with the Committee's recommendation.

Work in progress: 31 March 2014.

6.2 The department is developing its approach to tackling the illicit tobacco market in the UK and working with other agencies is a key element of that approach. Building on the '*Closer Working Protocol*' between the department and Trading Standards, work has already started on pilot exercises with key partners including Border Force, Trading Standards and the Police. The results of these pilots will be used to develop a programme of joint-working exercises that will be rolled out across the UK, with the support of other agencies, to tackle the illicit tobacco trade.

7: Committee of Public Accounts recommendation

HMRC should apply the supply-chain legislation to its full extent. It needs to identify and seek to correct any shortcomings in the legislation to put a stop to the abuse of exports by tobacco manufacturers. It should consider naming and shaming those manufacturers who fail to co-operate fully with the department.

7.1 The Government agrees with the Committee's recommendation.

Work in progress: 31 March 2014.

7.2 The department has strengthened its approach to applying the legislation and is challenging tobacco manufacturers to control their supply-chains better, having recently issued another warning letter. Over the last two years, supplies of UK tobacco products to high risk markets have reduced by 20%. Notwithstanding this success, the department will consider relevant policy and legislation to identify any limitations or areas that could be strengthened. The department has a legal duty of taxpayer confidentiality and cannot comment publicly on any concerns involving individual taxpayers.

Twenty Fourth Report

Ofcom

Rural Broadband Programme

1: Committee of Public Accounts conclusion

The Programme is designed to help get superfast broadband to areas, predominately rural, where commercial broadband infrastructure providers currently have no plans to invest. Under the Programme the department provides grant funding to 44 bodies (local authorities or groups of authorities) to subsidise them to procure the superfast broadband services for their areas. The department has developed a framework contract for local bodies to use and also offers them support in negotiating with the supplier to provide the infrastructure required to fill in the gaps in commercial coverage. The department has allocated £490 million in grant funding to local authorities for the Programme until 2015 and is also seeking matched funding from local authorities and capital investment from the supplier, BT.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 17 July 2013, from the Department for Culture, Media and Sport; Ofcom; BT; UK Broadband; the Independent Networks Co-operative Association (INCA); and Talk Talk on the rural broadband programme. The Committee published its report on 26 September 2013.

1.2 Government response to the Committees recommendations numbered 1 to 6 was completed by the Department of Culture, Media and Sport. The Treasury Minute was published on Monday 18 November 2013.

Resources

- NAO report: *The rural broadband programme* – Session 2012-13 (HC 535)
- PAC report: *The rural broadband programme* – Session 2013-14 (HC 474)

Government response to the Committee

7: Committee of Public Accounts recommendation

As part of its current review of the broadband market, Ofcom should explicitly address the impacts on competition of BT's wholesale pricing structure and of the terms and conditions attached to accessing BT's infrastructure.

7.1 Ofcom agrees with the Committee's recommendation.

Work in progress: Fixed Access Market Review – 2014; and Business Connectivity Market Review – 2016.

7.2 The Committee's recommendation reflects the existing requirements of Ofcom's statutory framework. Ofcom is currently consulting on its proposals for the regulation of this market in its Fixed Access Market Review. This review is required by, and is being carried out in accordance with, the European Telecoms Framework and includes consideration of wholesale pricing. Ofcom expects to conclude its Fixed Access Market Review in the first half of 2014.

7.3 The question of access terms was considered as part of Ofcom's Business Connectivity Market (BCM) review, which concluded March 2013. Ofcom's decision not to impose a passive access remedy, giving access to BT's physical network assets in the leased lines market, was addressed by the Competition Appeal Tribunal, who upheld Ofcom's original decision. In line with the EU Telecoms Framework, the next BCM review will be completed in 2016.

Twenty Fifth Report

HM Treasury and the Duchy

The Duchy of Cornwall

1: Committee of Public Accounts conclusion

The Duchy's principal activity is management of the land and properties which make up its estate to provide an income for the present and future Dukes of Cornwall. In 2012–13, the Duchy reported a total income of £28.8 million and a surplus of £19.1 million. No corporation tax is payable on this £19.1 million surplus. The surplus is distributed as income to The Prince of Wales, the current Duke of Cornwall. After taking account of £1.2 million income from public sources and £11 million in expenses for carrying out official duties, this gave a remaining surplus of £9.2 million, on which The Prince of Wales voluntarily paid tax. The combined total of income tax and VAT paid by The Prince of Wales was £4.4 million.

1.1 The Committee took evidence, on 15 July 2013, from the Duchy, and the Treasury on the Duchy of Cornwall Financial Statement and Annual Review. The Committee published its report on 5 November 2013.

Resources

- Duchy report: *Duchy of Cornwall Financial Statements*
- Duchy report: *The Prince of Wales and The Duchess of Cornwall Annual Review 2013 (Income and Expenditure Account)*
- PAC report: *The Duchy of Cornwall* – Session 2013-14 (HC 475)

Government response to the Committee

2: Committee of Public Accounts recommendation

The Duchy should apply the good practice employed and lessons learned from developing Poundbury into its proposed urban extension at Newquay.

2.1 The Duchy of Cornwall agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Duchy of Cornwall is grateful for the Committee's support for its approach to Poundbury. The Duchy of Cornwall's plans for Newquay have and will employ the same principles. The Treasury will take account of the Committee's advice in evaluating specific proposals for projects at Newquay.

3: Committee of Public Accounts recommendation

The Duchy would benefit from being brought into the present day to allow a female heir to the British Crown to bear the title 'Duke of Cornwall'.

3.1 The Government has no plans to legislate to make this change.

Recommendation not implemented.

3.2 There are currently three generations of male heirs to the throne. So the Government does not view this as an urgent matter. The non-inheritance of the title need not have a detrimental impact upon the Heir's relationship with the Duchy of Cornwall.

4: Committee of Public Accounts recommendation

The Treasury should publish its process for scrutinising the Duchy's strategy and proposed land transactions, its methodology for validating information offered by the Duchy, and arrange for the Duchy to publish details of Section 11 warrants in its accounts.

4.1 Where a transaction affects land belonging to the Duchy, the Treasury is required to ensure that the transaction is conducive to the good management of the Duchy. The Government and Duchy agree with the Committee's recommendation that this process should be documented.

Recommendation implemented.

4.2 The Duchy of Cornwall and the Treasury have produced an operational agreement which documents their working relationship. A copy is on the Duchy of Cornwall's website. A summary of future Section 11 warrants will be published in the Duchy of Cornwall's annual report laid in Parliament.

5: Committee of Public Accounts recommendation

The Treasury should examine the impact on the marketplace of the Duchy engaging in commercial transactions while exempt from tax.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Duchy of Cornwall is a private estate which has Crown exemption. The Duke of Cornwall (The Prince of Wales) pays tax as agreed in the published Memorandum of Understanding, which was reissued in March 2013. He does not pay capital gains tax since he does not receive the Duchy's capital gains. The Duke does pay income tax on his income from the Duchy of Cornwall. The Treasury and Duchy do not believe that in practice these arrangements have a material effect on the property market.

5.3 At the Treasury's request, the Duchy of Cornwall has tested this proposition. It has reviewed its 12 large property transactions over the past three years. The prices at which they took place all reflected the then current open market prices. Deals were normally negotiated through independent agents and disposals for development often included overage to reflect future price movements. The Duchy of Cornwall has placed a fuller account of its assessment on its website.

6: Committee of Public Accounts recommendation

The Prince of Wales and The Duchess of Cornwall Annual Review would benefit from disclosing separate figures for income tax and VAT.

6.1 The Government and the Duchy of Cornwall disagree with the Committee's recommendation.

6.2 The Government believes that The Duke and Duchess of Cornwall are entitled to the same level of privacy about their tax affairs as any other taxpayer. There is no requirement placed upon private individuals to disclose their accounts or tax to public scrutiny, and should an individual choose to do so then it should be at that person's discretion to prescribe the extent of the information disclosed and its format.

Twenty Sixth Report
Department of Transport
Progress in delivering the Thameslink Programme

1: Committee of Public Accounts conclusion

The department is sponsoring the programme to increase passenger capacity on the Thameslink route through central London. The programme comprises three interrelated projects: to improve rail infrastructure, to buy new trains, and to let the new franchise to operate the new services. The infrastructure project to improve tracks and stations at a cost of £3.55 billion (2006 prices), is being delivered through Network Rail. The department is buying the new trains, with an estimated capital cost of £1.6bn, through a private finance initiative. It is also responsible for letting the new franchise and overall management of the programme.

1.1 On the basis of a report by the National Audit Office, the Committee took evidence, on 19 June 2013, from the Department for Transport and Network Rail on the progress in delivering the Thameslink programme and the risks to delivery that remain. The Committee published its report on 29 October 2013.

Resources

- NAO report: *Progress in the Thameslink Programme* - Session 2013-14 (HC 227)
- PAC report: *Progress in the Thameslink Programme* - Session 2013-14 (HC 296)

Government response to the Committee

2: Committee of Public Accounts recommendation

The department should develop a long term investment strategy for transport projects built on a strong evidence base, including better passenger travel data and more reliable forecasts. This should help to secure political consensus and greater certainty of funding, which will in turn help to get projects up and running much more quickly.

2.1 The Government agrees with the Committee's recommendation.

Work in progress: May 2014.

2.2 At SR13, the Government published *Investing in Britain's Future*, which sets out the long-term commitments to infrastructure investment, including over £70 billion for transport investment. The department also published *Transport – an engine for growth*. The department's investment decisions use the best available data; demand forecasting; and appraisal methods. The department's planned evidence and research requirements to meet its strategic objectives, set out in *Evidence and Research for 2014-15* due to be published in May will provide additional data allowing more reliable forecasts to be developed.

3: Committee of Public Accounts recommendation

The department must put in place a clear plan to build sufficient, appropriate skills in the organisation to match the scale and ambition of its portfolio of projects. Clear succession plans should be built into project plans taking into account the key points in the project lifecycle when staff moves can be made with minimal impact.

3.1 The Government agrees with the Committee's recommendation.

Work in progress: December 2014.

3.2 The department has reviewed its skills analysis and strengthened its commercial and programme / project management (PPM) capability. The department has also established succession plans for all senior and critical roles; developed learning and development to strengthen PPM training; and increased the number of entrants into the Major Projects Leadership Academy. Further to this, the department has strengthened its PPM Community of Practice; rejoined the Major Projects Association and Association of Project Managers; and developed a new PPM Framework to support programme managers.

4: Committee of Public Accounts recommendation

For all future procurements the department should evaluate all the delivery and funding options and ensure that it fully understands and compares the costs, risks and rewards of each option.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The department already routinely considers options for delivery and funding, as well as assessing the costs, risks and benefits for each option, when considering investment decisions and deciding on the appropriate procurement route for these decisions. The department discusses delivery models with the market, during supplier engagement, to get a better understanding on which models the market prefers. The department recently updated its WebTAG guidance to provide a consistent approach on the measurement of benefits.

5: Committee of Public Accounts recommendation

The department should focus on integrated planning and aligning decision making across the different elements of complex programmes from the very start.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The department reorganised its rail functions into a new Rail Group in January 2013 to ensure better decision making, governance and assurance. The department also established a Franchising Directorate with responsibility for all aspects of passenger rail franchise competitions, including the specification and procurement of each franchise and most direct awards. The department is currently reviewing the most appropriate model, including organisational design and governance, to optimise effective and efficient delivery of Government rail functions. The department has also taken steps to improve cross-directorate working to increase its knowledge of interface risks and how these will affect decisions on future programmes.

6: Committee of Public Accounts recommendation

The department needs to invest sufficient time and resources in considering the details of the management-style contract and develop a clear approach to running the Thameslink competition which identifies the risks and shows how these have been managed.

6.1 The Government agrees with the Committee's recommendation.

Work in progress: May 2014.

6.2 The department has already invested and continues to commit time and resources to developing Franchise Agreements, including on the Thameslink, Southern, and Great Northern draft Franchise Agreement, which was issued to bidders in September 2013. The department has developed detailed processes and product descriptions for the final phase of the competition, including identifying risks - and mitigating those risks - through workshops. The department has compared how other organisations develop similar contract structures and management approaches, which will ensure that the Thameslink, Southern, and Great Northern Franchise Agreement capture any relevant successful bidder obligations.

Twenty Ninth Report

Department for Communities and Local Government

New Homes Bonus

1: Committee of Public Accounts conclusion

The Government estimates that 232,000 extra households will need homes each year to 2033 but in 2012 only 115,600 new homes were built in England. The New Homes Bonus is a non-ring-fenced payment the department has made to local authorities since April 2011 for every home added to the council tax register. To partly fund the Bonus, the department allocated £950 million in specific grant for the four years to March 2015. In addition, each year the Bonus is financed by redistribution from within the department's main formula funding for local authorities, with £599 million redistributed so far. Some local authorities are net gainers from the redistribution of formula funding, whereas others lose out.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 3 June 2013, from the Department for Communities and Local Government on the implementation and achievements to date of the New Homes Bonus. The Committee published its report on 31 October 2013.

Resources

- NAO report: *New Home Bonus* – Session 2012-13 (HC 1047)
- PAC report: *New Homes Bonus* – Session 2013-14 (HC 114)

Government response to the Committee

2: Committee of Public Accounts recommendation

The department should set out its evaluation plans now, including methods, data sources, indicators of success, and how it will seek to isolate the specific impact of the scheme from other factors. The Committee will ask the NAO to review the department's evaluation plan for the Bonus and its findings in Spring 2014.

2.1 The Government agrees with the Committee's recommendation.

Work in progress: Spring 2014.

2.2 The terms of reference to the evaluation will detail the scope, work programme, and role of an advisory group to inform the work, drawing on a range of sources to provide findings on the likely impact of the Bonus. However, it is not analytically possible to separate completely the Bonus's impact from other policies and wider factors affecting house building, including the broader economy. Additionally, time lags in planning and house building systems delay the flow of incentive through to behaviour and subsequent housing outputs. The department has written separately to the Committee with details of evaluation plan.

3: Committee of Public Accounts recommendation

When the department makes and reports its assessment of the cumulative impact of changes affecting local authority funding, it should work with local government to develop a better understanding of major funding movements and impacts, including those resulting from the New Homes Bonus.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Bonus is already included in the measure of local authority spending power, which shows overall impacts of multiple funding changes on authorities. The spending power measure looks at the income available to councils from a range of sources, and measures the cumulative impact of any changes affecting them. This enables the department to understand the potential impact of funding changes on an individual council's income. The department regularly engages with representative groups and individual authorities to discuss funding issues.

4: Committee of Public Accounts recommendation

The department should ensure that consistent, comparative information on local authorities' progress in creating new homes and meeting housing need is readily available.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The department recognises the need for quality data and already encourages authorities to be transparent in reporting delivery and use of the Bonus. Amounts of Bonus rewarding new homes and empty homes returned to use are published by authority on the gov.uk website. Local planning authorities are required to publish Authority Monitoring Reports on measures including delivery of net additional or additional affordable dwellings. Forthcoming planning guidance will emphasise the need to produce and regularly update these reports.

5: Committee of Public Accounts recommendation

The department should examine the scope for straightforward adjustments it could make to the Bonus to complement other Government initiatives, such as energy efficient homes.

5.1 The Government agrees with the Committee's recommendation.

Work in progress: 2014.

5.2 The Government keeps the operation of the New Homes Bonus under review. Any potential for changes to deliver other policy objectives would need to balance the benefit to policy against recognising that additional types of delivery could increase the value of the Bonus and the levels of redistributed local government funding, as well as potentially unhelpfully, increasing the complexity of the Bonus. The Government will consult on options to amend the operation of the Bonus following the completion of the evaluation, including looking at cases where developments are granted on appeal.

Thirtieth Report

HM Treasury; Department for Work and Pensions; and Cabinet Office

Universal Credit: early progress

1: Committee of Public Accounts conclusion

The department has stated that Universal Credit will simplify the benefits system by consolidating six means-tested working-age benefits into a single system intended to encourage claimants to start work or earn more. The department expects to spend £2.4 billion up to April 2023 on implementing Universal Credit, and by April 2013 it had spent £425 million, mostly on IT development (£303 million). In February 2013, the department reset the programme following a Major Projects Authority review which expressed serious concerns about the programme lacking detailed plans. It is highly likely that a substantial part of the expenditure on IT development will have to be written off. Since then, the department has been working to address these concerns, but has yet to submit revised plans for approval by Ministers, the Treasury and the Cabinet Office.

1.1 On the basis of a report by the NAO, the Committee took evidence, on 11 September 2013, from the Department for Work and Pensions; Cabinet Office; and the Treasury on the progress in delivering Universal Credit and the problems there have been in implementing the programme. The Committee published its report on 7 November 2013.

Resources

- NAO report: Universal Credit: early progress - Session 2013-14 (HC 621)
- PAC report: Universal Credit: early progress - Session 2013-14 (HC 619)

Government response to the Committee

2: Committee of Public Accounts recommendation

The department should ensure that new governance arrangements provide robust oversight of progress and that these arrangements are agreed by the Major Projects Authority. Responsibilities for programme management and different levels of assurance should be set out clearly, with appropriate engagement of official's at the most senior level within the Department for Work and Pensions and the Cabinet Office.

2.1 The Government agrees with the Committee's recommendation.

Work in progress: April 2014.

2.2 In July 2013, new governance arrangements were introduced, building on work with the Major Projects Authority during the reset. This included an increased level of independent challenge with a non-executive chair of the Programme Board. Roles were clarified and documented, including the strengthening of the '*Three lines of Defence*' assurance model. The new arrangements will be reviewed regularly to ensure they remain effective.

3: Committee of Public Accounts recommendation

The department must ensure it has comprehensive, relevant and clear information to assess progress. Progress must be monitored at the most senior levels within the department and it is essential that staff feel able to raise concerns at an early stage if they identify difficulties.

3.1 The Government agrees with the Committee's recommendation.

Work in progress: April 2014.

3.2 The department has already ensured the necessary information to support effective governance; a comprehensive suite of reporting products; and further improvements to the department's internal assurance are in place to assess progress. Additionally, the revised governance structure and management information will ensure that both risk management and control are central to the Programme.

3.3 Senior officials from the Programme and the department meet with Ministers regularly to consider any issues arising on Universal Credit. A cross-departmental group has been established to ensure progress on Universal Credit is shared with Ministers and senior officials from the department, the Treasury and the Cabinet Office. For Programme staff at other levels, the new People Forum meets regularly to address any staff concerns.

4: Committee of Public Accounts conclusion

It is extremely disappointing that the litany of problems in the Universal Credit Programme were often hidden by a culture prevalent in the department which promoted only the telling of "good news". This is a hugely important project which requires strong, consistent and unified leadership and management. This is essential to drive uncontroversial policy to successful implementation.

5: Committee of Public Accounts recommendation

The department must complete its own impairment review as a matter of urgency; implement suitable payment controls; and demonstrate that it is getting value for money through future negotiations with suppliers.

5.1 The Government agrees with the Committee's recommendation.

Work in progress: April 2014.

5.2 An impairment review has been completed and has been published in the department's Annual Report and Accounts. The department will be implementing all recommendations from its external review of financial management and controls. A Universal Credit Supplier Director was appointed in September 2013, which will improve controls over the management of suppliers along with a refined commercial strategy.

6: Committee of Public Accounts recommendation

The department should evaluate what benefit it can derive from the existing Pathfinder programme and ensure it introduces a revised pilot programme to help prepare for the full implementation of the policy.

6.1 The Government agrees with the Committee's recommendation.

Work in progress: May 2014.

6.2 Interim results, published November 2013, from the Universal Credit claimant survey in the Pathfinder North West sites provided evidence on attitudes, experiences, and behaviours of new claimants. Further work to evaluate the benefits; identify lessons; and refining additional claimant types will influence how the final service is designed and implemented.

6.3 As part of the progressive roll out of Universal Credit the approach will be tested with couples, then families, then in more of the North West, this will enable a broader range of lessons to be learnt before full implementation of the policy.

7: Committee of Public Accounts recommendation

The department's revised plans should set out:

- **A range of deliverable options to present to ministers, the Cabinet Office and the Treasury detailing the services, processes and systems for Universal Credit.**
- **A clear strategy for IT development, demonstrating the best way forward for the programme and an accurate review of current investment which will not be needed in the long-term.**

7: Committee of Public Accounts recommendation

- **Realistic ambitions on timescales and the amount that can be delivered online, and the impact of these on the costs and benefits of the new system. While the Committee recognises that timetables might need to be flexible, the department should set out the milestones against which it can be held to account, such as: when each affected benefit will be replaced by Universal Credit; the migration of claimants onto the new system; and the availability of key services online.**
- **The budget for the remainder of the programme and the net benefits it expects will be delivered, explaining how these have changed compared to previous plans.**

7.1 The Government agrees with the Committee's recommendation.

Work in progress: April 2014.

7.2 The department has been working closely with the Treasury, Cabinet Office, Ministers and stakeholders across Government. The outline plan for the next stage of Universal Credit delivery has been published via a Written Ministerial Statement. The plan builds on the further investigation and testing of the digital service Proof of Concept developed with the Government Digital Service; a review of the existing IT assets; and the experience of the Universal Credit Pathfinder. The priority continues to be the safe and secure delivery of Universal Credit and the statement is clear that overall plans, including for migration and transition will be informed by the development of the end state digital service.

7.3 The costs, benefits and spending plans of Universal Credit are detailed in the Business Case, which will be considered by the Treasury in early 2014. Throughout the life of the Programme any changes to delivery plans will be reflected in amendments to the Business Case.

8: Committee of Public Accounts recommendation

The Treasury and Cabinet Office should outline the specific criteria they expect the department to address in its revised plans for Universal Credit. In the light of the failures experienced by this programme, the Committee recommends that the Major Projects Authority is given stronger powers to monitor and intervene.

8.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

8.2 The Treasury uses rigorous criteria for assessing business cases, which is publicly available on our website. This focuses on affordability, deliverability and value for money. In the case of the Universal Credit business case, the Treasury will place particular weight on:

- evidence that the department has considered a range of different delivery options to maximise value for money;
- fully developed end-to-end costs of the programme, that are clearly affordable;
- high quality management information and a robust evaluation strategy which enables the Government to optimise both Universal Credit policy and service design; and
- strengthened governance arrangements, particularly financial management and supplier control and, a stepped funding approvals process to help manage risks.

8.3 The MPA will provide independent assurance of DWP's performance against these criteria. The MPA's overall powers have been enhanced through increased resources and stronger tools to drive up project performance. These include requiring departments to: align project milestones with Integrated Assurance and Approval Plans; submit to tougher MPA assurance and Treasury scrutiny at the early stage of project development; adopt more widespread use of portfolio management; and build up capability and capacity in project leadership, commercial and digital skills.

Government Cash Management

Progress Report 2013

	Government Cash Management Summary
Annex A:	Updated response to the Committee
Annex B (1):	Balances in commercial bank accounts from departmental returns - September 2012
Annex B (2):	Balances in commercial bank accounts from departmental returns - September 2012
Annex C (1):	Accuracy of cash forecasting against actual outturn - April 2012 to March 2013
Annex C (2):	Accuracy of cash forecasting - April to October 2013

Government Cash Management

Summary

January 2014

1. This is the third annual progress report on the Treasury's joint objective with Government departments to minimise the Government's cash balances held outside the Exchequer. It also updates progress made on related recommendations set out in the Committee's 33rd Report.

2. Departments are proactively working to maximise balances held within the Exchequer. They have continued to close bank accounts with commercial providers and switched to using the Government Banking Service (GBS) instead. There has been a need to open new commercial accounts for some new arms length bodies. The Treasury has authorised these new accounts but only when it is not possible to retain the funds within GBS.

3. A total of £1.33 billion sitting in 1,438 commercial accounts at the end of September 2013. This compares with £1.56 billion in 1,697 accounts at the end of September 2012, an improvement of £230 million. When we include the four areas where for policy reasons there are high balances held outside the Exchequer, the overall position has improved from £9.68 billion to £6.58 billion (paragraph 12 explains this further). To put this figure into context, over the last six months the average balance held within the Exchequer pyramid as a result of Government Banking Service activity was in excess of £55 billion.

4. The Treasury has continued to work proactively with Government departments and the Government Banking Service to reach our collective goal. For example we have:

- updated the register of commercial accounts held by Government departments and their public bodies and worked with such departments to see if it is possible to open a GBS account and if not to authorise a commercial account;

- monitored quarterly information on commercial balances and continued to push for all commercial accounts to have limits;

- updated our banking and managing cash guidance provided in *Managing Public Money* (annex 5.6).

5. This update explains what has been achieved so far. It sets out the challenges ahead and provides details of the accuracy of departmental cash forecasting in 2012-13.

Update

6. As of the 30 September 2013, there were 1,438 commercial accounts on the Treasury's register. Of these, around 400 are foreign currency accounts held by the Department for International Development, the Ministry of Defence and the Foreign and Commonwealth Office and an estimated 128 accounts held by Department of Health Trusts. There has been a reduction of 259 accounts held, compared with 1,697 accounts as at the 30 September 2012.

7. There are balances totaling some £1.33 billion of public money outstanding in 1,438 accounts outside the Exchequer. This includes some £121 million which is held in accounts under review, closing or should be moved back into the Exchequer within the next year. This leaves £1.2 billion retained in commercial accounts. Of this £1.2 billion only £245 million is directly provided by the taxpayer with the remaining £960 million not considered appropriate to hold in the Exchequer mainly because cash held belongs to third parties and needs to attract commercial rates of interest, and/or there are legal or statutory reasons why cash cannot be held in the Exchequer.

8. I attach a detailed summary of the accounts accepted and the balances in them as at 30 September 2013 compared to September 2012 at Annex B, with a condensed version of the information below.

Department (inc NDPBs)	Total value commercial accounts September 2012	Total value commercial accounts September 2013	Total value to be retained	Of which Exchequer funds
	£m	£m	£m	£m
Business (BIS)	255.39	206.72	193.29	30.17
Communities (DCLG)	23.98	13.06	9.15	2.50
Culture (DCMS)	57.94	22.81	22.81	22.81
Energy (DECC)	61.63	12.31	12.31	12.31
Environment (DEFRA)	33.75	36.66	13.94	
Health (DH)	8.53	5.52	5.52	5.52
Transport (DFT)	148.51	155.07	155.07	9.09
Education (DFE)	1.14	0.11	0.11	0.11
International (DFID)	0.67	1.84	1.84	0.21
Work / Pensions (DWP)	336.41	346.83	318.67	20.92
Foreign (FCO)	354.91	144.65	144.65	55.84
Revenue and Customs (HMRC)	48.84	49.56	49.56	5.76
Home Office (HO)	70.02	69.46	69.32	61.55
Justice (MOJ)	88.52	181.73	128.33	0.24
Defence (MOD)	23.09	18.56	18.50	18.50
Treasury (HMT)	55.00	65.42	65.42	0
Total from departments	**1,568.33**	**1330.31**	**1,208.49**	**245.53**
DfE Academies	1,480.00	1,783.00		
# Foundation Trusts	1,945.00	222.00		
* HMT UK Asset Resolution	4,392.00	2,754.10		
Nuclear Liabilities Fund	500.00	500.00		
Total	**9,685.33**	**6,589.41**	**1,208.49**	**245.53**

Notes:
2013 figure relates to June not September.
*Not included in last update.

Challenges Ahead

9. The Treasury working with other Government departments will continue to look at ways of reducing commercial balances further. The GBS money transmission contract expires in March 2015 and discussions are already underway with potential suppliers. Minor improvements are envisaged to ensure that all customers have full access to all modern money transmission products at a finer pricing agreement than departments would be able to achieve individually. There will inevitably be some change in banking providers as a consequence and to limit the cost of change to departments, GBS will only be looking to take on new customers in the interim if their balances are substantial.

10. We will need to continue to acknowledge that in certain cases Government departments and their public bodies need to use commercial accounts. We have allowed these accounts to be retained if:

- cash held belongs to third parties and needs to attract commercial rates of interest, and/or there are legal or statutory reasons why cash cannot be held in the Exchequer;
- moving away from a current commercial banking contract would not represent value for money for the Exchequer as a whole. In certain circumstances the interest the Exchequer saves from the use of relatively small balances may be less than the costs associated with the change; or
- they relate to accounts held with banks abroad which is currently outside the remit of Government Banking. The GBS team is working with relevant Government departments to

identify how foreign banking, and indeed international cash management, might benefit from the lessons learned in dealing with sterling.

11. Departments are moving to shared service solutions to gain much needed administrative efficiency gains. This means that these shared providers require access to departments' accounts including those held at the GBS. It is important that Departments manage the risks attached to this, working with the GBS and Treasury respectively.

12. There are four major policy areas where very high balances are held outside the Exchequer for the following policy reasons:

Department of Health (DH)

13. Trusts and Foundation Trusts currently sit outside Treasury's Cash Management Scheme, in other words, cash forecasts are not provided to HM Treasury. NHS Trusts are required, under legal direction issued jointly by the Department of Health and the Treasury, to ensure that average cleared balances held outside of the Exchequer pyramid do not exceed £50,000. They are free to hold cash or invest in Exchequer products. In the Foundation Trust sector, DH are not prescriptive on banking issues and do **not** have the legal powers to direct on such matters. Foundation Trusts have the freedom to decide locally how to deliver best value from their income and this may include the use of commercial accounts. Foundation Trusts must meet liquidity and working capital targets set by Monitor as a prudent way of managing risk and ensuring continuity of vital services.

14. DH has changed the policy by which the dividend on the investment in NHS Providers is calculated. From 2013-14 the average balance over the financial year held in commercial accounts, rather than the year-end balance, will contribute towards the calculation of the dividend charge. This provides an extra incentive for Providers to hold cash balances at GBS, rather than commercial accounts, throughout the year and prevent unnecessary movements between GBS and commercial accounts at year-end.

15. We will continue to work on this at official level to ensure that we balance the need for effective cash management, whilst recognising the need for independence and local decision making to deliver best value from bodies operating in regulated markets.

Department for Education (DFE)

16. Academies have financial independence and do not have to open GBS accounts. Previously, schools were funded by Local Authorities so were outside the scope. However, DFE's financial handbook for academies sets out DFE's accountability framework, including the requirement that an academy trust with a substantial surplus must have a clear plan of how it will be used to benefit their pupils. The Education Funding Authority will also verify the sums of unspent funds when it checks the trust's accounts and highlight and report, to the relevant DFE Boards, any cases where it has serious concerns about a long-term substantial surplus with no clear plans for use. Analysis of the 2012-13 aggregate academy trust accounts shows that the aggregate cash held by circa 2,400 academy trusts (operating 2,824 individual schools) was:

- cash at bank £1.81 billion;
- petty cash £2.1 million;
- overdrafts £1.7 million; and
- commercial loans £27.4 million.

17 Based on budget forecasts returns, the Education Funding Agency estimates that the March 2014 balance for 4,100 plus individual academy schools will be £2.5 billion. The average holding in 2012-13 was £800,000 per school and is projected to fall to £615,000 per school in March 2014. Cash balances are not entirely generated from Exchequer funds and represent necessary working capital and cash set aside for projects or large purchases. Although the exchequer provides a significant portion of school funding, some academy trusts also receive other income streams from third parties (for example endowments) which contribute to the cash balances. Some trusts also generate an additional 25% income from catering and hire of facilities.

HM Treasury - UK Asset Resolution (UKAR)

18. The Treasury will consolidate UKAR, which includes Bradford & Bingley and Northern Rock (Asset Management), for the first time as at 31 March 2014. At end of September 2013, UKAR held £2.7 billion in

commercial bank accounts. There are commercial reasons for using these bank accounts, and so the Treasury will work with UKAR to investigate options of whether some of the group balances should be moved to the Government Banking Service in the future. A figure was not included in my previous update.

19 The Nuclear Liabilities Fund is a Trust which has been classified to the public sector by the Office for National Statistics for national accounts purposes. The Government guarantees the down side risk of the Fund not meeting its liabilities and the Government therefore believes taxpayers should have access to any upside benefit. The Nuclear Liabilities Fund currently has around £7.5 billion invested within the National Loans Fund out of its total assets of around £8.8 billion. Of the remaining £1.3bn outside the Exchequer, about £500 million is retained in liquid assets. The Government has asked the Fund to agree a plan to bring the additional funds within the Exchequer. This will minimise the Government's cost of borrowing.

PAC Conclusions Update

20 We invited departments to update the Treasury and the Committee of Public Accounts (PAC) on progress made against the department-facing recommendations. The replies received were very positive and illustrate that action has been taken to implement the Committee's recommendations. A summary of responses are provided in Annex A.

21 I also attach the cash flow league table for 2012-13 (Annex C). This shows the accuracy of cash forecasting by departments as an average monthly percentage variance on forecast. Overall departmental forecasting accuracy continues to improve although forecasting is becoming more challenging as Departments bring more of their arms lengths bodies into the GBS.

22 The Treasury agrees with the National Audit Office's conclusion that the main strength of the Treasury's Cash Flow Management Scheme is that it uses a combination of incentives in the form of notional charges and rebates and league tables. The Treasury keeps the rules of the scheme under constant review to ensure that it meets the desired objective. We are piloting an extension of the scheme to provide longer term viability of cash flows. We are also considering suggestions from Departments and other stakeholders to modify the scheme.

23 In the past, when the Treasury allowed End-Year Flexibility, charges and rebates were applied annually and published in the Public Expenditure Outturn White Paper. The Chief Secretary has decided that in future, charges and rebates will be applied to non-ring fenced DEL budgets by amending Departments' control totals in 2014-15 at the time of the Supplementary Estimates. This will highlight the real costs to poor forecasting and real benefits available from good forecasting. It will also be transparent so should raise the profile of the benefits of forecasting without damaging relationships between departments and the Treasury. This will change the level of spending which budgets allow through a reduction or increase of the DEL to departments by amending budget control totals. Departments do not acknowledge this as a revenue or expense in their accounts.

24 The Treasury has also reminded departments that the status of their Departmental Supply Estimate account and / or the agreed group of accounts held at the GBS should never be overdrawn. Departments are aware that a penalty charge of base rate plus 2% may be applied on overdrawn balances.

25 The Treasury values the Committee's continued support and interest in this area. We will continue to keep you updated and would appreciate any feedback you may have on the presentation of this information to ensure our annual updates are as helpful as possible.

Nicholas Macpherson
Permanent Secretary

January 2014

Annex A

Updated response to the Committee

PAC RECOMMENDATION 1

Departments and their sponsored bodies should have their main account with the Government Banking Service, so that unspent money is kept at the Exchequer. This is one of the most important elements of good cash management in Government, as it not only reduces Government borrowing but minimises risks and allows the Government to plan and manage its cash flow more cost-effectively. Organisations should only have commercial bank accounts where they have agreed with the Treasury that the Government Banking Service cannot satisfy a particular business need.

1.1 All departments hold their main accounts at Government Banking Service (GBS). Departments have worked with the Treasury to review accounts held in commercial banks, to move accounts to GBS, and to close other accounts. This has led to the closure of a number of accounts, and where new commercial accounts have been opened with agreement of the Treasury, their balances are being monitored by departments. Departments are still working with their various bodies to continue this work and submit returns to the Treasury each quarter of balances held in commercial accounts. These are closely monitored by the Treasury and large variances queried. All accounts held outside GBS are subject to annual review.

1.2 For example: Department of Health (DH) - the structure of the healthcare system has changed drastically in the last twelve months. National Health Service England (NHSE) and Clinical Commissioning Groups (CCG - the new commissioning sector replacing Primary Care Trusts) are now responsible for around 90% of the total DH group cash usage. Whilst PCTs did hold a limited number of commercial accounts, they were instructed to close these by 31 March 2013. Clinical Commissioning Groups (CCG), Commission Support Units (CSU) and National Health Service England (NHSE) do not have commercial bank accounts.

PAC RECOMMENDATION 2

Departments need to improve their links with sponsored bodies and collect more accurate information on when they use their cash. Based on the data, they should amend payment cycles to sponsored bodies with commercial bank accounts, so that the bodies receive money when they need it, and not before. This amendment may be for more frequent payments, or making the monthly payments closer to the date when significant liabilities, such as payroll, need to be met.

2.1 The majority of departments have now set up systems with their bodies to improve forecasting. This means that they have improved information regarding funding flows which helps to ensure that payments are not made in advance of need. For example:

- BIS ensures that funding payments are made in alignment with its spending profiles.
- MOD requires its bodies to complete a financial framework document, which provides as much detail as possible on amounts required, when the money is needed, and when payment is due. MOD Business Units review forecast requirements and release funding on the basis of supporting evidence. This ensures that sponsored bodies are not funded in advance of actual need.
- To ensure comprehensive governance, MOJ has established common practices for all Grant in Aid requests which require approvals from both Sponsorship and Finance officials.
- Given the size of National Health Service Executive (NHSE), the DH worked closely with NHS England during their establishment to ensure their senior team were in a position to implement best practice for cash management policies/processes from day one. Monthly updates on their cash management plans were requested as part of the wider assurance DH sought in respect of NHSE's financial management structure.

2.2 The resulting policy for central NHSE and therefore CSUs is that commercial bank accounts will not be used. In respect of CCGs, the default position is again not to use commercial banks, with the Chief Financial Officer having to approve any commercial bank accounts, which would be subject to tender to demonstrate value for money. This represents a big step forward from the old commissioning system

PAC RECOMMENDATION 3

Public bodies need to gather information from business units to forecast individual monthly expenditure. To do this effectively, they need to structure them to facilitate continuous dialogue between those staff responsible for forecasting cash requirements, and those making payments. They also need to emphasise to budget holders responsible for approving large payments and claiming receipts in their own organisation, as well as any sponsored bodies, the importance of accurate forecasting and communicating any changes to forecasts as soon as possible to the cash managers.

3.1 Departments have engaged internally and with their sponsored bodies and have put actions in place to improve individual forecasting. Many departments have instigated rigorous new processes and are now providing feedback to their bodies on performance, highlighting the importance of good cash forecasting and investigating discrepancies.

3.2 For example: the formal processes which were agreed between DEFRA's cash management team and the Shared Services Directorate payments team are working well, and will be carried forward to the new Shared Service Provider. Every pay run total is compared to the forecast for that day and any major discrepancies are investigated and the relevant business area alerted to the need for accurate forecasts.

3.3 MOJ has issued guidance to Business Units on the importance of accurate cash forecasting. The compilation of MOJ's monthly cash management return is a collaborative exercise involving extensive consultation with business units. Contributors are provided with feedback which identifies variances between forecast and outturn.

PAC RECOMMENDATION 4

With the tighter fiscal position, Boards should have greater oversight of information on cash flow, so they better understand the pattern of spend, as well as total spend, and can address any potential risks. Central finance teams should develop more informative reports, which ought to include movements in the main current bank accounts and comments on variances. Where there is an operational need to have commercial accounts, Boards should ensure that cash balances are invested in interest earning accounts, while having due regard for credit risk. They should also receive reports on the proportion of their cash which earns interest, the rates earned, and a credit assessment of the institution with which their funds are held.

4.1 Departments have concentrated on improving the ways in which they report cash flow to their boards and on methods to provide more detailed information. Some Departments already have detailed processes in place whilst others are working to improve their lines of reporting. For example:

- Both the BIS Departmental Board and the Executive Board receive an executive dashboard each month which provides a summary of departmental performance, including accuracy of cash forecasting.

- FCO is undertaking an internal cash forecasting project mapping out current processes, engaging of key stakeholders and exploring the capabilities of the enterprise Resource and planning system.

4.2 Given the ever increasing drive for more efficient use of internal administration resources, rather than dedicate entire roles/people to cash management, the DH are encouraging a more flexible approach and have recently set up an extended "Virtual Cash Team" that extends across boundaries including NHS England. One of the main priorities of this team is to improve management information reporting throughout the DH Group. One of the immediate deliverables was a significant improvement in reporting cash usage at all levels of management information reporting.

PAC RECOMMENDATION 5

Organisations should manage their payments in a way that allows them to use the most cost-effective methods, and develop strategies for limiting the use of expensive paper Handling.

5.1 BACS is the preferred method of payment and is used by all departments. The majority of payments are made this way and CHAPS is only used when necessary. Internal transfers (GBS account to GBS account) are used when paying another Government department and GPC cards used for low-value payments. In addition to this, HMRC have refreshed their Payments Strategy and are making significant progress on their Digital Strategy journey. Both are designed, among other things, to migrate customers away from paper instruments.

PAC RECOMMENDATION 6

The Treasury needs to extend its incentives to encourage public bodies to keep more money in accounts at the Exchequer, for example: by making bodies' performance in this regard more transparent. It could also, together with the Government Banking Service, take a more active approach to achieving compliance with its guidance on minimising commercial balances. Any of these steps would need to be taken in a way that minimises unintended behaviours, and would also incur some limited additional staff cost. However, new mechanisms are critical in shifting the focus away from just accurate forecasting. The most cost-effective system would be for all public bodies to bank with the Exchequer and manage their cash in accordance with the guidance without the need for incentives.

6.1 The Treasury has continued to work proactively with departments and the GBS to reach our collective goal by doing the following:

- updating the register of commercial accounts held by Departments and their public bodies, and working with Departments to authorise new commercial accounts when it is not possible place funds with the GBS;

- monitored quarterly information on commercial balances and continued to push for all commercial accounts to have limits;

- updated the Banking and Cash Management guidance provided in Managing Public Money to cover all aspects of managing cash, holding commercial accounts, and policy relating to overdrawn accounts at GBS; and

- we asked DH to review the policy by which the dividend on the investment in NHS Providers is calculated. From 2013-14 the average balance over the financial year held in commercial accounts, rather than the year-end balance, will contribute towards calculation of the dividend charge. This has worked well and prevented unnecessary movements between GBS and commercial accounts at year-end. We have worked and with continue to work with DH to improve the accuracy in forecasting the flows of these funds.

PAC RECOMMENDATION 7

The Treasury is already working with Departments to improve their performance, but should focus more on those Departments with the greatest scope to improve, based on current performance and the context in which they operate. In light of the tighter fiscal position, it should work with all Departments to help them identify how they can improve their forecasting accuracy, particularly at the end of the financial year, without compromising the policy of minimising cash balances held in commercial accounts.

7.1 The Treasury issues league tables at a working level to departments each month and writes to Finance Directors at the end of each year. The Treasury provides coaching, support to new or underperforming departmental cash managers. The training is proportionate to the funds that the cash managers look after. Much of our focus this year has been on DH following the significant change in its structure. The Treasury run an annual departmental seminar that brings together around eighty departmental cash managers to spread best practice and help improve cash forecasting.

PAC RECOMMENDATION 8

Where there is a value for money case for using a commercial provider for standard banking services, public bodies should seek approval from the Treasury. When procuring specialised banking services, organisations should first check whether the new Government Banking Service is able to provide them. If not, they should work with the Government Banking Service during the specification and tendering process, as it can coordinate knowledge sharing across the wider public sector.

8.1 The role of the Government Banking Service as an expert on money transmission services is now well embedded. Major external contracts with other providers have been aligned so that they can be brought within one major re-tender exercise ahead of the expiration of Government Banking Service contracts with Citibank and Royal Bank of Scotland in early 2015. Knowledge of existing and new products is shared across government by a regular newsletter to Finance Directors although the Customer Advisory Board has been put in abeyance while more detailed conversation takes place with customers on their current and future requirements. As referenced in the previous update, the Director of the Government Banking Service is also the Cabinet Office Crown Commercial Representative for Banking. His sign-off for all banking contracts protects against commercial balance leakage to the commercial sector.

Annex B (1)

Balances in commercial bank accounts from departmental returns: September 2013

Department (inc. NDPBs)	Total number commercial accounts held September 2012	Total number commercial accounts held September 2013	Quantity to be retained	Quantity closing under review or migrating to GBS
Business (BIS)	105	97	89	8
Communities (DCLG)	56	28	24	4
Culture (DCMS)	34	23	23	0
Energy (DECC)	29	12	12	0
Environment (DEFRA)	62	51	15	36
Health (DH) (NDPB; NHS; PCT; SHA)	285	128	128	0
Transport (DFT)	10	8	8	0
Education (DFE)	8	8	6	2
International (DFID)	54	50	50	0
Work / Pensions (DWP)	52	74	54	20
Foreign (FCO)	304	287	287	0
Revenue and Customs (HMRC)	21	21	21	0
Home Office (HO)	28	25	19	6
Justice (MOJ)	201	200	157	43
Defence (MOD)	443	421	408	13
Treasury (HMT)	0	5	5	0
Total (Departmental returns through CFM)	**1692**	**1438**	**1306**	**132**

Annex B (2)

Balances in commercial bank accounts from departmental returns: September 2013

Department (inc NDPBs)	Total value commercial accounts held September 2012	Total value commercial accounts held September 2013	Total value to be retained	Of which Exchequer	Value closing under review or migrating to GBS	Of which Exchequer value under review or closing
	£m	£m	£m	£m	£m	£m
Business (BIS)	255.39	206.72	193.29	30.17	13.4	1.5
Communities (DCLG)	23.98	13.06	9.15	2.5	3.9	0
Culture (DCMS)	57.94	22.81	22.81	22.81	0	0
Energy (DECC)	61.63	12.31	12.31	12.31	0	0
Environment (DEFRA)	33.75	36.66	13.94	0	22.73	0
Health (DH)	8.53	5.52	5.52	5.52	0	0
Transport (DFT)	148.51	155.07	155.07	9.09	0	0
Education (DFE)	1.14	0.11	0.11	0.11	0	0
International (DFID)	0.67	1.84	1.84	0.21	0	0
Work and Pensions (DWP)	336.41	346.83	318.67	20.92	28.16	28.40
Foreign (FCO)	354.91	144.65	144.65	55.84	0	0
Revenue and Customs (HMRC)	48.84	49.56	49.56	5.76	0	0
Home Office	70.02	69.46	69.32	61.55	0.13	0.13
Ministry of Justice (MOJ)	88.52	181.73	128.33	0.24	53.4	53.4
Defence (MOD)	23.09	18.56	18.50	18.50	0.06	0.06
HM Treasury (HMT)	55	65.42	65.42	0	0	0
Total (department returns through CFM)	**1568.33**	**1330.31**	**1208.49**	**245.53**	**121.78**	**83.49**
DFE Academies	1480	1783				
Foundation Trusts funds in commercial accounts	1945	222				
HMT UK Asset Resolution (UKAR)	4192	2754.10				
Nuclear Liabilities Fund	500	500				
Total	**9685.33**	**6589.41**	**1208.49**	**245.53**	**121.78**	**83.49**

NOTES:

- DWP has included NEST accounts, which were not included last year. They also have a Citi account with £41.35 million for FAS asset, which is not included above.
- HMRC are holding £63.1 million in Citi Tier 1 account, which is not included above.
- On DFE Academies, DFE show balances as at 31 March 2013... £1.8 billion in bank; £2.12 million petty cash; £1.7 million overdrafts; and £27.4 million commercial loans.
- Foundation Trusts: figures used for June 2013 as September 2013 figures unavailable. Number of accounts is estimated.

Annex C (1)

Accuracy of cash forecasting against actual outturn – April 2012 to March 2013

Department	Cumulative Ranking	Average % monthly variance on cash forecast
Business (BIS) – inc UKAEA	1	0.80
Energy (DECC)	2	1.37
Communities (DCLG)	3	1.45
Work and Pensions (DWP)	4	1.93
International (DFID)	5	2.28
Treasury (HMT)	6	2.40
Revenue and Customs (HMRC)	7	2.73
Transport (DFT)	8	2.83
NHS Pensions	9	2.87
Education (DFE) inc Teachers Pensions	10	3.00
Royal Mail Pensions	11	3.37
Home Office	12	3.86
Scotland Office	13	4.21
Justice (MOJ)	14	5.46
Wales Office	15	5.47
Foreign (FCO)	16	5.75
Environment (DEFRA)	17	6.55
Health (DH)	18	7.66
Northern Ireland Office	19	7.86
Defence (MOD) inc Pensions	20	8.33
Civil Superannuation	21	10.01
Culture (DCMS)	22	10.70

C1.1 Forecast Net Payment Flow and Outturn Figures: 2012-13

- Total forecast: £459.67 billion.
- Total outturn: £451.70 billion.
- Variance: £7.97 billion.

C1.2 The league tables in annexes C (1) and C (2) are used in the Cashflow Management Scheme, which monitors the payments and receipts of each Government department. Each month, departments submit forecasts of their gross payments and receipts. By monitoring their Government Banking Service accounts, we calculate the implied net payment flow using opening balance plus funding received from the Consolidated Fund minus closing balance to give the implied net payment flow figure for the month. The difference between the forecast and the outturn is expressed as a percentage of the Forecast Net Payment flow.

C1.3 The target is for departments to be within 5% of their Forecast Net Payment flow figure. Departments receive monthly feedback on their performance showing both monthly and year to date outturn. The year runs from April to March. The outturns illustrated in the two tables are for 2012-2013 and for April - October 2013. The accuracy of cash forecasting information quarterly data is also in the Business Plan Quarterly Data Summary published on departments websites.

Annex C (2)

Accuracy of cash forecasting – April to October 2013

Department	YTD % variance	Cumulative Ranking	Average % YTD
Energy (DECC)	0.52	1	0.07
Work and Pensions (DWP)	7.54	2	1.08
Home Office	9.09	3	1.30
International (DFID)	9.87	4	1.41
Business (BIS) – inc UKAEA	10.35	5	1.48
Royal Mail Pensions	16.37	6	2.34
NHS Pensions	17.36	7	2.48
Culture (DCMS)	18.23	8	2.60
Revenue and Customs (HMRC)	19.25	9	2.75
Scotland Office	20.91	10	2.99
Wales Office	23.81	11	3.40
Treasury (HMT)	24.52	12	3.50
Justice (MOJ)	26.70	13	3.81
Transport (DFT)	29.86	14	4.27
Northern Ireland Office	32.80	15	4.69
Education (DFE) inc Teachers Pensions	35.66	16	5.09
Defence (MOD) inc Pensions	39.71	17	5.67
Environment (DEFRA)	39.82	18	5.69
Civil Superannuation	41.59	19	5.94
Health (DH)	59.50	20	8.50
Communities (DCLG)	69.60	21	9.94
Foreign (FCO)	74.60	22	10.66

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