HM Treasury

Treasury Minutes

Government responses to the Committee of Public Accounts on the Thirty Seventh and the Thirty Ninth reports from Session 2015-16; and the First to the Thirteenth reports from Session 2016-17

Cm 9351 November 2016

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37th Report:	Financial management of the European Union budget in 2014 (HM Treasury)
39th Report:	Accountability to Parliament for taxpayers money (HM Treasury)
1st Report:	Efficiency in the criminal justice system (Ministry of Justice)
2nd Report:	Personal budgets in social care (Department for Communities and Local Government / Department of Health)
3rd Report:	Training new teachers (Department for Education)
4th Report:	Entitlement to free early years education and childcare (Department for Education)
5th Report:	Capital investment in science projects (Department for Business, Energy and Infrastructure Strategy)
6th Report:	Cities and local growth (Department for Communities and Local Government / HM Treasury)
7th Report:	Confiscation Orders – Progress Review (Home Office)
8th Report:	BBC critical projects (Department for Culture, Media and Sport)
9th Report:	Service family accommodation (Ministry of Defence)
10th Report:	NHS specialised services (Department of Health)
11th Report:	Household energy efficiency measures (Department for Business, Energy and Infrastructure Strategy)
12th Report:	Discharging older people from acute hospitals (Department of Health)
13th Report:	Quality of service to personal taxpayers and replacing the Aspire contract (HM Revenue and Customs)

Presented to Parliament by the Economic Secretary to the Treasury by Command of Her Majesty

Cm 9351 November 2016

TREASURY MINUTES DATED 7 NOVEMBER 2016 TO THE COMMITTEE OF PUBLIC ACCOUNTS ON THE THIRTY SEVENTH AND THE THIRTY NINTH REPORTS FROM SESSION 2015-16; AND THE FIRST TO THE THIRTEENTH REPORTS FROM SESSION 2016-17

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Thirty Seventh Report of Session 2015-16

HM Treasury

Financial management of the European Union budget in 2014

Introduction from the Committee

In 2014, the European Union budget received €143.9 billion (£116.0 billion) in contributions from 28 member states and other sources, and made €142.5 billion (£114.8 billion) in payments. The UK contribution to the EU budget, after taking into account the UK rebate of £4.9 billion, was £11.4 billion. It received £5.6 billion in public- and private-sector receipts from the EU budget, thus making the UK's net contribution £5.7 billion. If private sector receipts are excluded, the net contribution in 2014–15 was equivalent to 1.4% of UK Government total departmental expenditure. Overall, the UK was the third-largest net contributor of all member states in 2014.

The European Court of Auditors (the external auditor of the EU) concluded that the 2014 accounts of the EU were true and fair, and that revenue was legal and regular. However, it reached an adverse opinion on the legality and regularity of payments, identifying an estimated level of error of 4.4% (above the materiality threshold of 2%—the level below which the European Court of Auditors judges that errors do not have a material significance). Payments have breached this threshold for the last 21 years. Although not an indicator of fraud, this represents money that was not used or administered in accordance with EU regulations and national rules.

On the basis of a report by the National Audit Office, the Committee took evidence, on 25 February 2016, from the Treasury, the Department for Communities and Local Government, the Department for Environment, Food and Rural Affairs, and the European Commission on financial management of the EU. The Committee published its report on 27 April 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Financial management of the European Union budget in 2014: a briefing for the Committee of Public Accounts* – Session 2015-16 (HC 799)
- PAC report: *Financial management of the European Union budget in 2014* - Session 2015-16 (HC 730)

Update from Treasury

Since the Committee's report was published, the British people have voted to exit the European Union (EU). Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force. While Departments continue to receive EU receipts, they will seek maximum value for money from these receipts through efficient implementation, meeting EU standards for financial management and closely monitoring flows of money from the EU.

Clearly following the referendum, the UK will not have the same interest as it does as an EU member in the next Multiannual Financial Framework (MFF), and the effectiveness of the EU budget after the UK's exit from the EU. However, the Treasury has enhanced its central oversight of EU spending in the UK to ensure effective coordination across Whitehall before the UK exits the EU. The Government's response to this report reflects the updated arrangements in Whitehall on the management of EU money following the EU referendum.

1: Committee of Public Accounts conclusion:
In the last decade, the UK has incurred at least £650 million of penalties in relation to European Union funds, but departments only seem to have woken up to this problem recently.

Recommendation 1a:
HM Treasury should take the lead in ensuring that departments in receipt of EU funds identify, as a matter of urgency, why they continue to incur penalties (including disallowance and financial corrections). By the end of 2016, the Committee expects Departments to have spelt out what actions they will take to reduce penalties. If necessary, a task force should be established to ensure that the action needed is delivered.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Government has taken and will continue to take the issue of financial penalties very seriously while the UK remains a member of the EU, especially in those areas that constitute a material element of public spending in that policy area such as the Common Agricultural Policy (CAP).

1.3 The Treasury has overall responsibility for EU Budget policy and overseeing its financial management in the UK. The Treasury therefore exercises close oversight in the penalties incurred by Departments, and also coordinates the annual UK response to the European Court of Auditors (ECA) audit findings. For each financial error identified by the ECA, Departments are required to implement follow-up actions. Departments are also audited annually by independent national audit authorities who report to the Commission. They analyse the causes of errors; make recommendations; and provide an assessment of corrections.

1.4 In the new policy context after the EU referendum, the Treasury has strengthened governance around the management of EU funds ahead of the UK's exit from the EU. A Director level cross-Whitehall network has been established, bringing together Departments with Treasury spending teams to ensure effective oversight of the implementation of EU funds. The Treasury has enhanced its existing systems of monitoring flows of money from the EU and the implementation of these funds to ensure that Departments and the Treasury hold the same, up to date quantitative data on implementation. The Treasury is actively discussing with Departments their strategies to manage any risk of corrections ahead of the UK's exit from the EU. Further, the Treasury has asked Departments to set out their strategies for managing penalties, while the UK remains a member of the EU, by the end of 2016.

1.5 Departments lead on and have specific responsibility for EU spending in their area, reflecting their Accounting Officer responsibilities. For each of the major EU funds managed through the public sector, there are specific groups which focus on corrections, the top level of which engage with the Treasury. For example:

- The Department for Environment, Food and Rural Affairs' (DEFRA) Disallowance Steering Group, which has HM Treasury on it, oversees Defra's Disallowance Strategy on the CAP. The strategy sets out a root-cause analysis of the causes of CAP disallowance and mitigating actions to reduce it.
- The UK-wide Partnership Agreement Programme Board, chaired by the Department for Business, Energy, and Industrial Strategy (BEIS) is attended by the Treasury, Whitehall Departments and devolved administrations responsible for managing the European Social Fund (ESF). The European Regional Development Fund (ERDF); the European Agricultural Fund for Rural Development (EAFRD); and European Maritime and Fisheries Fund (EMFF) consider strategic approaches to managing corrections, interruptions and suspensions. These funds are collectively known as European Structural and Investment Funds (ESIFs).
- Departments also have internal groups which consider corrections, such as the ESF Management Board, the Audit and Risk Committee on ERDF, and the CAP Disallowance Working group.

Recommendation 1b:
HM Treasury should designate a named official with responsibility for ensuring the overall system for spending EU money in the UK delivers improved performance for the taxpayer.

1.6 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.7 Julian Kelly, Director General for Public Spending in the Treasury, is responsible for ensuring value for money in public spending as a whole, including EU spending. He is supported by senior Treasury officials Jonathan Black, Director, Europe, and Jane Cunliffe, Director, Public Spending Group.

1.8 Improving performance for the taxpayer depends not only on compliance with regulations, but also on ensuring spending is directed towards areas where it is most effective. For example, the UK Partnership Agreement on European Structural and Investment Funds were formed through working closely with Local Enterprise Partnerships (LEPs) who highlighted domestic growth priorities.

1.9 The Chancellor announced on 3 October 2016 that the Treasury will guarantee funding for the lifetime of structural and investment fund projects signed before the UK leaves the EU provided they are good value for money and that they are in line with strategic domestic criteria. The Departmental Accounting Officers will have primary responsibility for ensuring these conditions are met. This will ensure that as the UK progresses towards departure from the EU, EU receipts are being spent in a way which most closely reflect domestic spending priorities.

2: Committee of Public Accounts conclusion:
UK departments have contributed additional complexity in the way they have chosen to implement already complex EU programmes, driving up error rates.

Recommendation:
Departments with a role in managing EU funds should identify and exploit all opportunities to simplify the administration of spending these funds in the UK, for example, by assessing the likely cost of different approaches to managing programmes prior to deciding on their final design.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 Departments have taken steps to simplify the design of EU programmes. In relation to structural funds:

- DCLG introduced a new single England programme with standardised processes replacing previous separate regional arrangements;
- ERDF and ESF authorities implemented common approaches to minimise administrative burdens on customers and officials, including in the areas of monitoring and audits; guidance; forms; and use of simplified cost options to allow simplified, flat-rate claims costs;
- A single IT system has been developed for ERDF and ESF applications and claims, simplifying processes for both departments and beneficiaries; and
- Governance has also been streamlined through the single Programme Monitoring Committee for ESIFs in England.

2.3 For CAP funds, DEFRA has introduced an IT system which supports both Pillar 1 and Pillar 2 land-based schemes. DEFRA has implemented simplified 'Greening' rules in 2015 and 2016 to facilitate delivery and reduce disallowance risk, while it has been agreed that simplified costs are now offered for Farm Recovery Fund Schemes and LEADER programmes. This means that recipients can be paid a set rate for work they undertake or running costs, rather than obtaining quotes and providing paper-trails. This is easier to control and less liable to error.

2.4 In addition to continuous improvement of domestic arrangements, the UK has worked at EU-level to press for simplification of complex EU regulations and audit arrangements. The Treasury is working closely with Departments to ensure a coherent UK voice in the negotiations on the revision of the Financial Regulation. The proposal was published on 14 September 2016 and includes a significant number of measures to simplify the implementation of EU funds.

3: Committee of Public Accounts conclusion:
UK departments responsible for EU funds are not doing enough to learn lessons and share best practice within Whitehall, nor to learn from other member states.

Recommendation:
HM Treasury needs to show leadership and coordinate the efforts of departments to learn from each other in how they manage EU funds. UK departments should actively seek to learn from other member states on how best to manage EU funds, with a particular view to reducing the level of financial penalties incurred.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 A range of networks exist to share learning and best practice, both between UK authorities and with other Member States, which the UK will continue to participate in while an EU Member State.

3.3 Departments run groups which ensure shared learning across different Managing Authorities for each of the main areas of UK receipts, which together cover 99% of the EU receipts managed by the UK Government. For example:

- For ESIFs, the UK Partnership Agreement Board monitors delivery and implementation of the Partnership Agreement. The European Structural and Investment Funds Growth Programme Board, chaired by BEIS and DCLG, ensures alignment in the delivery of the funds across England.
- For CAP, The UK Paying Agency Directors' Forum and the Accounts and Finance Working Group, share best practice in implementation in CAP administration across the UK.

3.4 The main funds also have established fora for the exchange of best practice between Member States, in which the UK actively participates. They include:

- For Structural Funds, the EU Expert Group on European Structural and Investment Funds and the IQ-NET network for sharing best practice
- For CAP, the Learning Network of EU CAP Paying Agencies and the European Network for Rural Development bring together officials and rural development stakeholders respectively, from across the EU. There is also an agreement between the UK and Ireland to share best practice. Exchange visits have already been undertaken.

3.5 The Treasury chairs cross-Whitehall groups on policy issues relating to EU funds which provides a forum to ensure a joined up approach to the Treasury's representations on the EU budget in Brussels and on domestic process. The Treasury has also established a specialist network of policy and finance officials across the UK to coordinate efforts to improve compliance and to ensure a joined up approach on representations to the EU.

3.6 Strengthened governance from the centre to monitor the implementation of EU funds as the UK progresses towards an exit from the European Union, will further bolster cross-government collaboration in this area.

4: Committee of Public Accounts conclusion:
HM Treasury does not sufficiently hold departments to account for spending EU funds.

Recommendation 4a:
HM Treasury should publish a strategy for using EU funds in the UK, setting out the performance and value for money expected from this spending and corresponding accountabilities. Progress should be reported through HM Treasury's existing annual statement on EU finances.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2016.

4.2 The Government has strategies in each of the main EU funds it manages. Where relevant for national allocations of EU funds, strategy documents are agreed with the Commission at the beginning of the programming period which set out intended results and priorities to achieve maximum value for money. The Treasury will use the 2016 Treasury Statement on EU finances to set out overall context for the Government's strategy on the expenditure on EU receipts, particularly following the referendum, and signpost the Government's existing strategy.

4.3 For example, for ESIFs, the UK Partnership Agreement[1] sets out the plans and priorities for deployment of these funds to complement EU and UK objectives on sustainable jobs and growth. It has promoted value for money by: setting consistent performance management standards across different programmes; establishing a strategic framework for investments; and prioritising local needs. Underlying this are detailed Operational Programmes setting out the strategy and priorities for each Fund in each of the constituent nations along with information about management and delivery.

4.4 Rural Development Programmes set out the strategy and priorities for the current funding period for the EAFRD, including promoting sustainable farming practices and growth of rural businesses. For the European Agricultural Guarantee Fund (EAGF), where the Commission do not require strategic programming of the Funds, Defra's policy approach is instead set out in a series of formal consultation responses[2].

Recommendation 4b:
HM Treasury should include information on penalties (including disallowance and other financial corrections) by department, in its annual statement on EU finances.

4.5 The Government disagrees with the Committee's recommendation.

4.6 Departmental Annual Report and Accounts show penalties and corrections if they are material to the organisation as a whole. These reported figures can relate to errors incurred any number of years prior to that. If the Treasury was to publish this information in a consistent and comprehensive way across Departments and the Devolved Administrations, it would require developing and establishing a new reporting requirement.

4.7 In light of the referendum, the Government's focus is ensuring a successful departure from the EU and a transition into a long term state where the UK is no longer a member of the EU. Given that, the Treasury would propose that the Government's effort is best spent mitigating any risks of corrections ahead of the UK's departure, rather than putting in place further reporting requirements which may only apply for a couple of years, and which reveal information about errors older than that. The Treasury has put in place a monitoring system to ensure oversight of the flows of money to and from the EU in the run up to the UK's departure, and the mitigation of potential corrections.

5: Committee of Public Accounts conclusion:
In contrast to the weak performance of UK departments in managing some of the main EU programmes, the private sector and universities in the UK have a good success rate in securing funding from EU wide funding competitions.

Recommendation:
Led by the Treasury, UK departments should identify the factors that have contributed to the relative success of the private sector and UK universities in accessing competitive funding from the EU and ensure the lessons learned help drive success during the 2014 to 2020 funding period.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Framework Programme for Research and Innovation (Horizon 2020) and the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) are the main EU-wide funds that are accessible competitively. BEIS leads on both for the UK, while the Treasury retains a strategic oversight of all EU receipts.

5.3 The Treasury spending team is closely engaged with BEIS' efforts to encourage the success of the UK private sector in winning EU receipts. Acknowledging the importance of science and research to UK's prosperity, security and wellbeing, the Chancellor announced on 13 August 2016 that the Treasury will underwrite the payments of any awards won by UK organisations who bid directly to the EU for

[1] https://www.gov.uk/government/publications/european-structural-and-investment-funds-uk-partnership-agreement
[2] https://www.gov.uk/government/consultations/common-agricultural-policy-reform-implementation-in-england

competitive funding, even when specific projects continue beyond the UK's departure from the EU. This has provided certainty to researchers and businesses that they should continue to bid for EU funding, such as Horizon 2020, up until the point at which the UK departs from the EU.

5.4 BEIS has also commissioned an evaluation of the UK's involvement in the Framework Programme for Research, including selective comparisons with other European programmes. This work will give the Treasury a detailed picture of UK participants' motivations, successes and underpinning trends in accessing European research funding. The Government is continuing to engage with Horizon 2020, including influencing development of the final work programme and preparing to input to the programme's interim evaluation.

6: Committee of Public Accounts conclusion:
The Commission has set itself a goal to improve its focus on results but the current EU budget process limits the achievement of value for money.

Recommendation:
HM Treasury should use its influence to press for improvements to the value for money derived from the European Union budget as a whole, for example by seeking a significant reduction in the level of unspent commitments, and a clearer means of judging the added value derived from European Union spending.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Treasury has taken a leading role in promoting value for money in the EU budget. In negotiating the current MFF deal, the then Prime Minister secured the first ever real-terms cut to the Multiannual Financial Framework (MFF) for 2014-2020, saving €80 billion on the original Commission proposal while increasing high-value, pro-growth research spending and cutting lower-value spending on Pillar 1 of the CAP. The new MFF also introduced new EU performance frameworks and a 'performance reserve' conditional on fulfilling targets.

6.3 The Treasury will continue to participate in EU Budget negotiations until the point at which the UK leaves and seek to ensure maximum value for money. During the negotiations on the Mid Term Review of the MFF and the review of the Financial Regulation, the Treasury will collaborate closely with likeminded budget disciplinarians to improve the functioning of the EU budget for the period that the UK remains a member of the EU.

Thirty Ninth Report of Session 2015-16

HM Treasury / Cabinet Office

Accountability to Parliament for taxpayers money

Introduction from the Committee

Robust accountability for taxpayers' money is an essential part of good public management and democratic government. The Accounting Officer (AO) in each department, normally the Permanent Secretary, is personally responsible and accountable to Parliament for managing the department and its use of public resources and, to discharge this duty, must be able to draw on supporting accountability systems that safeguard taxpayers' money. A focus on strong accountability within government should ensure that Parliament, including this Committee, functions as a backstop in an accountability sense and not a first line of control.

The AO operates at the head of a system of accountability and others within that system have responsibilities to account for performance. For example, accountability may be delegated at a working level to the Senior Responsible Owner (SRO) of a project; or devolved to the head of a delivery body such as an academy or foundation trust. Nevertheless, the departmental AO retains overall accountability and must provide assurance over all public spending in the departmental system. The AO must at all times strike a balance between the responsibility to safeguard public money and his or her duty as a Permanent Secretary to serve the Minister.

On the basis of a report by the National Audit Office, the Committee took evidence, on 29 February 2016, from the Cabinet Secretary, the Treasury and the Cabinet Office on accountability to Parliament for taxpayers' money. The Committee published its report on 4 May 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Accountability to Parliament for taxpayers' money* – Session 2015-16 (HC 849)
- PAC report: *Accountability to Parliament for taxpayers' money* – Session 2015-16 (HC 732)

1: Committee of Public Accounts conclusion:
Accountability to Parliament for the use of public funds has been weakened by the failure of the government's accountability arrangements to keep pace with increasingly complex ways of delivering policies and services.

Recommendation:
The Treasury should ensure all departments prepare accountability system statements with their next annual report and accounts. Each statement should cover all of the accountability relationships and processes within that department, making clear who is accountable for what at all levels of the system from the Accounting Officer down.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

1.2 The Government accepts that all main central government departments should explain how the accountability relationships and processes work between departments and their arm's length bodies. For others, the same information might be included within their annual reports.

1.3 In September 2011, Sir Bob Kerslake's report *Accountability: Adapting to decentralisation* proposed that Accounting Officers should draw up, and publish, concise, 'Accountability System Statements' setting out the system to be used for each major decentralised funding stream through which they will provide the necessary assurances to Parliament. The Treasury subsequently issued guidance in *Managing Public Money* (Annex 3.1) setting out how departments should include in the governance statements of their annual reports a summary account of how they achieve accountability for the grants they distribute to local government, schools, similar local government organisations and/or the NHS, usually backed by a fuller Accountability Systems Statement on the department's website.

1.4 The Accounting Officers of sponsor departments are also expected to make arrangements to satisfy themselves that each of their arm's length bodies has systems adequate to meet the standards of governance, decision-making and financial management set out in *Managing Public Money*. The framework document (or equivalent) agreed between an arm's length body and its sponsor should always provide for the sponsor department to exercise meaningful oversight of the body. The sponsor department's accounts consolidate those of its arm's length bodies, so its Accounting Officer must be satisfied that the consolidated accounts are accurate and not misleading.

1.5 The government agrees that Principal Accounting Officers of the main central government departments should now provide a statement of their accountability systems, covering all of the relevant accountability relationships within the department, including relationships with arm's length bodies and third party delivery partners.

1.6 Extending the requirement for accountability system statements will require new guidance to departments, which will include revising the current requirements for a summary account in the department's annual report, backed up by a fuller accountability system statement published separately. In some departments, the Principal Accounting Officer may judge that the full detail can be provided without the need for separate documents. The Treasury will issue guidance in time for Departments to prepare these statements alongside their Annual Reports and Accounts for 2016-17.

2: Committee of Public Accounts conclusion:
Accounting Officers across government lack the cost and performance data they need for effective oversight.

Recommendation:
All Accounting Officers should specify in their accountability system statements the financial and performance data they need to oversee systems of delivery and manage their accountabilities. These data specifications should be fully aligned with the Single Departmental Plans.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

2.2 *Managing Public Money* advises that accountability system statements must be clear on the core data and information flows that the system will rely on. The Treasury will include this requirement in the revised guidance for all departments to report on their accountability systems.

2.3 This will include an expectation that departments will identify how accountability systems align with the financial data set out in their Annual Report and Accounts (ARA), and the performance indicators set out in Single Departmental Plans (SDPs). Permanent Secretaries' objectives are also aligned with SDPs. Departments will not be expected to repeat the detail of performance metrics and financial data used to oversee systems within their accountability system statements, but they should indicate how they are aligned. In some cases, this might require departments to make clearer in their SDP or ARA where arm's length bodies are responsible for delivery, and what performance and financial data is expected and how it will be used.

2.4 The Treasury will issue guidance in time for Departments to prepare these statements alongside their ARAs for 2016-17.

3: Committee of Public Accounts conclusion:
Not all cases where Accounting Officers have concerns about the value for money or feasibility of policies are brought to Parliament s attention.

Recommendation:
Accounting Officers should prepare assessments of major projects and policy initiatives in line with Treasury guidance, where they have concerns about policies' feasibility or value for money. These assessments should be made available to Parliament to strengthen transparency and accountability.

3.1 The Government will respond to the Committee's recommendation in the December 2016 Treasury Minute.

4: Committee of Public Accounts conclusion:
There are too many examples of Accounting Officers allowing projects and initiatives to proceed unchallenged, despite strong evidence about poor value for money.

Recommendation:
Accounting Officers should provide greater positive assurance over major projects and initiatives during their implementation, for example through requiring explicit Accounting Officer sign-off at key stages of implementation.

4.1 The Government will respond to the Committee's recommendation in the December 2016 Treasury Minute.

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First Report of Session 2016-17

Ministry of Justice

Efficiency in the Criminal Justice System

Introduction from the Committee

The criminal justice system in England and Wales investigates, tries, punishes and rehabilitates people who are convicted or suspected of committing a crime. A functioning criminal justice system is at the core of a functioning civil society. The NAO report focussed on the process between the point at which an individual is charged with an offence and the end of the court case. The main organisations involved are police forces, the Crown Prosecution Service, HM Courts and Tribunals Service, victims and witness services, the judiciary and lawyers. The system as a whole is co-ordinated through a national Criminal Justice Board. Central government spending on this part of system is around £2 billion a year and, in the year to September 2015, around 1.7 million offences were dealt with through the courts.

On the basis of a report by the National Audit Office, the Committee took evidence, on 17 March 2016, from the Ministry of Justice, HM Courts and Tribunals Service (HMCTS) and the Crown Prosecution Service about efficiency in the criminal justice system. The Committee published its report on 19 May 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Efficiency in the Criminal Justice System* - Session 2015-16 (HC 852)
- PAC report: *Efficiency in the criminal justice system* – Session 2016-17 (HC 72)

1: Committee of Public Accounts conclusion:
The criminal justice system is bedevilled by long standing poor performance including delays and inefficiencies, and costs are being shunted from one part of the system to another.

Recommendations:
The Criminal Justice Board should set out what it will do to improve co-ordination of the system. In particular, this should include:

a) ensuring that changes in one part of the system that might affect other parts are brought to the Board before they are implemented;

b) developing better information on cost shunting, which should be a standing item on the Board agenda; and

c) publishing, by the end of 2016, the performance information gathered through the new Crown Court performance tool, so that court users can see how the service they receives compares with the rest of the country.

1.1 The Government agrees with the Committee's recommendations.

Recommendation implemented.

1.2 The Government agrees that the Criminal Justice System requires the necessary investment and reform to improve the experience of those who use it and deliver better value for the taxpayer. The recent publication[3] from the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunal sets out the Government's plan to tackle the longstanding performance challenges in criminal justice.

1.3 The Government released the Crown Court Published Information[4] tool in June 2016.

1.4 The Government agrees that more could be done to understand how changes in one part of the system may have cost implications for another. The Government believes that the Board is the right forum to tackle this through its unique membership. In October, the Board set in motion end-to-end

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553261/joint-vision-statement.pdf
[4] https://www.judiciary.gov.uk/crown-court-information/

economic analysis work, in order to inform the Government's decision-making with data. The work will investigate where current spending is effective, as well as where upstream investments in one part of the CJS would save money in another part. The Government believes that this is a more effective way of addressing cost shunting than a standing item on the Board agenda.

2: Committee of Public Accounts conclusion:
The criminal justice system is not good enough at supporting victims and witnesses.

Recommendation:
The Ministry, with others on the Criminal Justice Board, needs to demonstrate a step change in service to victims and witnesses and it should report back to the Committee on progress in a year's time. A good first step would be to give the Victims Commissioner the option of becoming a full member of the Board.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 Providing the right support to victims and witnesses is a priority for both the Government and the members of the Board. The Government ensures they are supported as they proceed through the CJS through standards and entitlements, outlined in the Victims' Code[5] and Witness Charter.[6] However, the Government agrees it needs to continue to improve.

2.3 The Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals have committed to supporting victims and witnesses in 'Transforming Our Justice System'.[7] The Statement commits to enacting the legislation to allow vulnerable or intimidated witnesses to pre-record their cross-examination before the trial, as well as expanding the number of non-court sites from where witnesses can give evidence. The Department already grant funds Citizen's Advice to deliver the witness Service. Moreover, there are witness care units covering every criminal justice area, delivering information and advice to those who have to attend court.

2.4 The Department has devolved responsibility to Police and Crime Commissioners for commissioning the majority of support arrangements for victims in their area, allowing local solutions to problems. The Department will update the Committee on progress in 2017.

2.5 The Victims Commissioner attends all board meetings with items on victims and witness policy. The Minister for Victims also serves on the Board. Both the Commissioner and the Minister represent the voices of victims and witnesses at relevant Board discussions, therefore, the Department does not consider that a permanent position on the Board is necessary.

3: Committee of Public Accounts conclusion:
Timely access to justice is too dependent on where victims and witnesses live.

Recommendation:
The Ministry should work with others on the Criminal Justice Board to publish a plan to share good practice nationally and bring the worst performing areas (at least in terms of average waiting times and effective trial rates) up to an agreed minimum acceptable level of performance. The plan should include a timetable for when it expects to achieve the improvements.

3.1 The Government disagrees with the Committee's recommendation.

3.2 The Government believes that its recently announced plans for justice reform are a positive first step to meeting the Committee's concerns, supported by reform at all stages.

[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/476900/code-of-practice-for-victims-of-crime.PDF
[6] https://www.cps.gov.uk/victims_witnesses/witness_charter.pdf
[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553261/joint-vision-statement.pdf

3.3 In their joint statement,[8] The Lord Chief Justice and The Lord Chancellor set out their vision of a digital system that eliminates unnecessary processes of moving paper around the country, making greater use of digital court preliminary hearings. This will be accompanied by a unifying of the criminal courts, allowing cases to be heard as swiftly as possible at the most appropriate level of the court system. The Department has already increased flexibility to ensure that cases are heard close to where offences were committed, but without reference to arbitrary lines on maps.

3.4 The Government's publication of the Crown Court Published Information[9] tool in June 2016, as recommended by the Committee, will build on this by ensuring system performance can be properly scrutinised.

3.5 Throughout implementation, the Government will also be conducting analysis to assess the costs and benefits of these reforms to different users and parts of the system. Criminal justice partners are engaged in this work. The Government will provide further clarity as this work develops.

3.6 However, reforming courts alone will not be enough to tackle performance across the CJS. The Board has therefore made it a priority to look at all stages of the CJS to drive improvements, from diverting offenders to case disposal, making sure that all Board members are aligned to this vision.

4: Committee of Public Accounts conclusion:
The Ministry has been too slow to recognise where the system is under stress, and to take action to deal with it.

Recommendation:
The Ministry and the* Crown Prosecution Service *need to have a better understanding of the likely consequences of cutting available resources. The* Crown Prosecution Service *struggles to find prosecutors as a result of reductions in legal aid spending, and the courts have struggled with backlogs after sitting days were reduced. Both organisations must monitor system performance carefully as the reform programme takes effect, and respond promptly to any further signs of stress.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department is becoming a data driven ministry. We want data and evidence to be the engine for reforms and actions within the Criminal Justice System. CJS agencies will continue to adapt performance monitoring mechanisms and will continue to work closely as they routinely forecast and monitor demand, allocating and adjusting sitting days accordingly. The Criminal Justice Board is committed to improving the quality and precision of data and evidence. The Department's Executive Committee also monitors demand across the CJS on a regular basis, including looking at future demand projections.

4.3 All of the Justice System agencies are also taking steps to improve performance measurement. Central to this has been the work that HMCTS has been leading on delivery of the Common Platform to improve the data it produces and collects across the system. This work encourages changes in behaviour, better working with CJS agencies, and the sharing of best practice to continuously improve the service to their users.

5: Committee of Public Accounts conclusion:
The reform programme is welcome, but the full benefit will not be seen for another four years, and users of the system should not have to wait this long to see real change

Recommendation:
The Ministry and the CPS should work with others on the Criminal Justice Board to agree and publish by the end of 2016 a timetable that sets out what specific measurable improvements will be achieved, and by when, over the course of the next four years.

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553261/joint-vision-statement.pdf
[9] https://www.judiciary.gov.uk/crown-court-information/

5.1 The Government disagrees with the Committee's recommendation.

5.2 The Department has already released the Crown Court Published Information[10] tool in June 2016, as recommended by the Committee. This will be make sure that system performance can be properly scrutinised. At the October Board it was agreed that time would be made available for senior officials to raise any performance concerns they had. This will allow the Board to prioritise any identifiable barriers to user improvement, from whatever point in the system that it arises, from investigation to disposal.

5.3 In their joint statement, The Lord Chief Justice and The Lord Chancellor set out their vision of a digital system that eliminates unnecessary processes of moving paper around the country, making greater use of digital court preliminary hearings. This will be accompanied by a unifying of the criminal courts, allowing cases to be heard as swiftly as possible at the most appropriate level of the court system. We have already increased flexibility to make sure that cases are heard close to where the offences were committed, but without reference to arbitrary lines on maps. This will eliminate many of the causes of poor performance within the system.

5.4 Throughout implementation, the Department will be conducting analysis to assess the costs and benefits of these reforms to different users and parts of the system. Criminal justice partners are engaged in this work. The Department will provide further clarity as this work develops.

6: Committee of Public Accounts conclusion:
HMCTS does not yet have a credible plan for securing value for money from its estate.

Recommendation:
HMCTS must, as a matter of urgency, develop an asset management plan for the courts estate that prevents more public money being wasted on courts that are about to close. This should include explicit consideration of arrangements for jurors, victims and witnesses to travel to the fewer, larger courts that will remain.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 HMCTS already has an asset plan, which has been transferred to the newly-established Property Directorate. The Directorate is aligning priorities with the likely future shape and size of the Court and Tribunal Estate to focus time and investment on long-term locations. They will work closely with Delivery Directors to understand operational needs when considering the future estate including arrangements for jurors, victims and witnesses.

6.3 The consultation response on the provision of court and tribunal estate in England and Wales included indicative timescales for all closures and this will be updated periodically. As of August 2016, of the 86 sites announced for closure, 31 sites have ceased to provide a customer facing service.

6.4 HMCTS has a duty to maintain the value of its assets. The Committee's report was critical of works done in a court subsequently announced for closure. The work done in that court took place well before the consultation exercise leading to the decision to close the court at the end of 2016. That court is a freehold property and its sale value will be greater with these essential works completed.

6.5 Consultations on court closures are genuine consultations. The Department should not pre-judge the results of any consultations. Any future proposals to close a court will be subject to public consultation. The Government published a consultation on the future of Camberwell Green and Hammersmith Magistrates' Courts in September 2016. The consultation will run until 27 October 2016.

[10] https://www.judiciary.gov.uk/crown-court-information/

7: Committee of Public Accounts conclusions:
Plans to devolve greater responsibility for criminal justice are as yet unclear. Devolution might present opportunities to improve local cooperation, but could also risk adding more complexity to an already fragmented system.

Recommendation:
The Ministry must learn the lessons of devolution in other areas of government. It should set out clearly by the end of September 2016 what it is trying to achieve and how it will monitor whether devolution is working.

7.1 The Government disagrees with the Committee's recommendation.

7.2 Devolution deals are initiated by local areas and driven by their needs. The Department is committed to working collaboratively with each local area that has a justice devolution deal to agree the way in which the deal will be implemented. This includes establishing a mechanism for monitoring the benefits of devolution. For example, in July 2016, the Department agreed a Memorandum of Understanding with Greater Manchester Combined Authority (GMCA) to govern the implementation of devolution in Greater Manchester.

7.3 The Department does not intend to publish an overarching plan for devolution in the CJS, as doing so could undermine the locally-driven nature of devolution deals. The Department makes sure that each devolution deal aligns with national reform programmes and for each separate deal the Department will ensure that there are clear objectives and that outcomes are measured where possible.

7.4 Devolution deals are a cross-Government initiative and the Department is working closely with other departments to understand how devolution of other services has been implemented. The development of justice devolution proposals in Greater Manchester has benefited from GMCA's experience of devolution in other public services.

Second Report of Session 2016-17

Department for Health / Department for Communities and Local Government

Personal budgets in social care

Introduction from the Committee

Personal budgets in social care are sums of money allocated by a local authority to service users to be spent on services to meet their care needs. They can be managed on behalf of users by the authority, or a third party, or given to users as direct payments: money to spend themselves. They enable users to have more choice and control over the services they receive, tailoring their care to their personal circumstances and the outcomes they want to achieve. In 2014–15, local authorities spent around £6.3 billion on long-term social care for users in the community, including around 500,000 users whose social care services were paid for through personal budgets. The Care Act 2014 required local authorities to give all eligible users a personal budget from April 2015, embedding the personalisation of care services into the legal framework for adult social care. The need for social care is rising as people live longer with long-term and complex health conditions. Between 2010–11 and 2014–15, English local authorities' spend on adult social care fell by 7% in real-terms.

On the basis of a report by the National Audit Office, the Committee took evidence, on 13 April 2016, from the Department for Health, and the Department for Communities and local government about progress in delivering personalised commissioning in adult social care. The Committee published its report on 8 June 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Personalised Commissioning in Adult Social Care* - Session 201-16 (HC 883)
- PAC report: *Personal Budgets in Adult Social Care* - Session 2015-16 (HC 74)

1: Committee of Public Accounts conclusion:
Adults who receive social care paid for by their local authority are not yet getting the support they need consistently in order to get the most out of personalising their care

Recommendation:
The Department should ensure that published good practice for local authorities and providers shows what high-quality and proportionate support looks like, how much it costs and that it meets the diverse needs of users

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department worked closely with the Association of Directors of Adult Social Care and the Local Government Association (LGA) to build a suite of resources to support local authorities in implementing the Care Act[11]. This includes publishing good practice guidance on delivering personalised care and support, which is available on the LGA website. The tools include:

- E-learning modules for councils and partners to use as they train staff and embed the Care Act, for example: a workforce readiness tool to support workforce capacity planning;

- Learning and development resources including workbooks, presentations, videos, frequently asked question sheets and guides, for example: a prevention library to capture emerging practice and research to support and inform the commissioning process; and

- Interactive tools and support products for care and support providers, for example: the 'personalised care and support planning' tool and the 'personal budgets minimum process framework' that looks at both the legal requirements of the Care Act and what good looks like through case studies and scenarios.

[11] http://www.local.gov.uk/care-support-reform/-/journal_content/56/10180/6527978/ARTICLE

1.3 The Department will continue to work closely with partners to identify, promote and share good practice for local authorities. The Department has also commissioned the *Think Local Act Personal* partnership, as sector leader on personalisation, to deliver a work programme that supports the continued implementation of personalisation and community based support.

2 3: Committee of Public Accounts conclusions:

2: *Some people with personal budgets may not be receiving care that is genuinely personalised.*

3: *It is not yet clear how local authorities can implement personal budgets to maximise benefits to users and more evidence is needed.*

Recommendations:

2: *The Department should explain, in its response to this report, how it is going to test that all users are receiving genuinely personalised services and that users are receiving the form of personal budget that is most appropriate to their individual circumstances.*

3: *The Department, with partner organisations, should carry out further analysis of existing data from the Adult Social Care Survey as well as improving the POET survey and its take-up, to improve evidence and understanding of both how personal budgets are used and how they lead to better outcomes for users. In its response to this report, the Department should make clear its criteria and timeframe for assessing the success of personal budgets.*

2.1 The Government agrees with the Committee's recommendations.

Target implementation date: November 2016.

2.2 The Department agrees that users should receive genuinely personalised services and appropriate personal budgets, and build capacity and support through tools such as the Care Act Implementation Reform programme and the online markets hub. In October 2015, the Department called for research projects to evaluate aspects of the Care Act 2014. '*Improving Choices for Care: A Strategic Research Initiative on Implementation of the Care Act 2014,'* includes research on how personal budgets and direct payments may contribute to better outcomes. The Department can provide details of the specific scope of the research and expected outputs once the contract has been awarded.

2.3 The Department will undertake further analysis of the *Adult Social Care Survey* to understand how better outcomes are achieved for users. In October 2015, NHS Digital published the results of the 2014-15 *Adult Social Care Survey*[12] and the accompanying dataset which includes, for the first time, a distinction between the different types of support received by users. The Department will continue to work with NHS Digital to analyse the new data set and use this to help inform consideration of the content that will be included in the 2015-16 *Adult Social Care Survey* and *Adult Social Care Outcomes Framework*[13] publications.

2.4 The Department is also funding the publication of the 2016-17 *Personal Outcomes Evaluation Tool,* as part of the work programme commissioned from *Think Local Act Personal*. The *Personal Outcomes Evaluation Tool* is focused on user experiences of services. The tool was also developed at a time when personal budgets were not a mechanism that everyone was eligible for and the Department has now made this a right for everyone through the Care Act. The Department will continue to look at how the care planning process is delivering outcomes through the *Adult Social Care Outcomes Framework* and more targeted surveys, such as a commissioned Care Act Survey conducted by *Think Local Act Personal*. Preliminary results are due in November 2016.

2.5 However, it is the responsibility of local authorities to ensure users are receiving appropriate support and care as outlined in the Care Act statutory guidance.

[12] http://digital.nhs.uk/catalogue/PUB18642
[13] https://www.gov.uk/government/publications/adult-social-care-outcomes-framework-ascof-2015-to-2016

4: Committee of Public Accounts conclusion:
The Committee shars the concerns of local authorities that funding cuts and wage pressures will make it hard to fulfil their Care Act obligations.

Recommendation:
The Department should improve its knowledge and understanding of the impact of funding reductions on the adult social care sector. It should send its review of the impact of the National Living Wage to the Committee by November 2016 and report to the Committee by then on the results of its review of the Care Act, including the current requirement on local authorities to review users' care arrangements annually.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2016.

4.2 The Autumn 2015 Spending Review provided a package of up to £3.5 billion of support for adult social care by 2019-20, which gives local government access to the funding it needs to increase social care spending in real terms by the end of the Parliament. The Department engages closely with stakeholders to support the sector, including working with the LGA on sector-led improvement support for councils; with the LGA and others to support local authorities to meet requirements around market sustainability and improve commissioning practices; and with NHS England and NHS Improvement, to accurately estimate the cost of delayed discharges to hospitals and caring for people in the community.

4.3. The impact of the new National Living Wage on local authority finances was considered during the Spending Review as part of an overall assessment of spending pressures on local authorities.

4.4 The Department commissioned a sixth LGA stocktake of local authority implementation of the Care Act in June 2016. The report is due in November 2016, alongside the Departments other commissioned surveys and research projects already noted.

5: Committee of Public Accounts conclusion:
The fragility of the social care market in many areas is putting people at risk. There is a real threat that many care providers will not survive.

Recommendation:
The Department should be realistic about its remit as national steward of the social care market and its resources to carry out this role. It should publish its National Market Position Statement before the summer recess, through which it should clarify:

- ***what being the 'national steward' of the social care market means in practice;***
- ***how it will assess the impact of funding cuts and restrictions on care providers;***
- ***its role in workforce management;***
- ***how it will promote social care as a valued career and enable career pathways through social care and health; and***
- ***under what circumstances it would take action to support the care market, and in what way.***

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2016.

5.2 The Department has an important stewardship role for the adult social care market. This involves oversight of the system and continued engagement with local authorities and providers to ensure the market overall is sustainable and delivers improving outcomes and quality.

5.3 The Department had initially proposed developing a National Market Position Statement. Following discussions with stakeholders, it agreed to develop an on-line Markets Hub primarily focussed on drawing together good local practice examples of commissioning, market shaping and contingency planning as well as links to data sources. The aim is to provide a resource to help local commissioners improve practice and therefore improve people's wellbeing.

5.4 The Markets Hub will be available through GOV.UK from Autumn 2016 and will be kept under review. More broadly, the Department continues to work with the sector to promote best practice guidance to encourage quality services, smart commissioning and protection for people with care needs.

6: Committee of Public Accounts conclusion:
The health sector faces an even greater challenge in rolling out personal health budgets and integrated health and social care budgets than the social care sector did in rolling out personal budgets in social care.

Recommendation:
The Department should put in place a robust regime to monitor the effectiveness of personal health budgets and of integrated health and social care budgets as it rolls them out, applying relevant lessons from the rolling out of adult social care personal budgets.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2019.

6.2. Robust monitoring and measurement of the effectiveness of personal health budgets and integrated budgets is essential. NHS England has supported clinical commissioning groups to use the Personal Outcomes Evaluation Tool, and is currently exploring how best to monitor quality in future. In addition, NHS England and the Department have commissioned a formal evaluation of the Integrated Personal Commissioning Programme, which will report in Spring 2019. This will include considering how to design and measure joint health and social care outcomes.

6.3 The health sector does face significant challenges in rolling out personal health budgets and integrated health and social care budgets. However, the NHS is undertaking a significant shift towards personalisation, which is at the heart of the vision of the *Five Year Forward View* and which will help meet these challenges. NHS England is supporting the roll-out of personal health budgets with a comprehensive programme of national and regional delivery support.14

6.4 The *Integrated Personal Commissioning Programme* is addressing implementation challenges for personal health budgets and wider personalisation of services. This programme, led by NHS England and the LGA, is particularly focused on delivering integrated budgets across health, social care and education.

7: Committee of Public Accounts conclusion:
There is a strong link between people's wellbeing and the quality of their housing but too many people with care needs are living in unsuitable housing.

Recommendation:
The Department of Health and the Department for Communities and Local Government should jointly write to the Committee setting out how housing policy supports people with care needs and how they will monitor local authorities' progress with making housing and care work together.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

7.2 Ensuring that people with care needs are supported is at the core of the Government's approach to housing. The Care Act 2014, for the first time, introduced a new requirement that '*suitability of living accommodation*' be considered as part of Local Authorities general duties to promote an individual's wellbeing when carrying out their care and support functions. Since 2015-16, the Disabled Facilities Grant, which funds and aids adaptations to help people stay independent in their own homes, is allocated to Local Authorities through the Better Care Fund. The Disabled Facilities Grant increased from £220 million to £394 million in 2016 and will more than double to over £500 million by 2019-20.

[14] https://www.england.nhs.uk/healthbudgets/resources/support-professionals

7.3 The Government also funds a range of supported housing through the benefits system, providing a vital service to hundreds of thousands of the most vulnerable people across the country. The range of support includes helping those with learning disabilities to providing older people with support needs with somewhere to live that can meet their changing needs as they age, crisis accommodation for people fleeing domestic abuse or emergency places for rough sleepers, help for those recovering from drug or alcohol dependency, or support to vulnerable young people such as care leavers to get the help they need to move on and get a job and to live independently.

7.4 At the Spending Review, the Government committed £400 million between 2016-2021 to deliver a further 8,000 supported housing units through the Department for Communities and Local Government's Shared Ownership and Affordable Homes Programme. The Department of Health is also investing more in specialised accommodation. The Care and Support Specialised Housing Fund was launched in 2012, for people whose care needs require it, and over £200 million is being invested to develop over 6,000 affordable homes which will be built over the next few years.

7.5 The Department recognises the importance of closer working between these sorts of services at local level. The Better Care Fund provides financial support for councils and NHS organisations to jointly plan and deliver local services. Local Housing Authority representatives should be involved in developing and agreeing Better Care Fund plans, to ensure a joined-up approach to delivery of improved outcomes in the integration of health, social care and housing.

7.6 The Department also announced that from April 2019 any supported housing funding currently met from housing benefit, which is above the level of the Local Housing Allowance rate, will be met from a local top-up fund based on local need. One of the aims of this change is to ensure better join up at a local level. The Government is interested in hearing views on how this new arrangement for supported housing will work in practice, and consultation will take place. While the Government is mindful of the need not to impose unnecessary new reporting arrangements on Local Authorities or care and housing providers, the Department recognises the importance of ensuring that the aims and objectives of both the Better Care Fund and the new funding regime for supported housing are being achieved.

7.7 The Better Care Fund asks local authorities to set targets against five key National Performance Metrics, one of which can be locally-determined. Performance against these metrics is monitored by NHS England. For Supported Housing, the Department will need to consider these issues carefully during the consultation process. The Department will write to the Committee with further information once the Supported Housing consultation has been published.

8: Committee of Public Accounts conclusion:
Many users with complex and long term care needs receive money and benefits from several different sources, which is confusing for them and potentially an inefficient way to support people.

Recommendation:
The Department should write to the Committee in a year setting out the progress made in ensuring that people who qualify for different pots of money for similar or overlapping purposes can spend it in a way which represents good value for money. The Committee would also like to know from the Department how the different bodies issuing the payments are working jointly to provide a clearer, more efficient process.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2017.

8.2 The Department has improved the information and advice on care and support available to the public through NHS Choices web services. The NHS Choices site includes clear and improved links to appropriate information on GOV.UK and also includes information and direct links local authorities. Applications for different funding streams can also be accessed and completed online through GOV.UK.

8.3 It is the responsibility of local authorities to ensure users are receiving appropriate support and care as outlined in the Care Act statutory guidance. However the Department has provided a range of support and guidance for local authorities on commissioning for adult social care. This includes a route map on commissioning for better outcomes.

8.4 The *Integrated Personal Commissioning Programme* is also developing a single robust administrative process to enable streamlined implementation of personal budgets, combining funding streams for people with the most complex needs. The initial focus is on health, social care and education where applicable. This will extend to cover other funding streams in future. The work programme is jointly led by NHS England and the LGA, includes a specific work stream looking at integrated budgets, streamlining processes and outcomes for services users, carers and the organisations involved. The formal evaluation of the programme will report its findings in Spring 2019. Early learning and case examples will be shared widely as soon as available.

8.5 There are UK-wide, non-contributory and tax-free benefits intended to help people with a long-term health condition or disability to meet the additional costs that can be associated with social care needs, for example additional energy costs to meet higher heating or laundry usage, maintenance, and repair of disability-related equipment, including equipment or transport needed to enter or remain in work. These benefits include Attendance Allowance, Disability Living Allowance and Personal Independence Payment. The application process for each, including links, is explained clearly on GOV.UK.

Third Report of Session 2016-17

Department for Education

Training new teachers

Introduction from the Committee

The Department for Education is responsible for the supply of sufficient numbers of new teachers to publicly-funded schools in England. It also aims to raise the quality of the teaching profession and give teachers and head teachers greater professional autonomy and responsibility for recruitment and training. Its executive agency, the National College for Teaching and Leadership (the National College), is responsible for allocating places to training providers, distributing grants to providers and trainee bursaries, accrediting providers and overseeing the market of training providers. Some 455,000 teachers work in the state funded sector in England. Of the 44,900 teachers entering state-funded schools in 2014, 23,900 (53%) were newly qualified.

Between 2011–12 and 2015–16, the Department and the National College increased the number of routes into teaching for prospective trainees from four to eight, with an overall policy objective to expand school-led training. In line with policy, they expanded the number of school-centred providers from 56 to 155, while continuing to involve universities in the training of new teachers. They also grew the number of schools leading the new school-led route, School Direct, from zero to over 800. The cost to central Government and schools of training new teachers is around £700 million each year.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence on 7 March 2016 from the Department and the National College for Teaching and Leadership. The Committee also took evidence from the head teacher at Branston Junior Academy, Lincolnshire, a director of a school-centred initial teacher training partnership from Merseyside, the head of the school of education at Birmingham City University and the general secretary of the National Association of Head teachers. The Committee published its report on 10 June 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Training new teachers* – Session 2015-16 (HC 798)
- PAC report: *Training new teachers* – Session 2016-17 (HC 73)

1: Committee of Public Accounts conclusion
The Department for Education (the Department) has missed its targets to fill teacher training places four years running and has no plan for how to achieve them in future.

Recommendation:
The Department and the National College should develop a clear plan for teacher supply covering at least the next 3 years, detailing how targets will be met, underpinned by better data on the accuracy of its estimates and independent testing of its teacher supply model.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department already forecasts 10 years ahead using the Teacher Supply Model (TSM) and has in place a range of policies and recruitment initiatives designed to run over a number of years. The White Paper[15] published on 17 March 2016 set out some of the measures the Government intends to take to improve the supply of teachers.

1.3. The TSM is only one part of the teacher recruitment story and is used to forecast demand for Initial Teacher Education (ITE) places and allows us to design a package of financial incentives that the Department believes will maximise recruitment in individual subjects. While the TSM does produce a long term forecast, in a complex environment where data change yearly, it is necessary for the Department to

[15] https://www.gov.uk/government/publications/educational-excellence-everywhere

revisit its forecast each year to reassess demand. The TSM is published so that the Department is transparent about the modelling approach and underpinning policy assumptions. Publication also enables anyone to scrutinise how the model works. The TSM is compliant with the Macpherson[16] review checklist for quality assurance of Government analytical models, published in 2013. The Department has established an external steering group (comprising representatives from schools, unions, academia, and ITE provider organisations) who also provide high-level challenge on the development of the model.

1.4 During the current Parliament, the Department is investing £1.3 billion in initiatives to recruit and train new teachers. Strategies to maximise teacher recruitment include provision of financial incentives such as tax free bursaries and scholarships for candidates with top degrees applying to teach shortage / priority subjects; salary subsidies to support trainees on employment-based training routes; a national marketing campaign with a budget that is growing to £16 million in the 2016-17 academic year; and a package worth £67 million aimed at recruiting and upskilling maths and physics teachers.

1.5 In June 2016, the Department began a programme of work to develop the use of existing data that will improve its understanding of the teacher supply market at a more local level. The first output of this programme of work was published on 8 September 2016.[17] A second strand of work in the autumn of 2016 will test new approaches to enable the Department to identify those schools experiencing the greatest teacher recruitment challenges and to support them to meet those challenges.

2: Committee of Public Accounts conclusion

The Department does not understand the difficult reality that many schools face in recruiting teachers.

Recommendation:

The Department and the National College should set out when and how they will talk more to schools leaders—and not just those involved in their school-led training programmes—about the recruitment challenges they face and demonstrate how they will use that information to plan interventions more carefully, especially the future location of training places. They should also examine the impact of agency fees on school budgets and consider ways to manage this.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

2.2 The Department is establishing a cross section of schools across England that the Department can track over time to understand in more detail the recruitment challenges they face. The schools will be subject to in-depth research to understand the underlying causes of supply challenges which can in turn inform the Department's over-arching strategy to tackle local supply challenges. This will build on the evidence from a project already underway in the autumn of 2016 that is testing approaches to identifying schools with particular supply challenges. Through both pieces of work, the Department should gain a better understanding of which schools are facing the greatest teacher recruitment challenges, enabling it to consider more targeted approaches to supporting schools.

2.3 As part of the allocation of training places to school-led providers, the Department is engaging with a significant proportion of state-funded schools, not just accredited ITE providers to understand their recruitment requirements. When considering the accreditation of new ITE providers (particularly school-based providers) assessment will include the local need for new/additional provision, and encourage proposers to develop models that respond to analysis of wider local need.

2.4 Work is ongoing between the Department and the Crown Commercial Service to develop a replacement for the Contingent Labour framework that would enable spending on supply teachers to be more effectively managed. Agency fees and their impact on school budgets will fall within the scope of this work. The planned delivery date for this new commercial model is the summer of 2017. In the meantime, the Department is reviewing currently available frameworks for Contingent Labour to understand: how it could save schools money; why some schools do not appear to be using them; and how it can encourage wider uptake to deliver savings.

[16] https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models
[17] https://www.gov.uk/government/statistics/local-analysis-of-teacher-workforce-2010-to-2015

3: Committee of Public Accounts conclusion
The myriad routes into teaching are confusing for applicants and it is the Department's responsibility to end this confusion.

Recommendation:
The Department and the National College should work with the sector to provide clearer, more accessible information to prospective applicants (including where to study, the costs involved and the quality of training providers) to help them identify and apply for training that is best suited to them. This information should be in place for applicants from autumn 2016.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department agrees that it is important that applicants can access information on the training available to enable them to make informed choices about which training is most appropriate to their needs. That is why the National College has completed a programme of work to improve the candidate's experience of the current system by redesigning and simplifying the '*Get into Teaching*' website so that it presents potential candidates with an initial choice of just two major routes - university led and school led. It has created a page on the website to provide candidates with information about: the quality of teacher education, including the annual Newly Qualified Teacher (NQT) survey; the cost of training for candidates; Ofsted ITE inspection reports; and ITE performance profiles, which contain information about successful completion and employment rates of trainees at particular providers.

3.3 The National College has introduced a new registration form that takes just a few minutes to complete and enables candidates to access a range of support, including help in arranging school experience and access to its free Train to Teach events - where candidates have the opportunity to meet schools and providers - and Premier Plus Advisors (PPAs) who provide dedicated one-to-one support for candidates wanting to train to teach shortage subjects, and provide advice on creating a strong and successful application to ITE. Candidates can search and apply for all types of teacher training places – University, School Centred Initial Teacher Training (SCITT) or school (except Teach First) through the University and College Admission Service (UCAS) Teacher Training website.

3.4 To reach a wide range of people in an accessible way, the National College uses social media including Facebook, Twitter, Linked-in and YouTube**.** The National College will continue to review the process and consider what further improvements could be made to improve applicants' experience.

4: Committee of Public Accounts conclusion
The Department's approach means that a growing number of pupils are taught by teachers who are not subject specialists.

Recommendation:
By the end of August 2016, the Department should report back to us on the extent and impact of teachers taking lessons they are not qualified in. It should use this evidence both to inform its future teacher supply choices and to support head teachers in deciding how best to deploy their staff.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2016.

4.2 The Department wrote to the Committee on 31 August 2016, providing information on the percentage of hours taught by teachers with a relevant post A level qualification. The Department is undertaking further analysis on the extent and impact of non-specialist teaching in England, which adds to existing international and English evidence. The Department will publish the analysis December 2016.

5: Committee of Public Accounts conclusion
The Department's drive to improve quality is being frustrated by its inability to attract enough applicants and, in the current year, may be affected by the way it has allocated training places for courses in 2016 17.

Recommendation:
The Department and National College should work with school leaders to assess the impact of their policies on the quality of teachers and develop a richer understanding of what makes for good-quality teaching, whether its current approach of national allocation quotas is creating a rush to recruit resulting in lower quality trainees and whether School Direct schools have an unfair advantage when it comes to recruitment.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: September 2017.

5.2 The Department is investing in the Educational Endowment Foundation, which is helping to build the evidence around effective practices and interventions, and its support for the establishment of an independent College of Teaching which seeks to drive teaching excellence. Furthermore, England is taking part in the OECD Teaching and Learning International Survey - TALIS 2018[18] video study on teaching practices, which will contribute to the system's understanding of effective teaching in England.

5.3 The Teaching Schools Council, with support from the Department, is already contributing to the understanding of effective teaching through two pieces of work, the Modern Foreign Languages Pedagogy report led by Ian Bauckham, and the Effective Primary Teaching Practice work led by Dame Reena Keeble. In July 2016, the Department published the Standard for Teachers' Professional Development[19] to help schools and teachers understand what makes effective professional development to help with the continual improvement and development of teachers and teaching.

5.4 Previous methods for allocating ITE places have been imperfect in so far as they have left places unfilled at the end of the recruitment year. For the 2016-17 academic year, the Department adopted a system of recruitment controls which set only a school-led minimum number of places, and allowed providers to continue recruiting until national targets had been reached. Although this system has not worked well for some providers, the expectation is that it will deliver a positive outcome for the overall teacher recruitment picture by the end of the current cycle.

5.5 The Department has learnt clear lessons from the experience of previous approaches to controlling recruitment to ITE. Following discussions with schools and universities, the Department has implemented an allocations approach for the 2017-18 academic year that aims to ensure that sufficient training is taking place in the subjects where more teachers are needed and that training is concentrated with providers who recruit high-quality trainees and deliver the best outcomes.

5.6 The Department has awarded a multiple-year allocation to providers who received the highest scores against a set of quality criteria (as detailed in the allocations methodology document published on 29 September 2016). These providers have been given an allocation for three years from 2017-18. The approach adopted by the Department reflects the difficulty of recruiting trainees in some subjects, and the different speed at which different types of provider fill their allocated places. This will help to ensure that the Department gives providers greater certainty about their ability to recruit, at the same time as optimising overall recruitment to TSM targets.

6: Committee of Public Accounts conclusion
The Department has not persuaded us that its bursaries are delivering value for money.

Recommendation:
The Department should evaluate properly, as a matter of urgency given the large sums involved, whether bursaries, and other payments such as the future teacher scholarships, lead to more, better quality teachers in classrooms, including whether the money could be more effectively spent in other ways, such as on retention measures.

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[18] http://www.oecd.org/edu/school/jointalis2018.htm
[19] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537031/160712_-_PD_Expert_Group_Guidance.pdf

6.1 The Government agrees with the Committee’s recommendation.

Target implementation date: April 2018.

6.2 The aim of bursaries is to incentivise top graduates to train to teach. Analysis of UCAS data on recruitment demonstrates a correlation between an increase in bursaries and an increase in trainee numbers. The Department has updated its analysis, assessing how the value of a bursary affects the number of applicants to ITE. At the time of the Committee’s hearing it was a 3% increase per £1,000 - it is now a 3.7% increase.

6.3 The Department has been undertaking detailed analysis, looking at applicants in receipt of bursaries and tracking them through to the workforce. The work examines what percentage of those in receipt of bursaries have gone into teaching; for those who stayed in teaching, how long they stayed; and when they stayed, what subjects did they teach and was it the one for which they received the bursary. The Department will complete this work in April 2018.

6.4. The Department regularly reviews whether there are alternative approaches to optimising teacher supply, having deployed alternative schemes in the past. As part of its work to ensure value for money and to support schools and localities facing particular recruitment or retention challenges, further improvements to the current bursaries approach, including conditionality and more targeted incentives, are planned over the next year.

7: Committee of Public Accounts conclusion

The Committee welcomes the Department’s willingness to experiment with a range of approaches, training routes and other initiatives but it does not evaluate its experiments thoroughly enough.

Recommendation:

The Department needs to set out how and by when it plans to evaluate all of the initiatives it has put in place so that it can invest in programmes that work best to put more good quality teachers in classrooms.

7.1 The Government agrees with the Committee’s recommendation.

Target implementation date: Spring 2017.

7.2 The Department is committed to understanding what works and in the academic year 2015-16 externally commissioned in the region of £14 million worth of research and evaluation. It also invests in the Education Endowment Foundation (EEF) and the Early Intervention Foundation (EIF) in terms of ‘what works’ centres. The research outputs from EEF, in particular, are specifically aimed at schools to provide them with a range of possible interventions and enable schools to understand which interventions are the most effective and most cost effective.

7.3 As an example of externally commissioned research, the Department has commissioned the National Foundation for Educational Research (NFER) to carry out an initial process evaluation covering the first year of the £67 million STEM package (Science, Technology, Engineering and Mathematics) aimed at bringing new maths and physics teachers into the profession from previously untapped routes. It focuses on the four strands with participants in the 2015-16 academic year: Teacher Subject Specialism Training (TSST), Returners, Paid Internships and Maths and Physics Chairs. The findings are due to be published in Spring 2017.

7.4 The Department is also progressing the next stage of the research, which will be an impact evaluation for each of the 8 separate strands of the STEM package including value for money of the new approaches being tested, including Future Teaching Scholars. The evaluation will aim to assess the effectiveness of each strand and how many people went into teaching as a result of the intervention who otherwise would have pursued a different career.

Fourth Report of Session 2016-17

Department for Education

Entitlement to free early years education and childcare

Introduction from the Committee

In September 2010, the Department introduced an entitlement to 15 hours of free childcare per week for all three- and four-year-olds in England. As well as providing childcare the free entitlement is also expected to provide early education and developmental benefits for the child. In 2013, the Department extended the offer of free childcare to include two-year-olds from disadvantaged families. Free childcare can be taken in playgroups, pre-schools, nursery schools, nursery classes in primary schools, in children's centres or with childminders. The Department oversees the delivery of childcare. It gives funding to local authorities and sets the overall policy for free childcare. In 2015–16, the Department gave £2.7 billion to local authorities, with 1.5 million children taking up a free childcare place.

Local authorities are responsible for ensuring sufficient places for the funded hours and allocating money to providers. They are legally required to provide information to help parents find an appropriate place for their child, and should also give support and training to providers to ensure childcare in their area is high quality. There are approximately 105,000 childcare providers in England. Parents choose which provider and how many hours to use. Providers can choose whether to offer free childcare, but must register with Ofsted, which inspects childcare settings to ensure they deliver good-quality education and care. The Department plans to double the number of hours' free childcare that working families with three- and four-year-olds are entitled to from 15 to 30 hours per week from September 2017. The additional hours are to support parents to work, or to work more hours, and are not expected to have an additional impact on children's educational outcomes. The Department plans to pilot the new entitlement from September 2016.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence on 20 April 2016 from the Department on early education and childcare. The Committee also took evidence from Neil Leitch (Pre-School Learning Alliance); Zoe Raven (Acorn Childcare); and Dalia Ben-Galim (Gingerbread). The Committee published its report on 15 June 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Entitlement to free early years education and childcare* – Session 2015-16 (HC 853)
- PAC report: *Entitlement to free early years education and childcare* – Session 2016-17 (HC 224)

1: Committee of Public Accounts conclusion
There may not be enough providers willing to provide the additional 15 hours of free childcare being introduced in 2017.

Recommendation:
Given the real risk that there will not be enough places, the Department should use the pilots to test providers' capacity to meet the expected demand for the new entitlement for more free hours and assess how feasible it is for providers to operate with the new funding rates. The Department should set out to the Committee how it plans to evaluate the pilots and implement any changes required before the full roll-out in September 2017.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

1.2 Early implementation of the 30 hours free childcare entitlement will play a vital role in exploring delivery approaches, identifying and addressing potential barriers to success and sharing lessons learned ahead of national roll-out in September 2017.

1.3 Eight early implementer local authorities began to deliver the extended entitlement in September 2016, offering around 5,000 places to eligible children across the country during the course of the year. This will provide the Department with valuable information about provider capacity and parental demand. The Department will closely monitor early implementers' performance throughout the year. The Department also plans to formally evaluate the early implementer programme and has commissioned an independent evaluation led by Frontier Economics and NatCen Social Research who will:

- assess the structure of the national and local elements of the early implementation programme to ensure a clear understanding of the policy being tested;
- provide robust evidence on implementation to understand how the programme was implemented and initial impacts to understand how childcare providers and parents responded to the programme; and
- facilitate the dissemination of the evaluation evidence and lessons to all local authorities before full roll-out in September 2017 including an evaluation event in May 2017 and a final published report in July 2017.

2: Committee of Public Accounts conclusion

The Department has no mechanisms for identifying whether local authorities are managing their childcare markets effectively or to intervene if needed.

Recommendation:

The Department should set out how it will oversee local authorities' role in ensuring that there are sufficient places for childcare and intervene where local authorities are not managing the childcare market in their area effectively.

2.1 The Government agrees with the Committee's recommendation.

Target implementation date: October 2018.

2.2 The Department recognises that adequate funding is key to ensuring providers are able to deliver enough free childcare places to meet the needs of the eligible children from September 2017. The Department's proposed funding reforms will make the allocation of funding fairer, efficient and more transparent in order to give local authorities the funding they need to ensure that sufficient numbers of providers are willing and able to deliver 30 hours of free childcare on a sustainable basis.

2.3 The Department has appointed a local authority delivery team of officials to monitor local authorities' implementation activity. Between October 2016 and October 2018 this team will be complemented by a £3 million delivery contract Both the officials and contractor are charged with ensuring that all local authorities are making the necessary preparations for the smooth delivery of the entitlement, targeting local areas which have the greatest sufficiency challenges, and supporting them to deliver post go-live. Together the delivery team and contractor will regularly assess data from local authorities about the childcare market and preparations for 30 hours, and put in place bespoke intervention packages as appropriate to the local area.

2.4 Since September 2016, eight early implementer local authorities have already been offering places. These will provide invaluable lessons for other local authorities as they prepare for full roll-out, and the national contractor will work closely with early implementers to gather and disseminate lessons and good practice. The contractor will also work with the 24 early innovator local authorities that are testing different aspects of delivery such as how to make the extended entitlement more flexible for parents.

2.5 The Department has commissioned Frontier Economics and NatCen to lead the early implementation evaluation to work together with the Department to share lessons on intervention strategies and support the promotion of national roll-out.

3: Committee of Public Accounts conclusion
Parents report that some providers offer the free entitlement to childcare only on condition that parents also pay for additional hours.

Recommendation:
The Department should identify and report back to the Committee on the scale of this problem; and write to all local authorities to remind them of their statutory duty to ensure that if providers charge for any goods or services, this is not a condition of children accessing their free childcare place.

3.1 The Government agrees with the Committee's recommendation

Target implementation date: February 2017.

3.2 Whilst childcare providers can already charge parents for additional services and goods (including meals), the Department is clear that providers must not make this a condition of children accessing their free entitlement. The Department intends to publish revised *Early Education and Childcare Statutory Guidance for Local Authorities*[20] in early 2017. The Department will review the guidance to ensure that it is clear about what providers can and cannot charge for.

3.3 The Department has established a *Prompt Payment and Model Agreement Expert Group* comprising of local authority and provider representatives to develop and promote a model agreement between local authorities and providers. The purpose of the agreement is, as far as possible, to standardise operational arrangements such as invoicing and charging for meals so that there is clarity about what is, and is not, permitted within the statutory guidance. The Department intends to publish this in early 2017 as an annex to the statutory guidance.

4: Committee of Public Accounts conclusion
There are unacceptable variations in the amount of information available to parents about access to free childcare.

Recommendation:
The Department should write to all local authorities to remind them of their duty to provide sufficient accessible information to parents on their entitlement to free childcare, and to clarify the complaints procedure for parents.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: February 2017.

4.2 The Department will be issuing revised statutory guidance and regulations for local authorities following the publication of the Government response to the consultation on the 30 hours of free childcare delivery model. The guidance will make clear that, as a result of the 2016 Childcare Act, the Government has strengthened the previous duty on local authorities to provide information on the childcare available in their local areas by now requiring them to publish all this information as well. It will set out that they must publish this information on their websites in a clear and consistent way and update it with relative frequency so that parents can make informed childcare choices that suit their needs, such as finding providers that offer free entitlement hours.

4.3 Requiring local authorities to collect and present the information on their local childcare markets in a more standardised way will also improve local authority intelligence and understanding of their markets as well as enabling parents to make childcare choices across local authority boundaries. The guidance will also make clear that local authorities should have a complaints procedure for parents who are not satisfied that their child has received their funded place or how they have received it and should publicise this procedure to parents.

[20] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/351592/early_education_and_childcare_statutory_guidance_2014.pdf

5: Committee of Public Accounts conclusion

The Department does not have robust plans to make sure there are enough qualified early years staff so that providers can continue to offer high quality childcare.

Recommendation:

By September 2016, the Department should report to the Committee on how it will make sure there are enough people with the right skills to work in the childcare and early year's sector.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2017.

5.2 As the childcare sector is predominantly made up of private rather than public sector employers, the Department is not responsible for planning and managing the early year's workforce. It does however recognise the importance of nurturing a high quality workforce that has the right knowledge and skills to deliver high quality childcare, and of making sure there are no unnecessary barriers to staff entering and remaining in the sector.

5.3 The Department has already taken action to support the development of a high quality workforce through the introduction of the level 3 early year's educator national qualification criteria and delivery of the early years initial teacher training programme. The Department funds graduate places on early year's initial teacher training and provides bursaries for eligible students and employers to help grow the graduate workforce.

5.4 The Department is developing an early year's workforce strategy that will aim to remove barriers to attracting, retaining and developing good quality staff. Policy officials have spoken to around 600 stakeholders in the sector to help inform the workforce strategy. The department will provide a further update in March 2017 on what the Government will do, through the strategy, to support the workforce.

6: Committee of Public Accounts conclusion

***The Department lacks sufficient data to measure the impact of free childcare*.**

Recommendation:

The Department should report back to the Committee by September 2016 on how it will measure the value for money of the current and new entitlement to free early education and childcare. It should consider tracking children from pre-school childcare onwards.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 The Department demonstrated its commitment to evaluating the value for money of the free entitlement by publishing an independent feasibility study into evaluating labour and childcare market impacts in February 2016. It has also commissioned independent evaluators to evaluate Early Implementation of the extended entitlement with a final report in June 2017 which will inform the Departments evaluation strategy of full roll-out. The Department is investing around £6 million into new longitudinal research (the Study of Early Education and Development, SEED) which includes a strong value for money strand. SEED will evaluate not only the impact of early education on two-year-olds, but also the current three-and-four-year-old entitlement. Whilst the final report is due in 2020 a number of interim reports have, and will continue to be published before then including the first of two value for money reports to be published later in 2016.

6.3 The Department remains committed to measuring the progress of pupils and are continuing to explore the best ways to assess pupils in the early years, including linking relevant datasets to track outcomes through time. To provide continuity and stability for schools, pupils and parents while that work is ongoing, the Early Years Foundation Stage Profile will now remain a statutory requirement for the 2016-17 academic year. The Department will continue to use census data collections and market surveys to monitor and evaluate child development and the childcare and labour markets and undertake our long-standing, nationally representative surveys of providers and parents, using them to assessing impact of the free entitlement from both the providers' and parents' perspectives.

Fifth Report of Session 2016-17

Department for Business Energy and Industrial Strategy

Capital investment in science projects

Introduction from the Committee

The Government invests in science to support economic growth, improve national productivity and help the UK take the lead in new markets. Since 2007, the Department for Business, Energy and Industrial Strategy (the Department) has committed around £3.2 billion capital funding for major science projects and has announced plans to spend £5.9 billion on capital projects between 2016 and 2021. The Department's capital investments in science include oceanographic research ships, supercomputers, research institutes and the UK's participation in international programmes such as the European Space Agency. The Department funds science through its Research Councils and through the Higher Education Funding Council for England (HEFCE), which funds research facilities in universities.

On the basis of a report by the National Audit Office, the Committee took evidence, on 15 June 2016, from the Department for Business, Innovation and Skills, Research Councils UK and the Higher Education Funding Council for England on capital investment in science projects. The Committee published its report on 29 June 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *BIS's capital investment in science projects* - Session 2015-16 (HC 885)
- PAC report: *Capital investment in science projects* – Session 2016-17 (HC 126)

1: Committee of Public Accounts conclusion:
The lack of a clear process and structured plan for prioritising projects means that the Department for Business, Innovation & Skills cannot be certain it has made the right investment decisions.

Recommendation:
The Department should implement a structured, consistent and systematic approach for prioritising projects, drawing on consolidated information about the existing condition of infrastructure and future requirements. This should include clarifying the role played by other parties in identifying and proposing projects.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2018.

1.2 The Department already has a high degree of strategic information on which to base prioritisation decisions. From 2010 to 2014 the range of capital projects announced by the Government were nearly all drawn from the 2010 large facilities roadmap[21], the November 2012 RCUK strategic framework document[22] or the December 2014 capital roadmap.[23] The exceptions to this were the Alan Turing Institute (which was proposed by scientists and researchers on the Prime Minister's Council for Science and Technology) and STEM inspiration or wind energy projects that were in line with ministerial strategic priorities.

1.3 HEFCE is responsible for managing allocations from the Research Partnership Investment Fund (RPIF). Since 2012 they have issued a series of calls for proposals from UK universities against published objectives and clearly specified criteria, which include double private co-investment, building on strong research capability and delivering value for money.

[21] http://www.rcuk.ac.uk/documents/research/rcuklargefacilitiesroadmap2010-pdf/
[22] http://www.rcuk.ac.uk/documents/publications/rcukframeworkforcapitalinvestment2012-pdf/
[23] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383439/14-1248-science-capital-consultation-response.pdf

1.4 In addition, Research Councils, HEFCE and other partner organisations already maintain detailed information on their asset base to ensure that funding is directed to areas that support their strategic priorities. During the 2016 science funding allocations process this detailed information was used in a systematic way by the Department to allocate capital and resource funding for the next 5 years.

1.5 The Department accepts that the high level strategic landscape is somewhat fragmented and that there may be improvements to be made, particularly with regard to inter-disciplinary or cross-sector projects. One of the drivers for Research Council reform is to enable the Department to get a more coherent strategic view on cross-sector spending priorities. This will be an important function that the Department will build into UK Research and Innovation (UKRI) when, subject to Parliament, it is established in Spring 2018.

1.6 UKRI's Board will advise the Secretary of State on strategic priorities and the balance of funding between research disciplines. It will also develop an overarching research and innovation strategy which the Research Councils', Innovate UK's and Research England's (which will take on the research and knowledge exchange functions currently carried out by HEFCE) strategic delivery plans will be aligned with, enabling better co-ordination and prioritisation across the funding landscape.

1.7 Ahead of the transition to UKRI, the Department will continue to work with Research Councils, HEFCE and universities on all aspects of future investment and will, as always, rely on them to help the Department identify where investment is best targeted. The Department is also developing a new more rigorous proposal assessment methodology to ensure that any proposals received from Research Councils, HEFCE and others are assessed objectively against specific, agreed criteria.

2: Committee of Public Accounts conclusion:
Individual project proposals have not always been subject to an appropriate level of financial analysis and scrutiny before being approved, creating uncertainty about the potential running cost implications of the programme.

Recommendation:
The Department should ensure that all investment decisions are based on full business cases.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 Proposals for capital and resource investment get scrutinised at many levels: by the Department through the Investment Gateway; by Research Councils, HEFCE and Universities; and scrutiny undertaken by the Treasury. All projects are subject to a full and robust business case process before they are implemented, and the Department's Investment Gateway scrutinises and approves all business cases on value for money grounds.

2.3 The Department often announces investment as "subject to business case" and no proposal that is considered poor value for money would subsequently proceed to implementation. For example, the Department recently stopped work on the Engineering Structures and Systems projects as it overlapped with other projects and institutes and were therefore not judged value for money.

2.4 Subject to Parliament the creation of UKRI, bringing together the Research Councils, Innovate UK and the research and knowledge exchange functions of HEFCE within a single NDPB, will enable better sharing of expertise and best practice around the development of business cases.

Recommendation:
The Department should ensure that all investment decisions should include assessments of alternative options and locations, potential demand for the project and expected running costs, so that the Department has adequate assurance that it can afford the running costs associated with its capital programme.

2.5 The Government disagrees with the Committee's recommendation.

2.6 Since 2014 the Department has subjected all investment projects to a revised business case review. The experience during this time suggests that it is not possible in every case to adopt the full analysis recommended. The Department will therefore include as full an analysis as possible during the appraisal of business cases. Investment in some projects, particularly those involving complex international partnerships are often binary decisions where it is not for the UK alone to decide the details of how and where the project takes place. For example, the decision to invest in the European Space Agency's Mars Rover was an all-or-nothing decision.

2.7 The Department will ensure that, where possible, long-term running costs are included in business cases to cover the expected lifetime of the project. However there may be cases where this is not possible, for instance, where the project involves the development of technology that does not yet exist and for which running costs cannot therefore be robustly determined, or where the lifetime of the project is expected to cover many decades and there is inherently less certainty about costs such as energy. In these cases the Department will ensure that there is, at least, a robust estimate of running costs included.

3: Committee of Public Accounts conclusion:
The approach taken to evaluating the impact of the Department's investment in science projects has been inconsistent.

Recommendation:
The Department should develop a consistent and robust approach to assessing the full impact of its investments, while tailoring individual evaluations to match the circumstances of the projects. Approved projects should be supported by clearly defined milestones setting out the expected benefits which can be revisited at appropriate intervals.

3.1 The Government agrees with the Committee's recommendation

Target implementation date: Spring 2017.

3.2 The Department already tracks and monitors each project through the Department's Science Capital board (set up in February 2015 following the publication of the science and innovation strategy) including milestone and financial tracking.

3.3 The Department's delivery bodies also undertake evaluation of their capital projects and routinely publish results, for example through the Research Council annual impact reports. This evidence is then used to inform future appraisals of the economic value of specific projects. However, the Department has recognised there is no common systematic framework for capturing economic benefits of science and research projects.

3.4 To meet this challenge the Department is working on a standardised evaluation framework to ensure that science capital projects are evaluated in consistent and robust ways. This will help the Department to capture wider societal benefits (for example, in health and well-being) to better demonstrate value for money of investments in the future. This work will be completed in Spring 2017. The Department will work with its delivery partners to ensure that monitoring and evaluation is built into business cases and that impacts are assessed at intervals relevant to the project being proposed and its potential benefits.

3.5 In addition, subject to Parliament, the creation of UKRI will enable the pooling of multiple datasets and information sources; this would deliver improved quality of evidence on the UK's research and innovation landscape and underpin effective funding decisions.

4: Committee of Public Accounts conclusions:
The Committee is not convinced that the Department is doing enough to protect the intellectual property that results from its investment and to secure the benefits for the UK economy.

Recommendation:
The Department should ensure that there are clear accountabilities in place to safeguard intellectual property rights and the benefits that should accrue to the UK economy as a result of public investment in research.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2018.

4.2 There are already clear accountabilities in place to safeguard Intellectual Property (IP). Ownership of IP arising from publicly funded research in the UK resides with the originating institution or university. Similarly, IP derived from Innovate UK funding lies with the recipient (usually the business) to exploit. This is because exploitable IP normally results from the accumulation of knowledge funded over extended periods, by different funders and involving multiple researchers. This means that disaggregation below the institution level would be complex, costly and restrict exploitation. This follows the successful approach initiated by USA through the Bayh-Dole Act in the early 1980s, prompting the UK and others to adopt a similar approach from the mid-1980s.

4.3 The alternatives are for IP to lie with the original funder (e.g. Government or a Charity) or the individual researcher. However, there is consensus internationally amongst public funders and charities that having the IP residing with the institution is the most effective way to manage IP exploitation.[24]

4.4 The Government requires UK universities to have exploitation arrangements as a condition of the transfer of IP ownership (for example, in Research Council grants) but do not set income targets or dictate terms. Whilst universities generate some income from IP exploitation, their primary objective is to generate broader economic growth and public benefit, reflecting that publicly funded universities are charities and therefore have to operate within their charitable objectives.

4.5 The Intellectual Property Office supports universities to develop effective IP management strategies through toolkits and guidance. Government also incentivises the application and commercialisation of research results. Currently, this includes funding through HEFCE's Higher Education Innovation Funding, the Research Councils (including Impact Accelerator Accounts) and Innovate UK.

4.6 The Department is continuing to develop additional proposals to enhance and support effective exploitation of publicly funded research for the benefit of the UK economy and society as part of the Industrial Strategy. This will also be informed by the inquiries being undertaken by the House of Commons Science and Technology Select Committee into "Graphene" and "IP and Technology Transfer".

5: Committee of Public Accounts conclusions:
Proposed organisational changes in the research and higher education sectors will have significant implications for how the science budget is managed in the future.

Recommendation:
By the time legislation is in place, the Department should have developed a plan setting out the key strategic risks affecting investment in science and how it will manage them.

5.1 The Government disagrees with the Committee's recommendation.

5.2 Subject to Parliament, the creation of UKRI will drive a more strategic approach and maximise the impact of investment of over £6 billion per annum in research and innovation. Some of the major benefits it will deliver are:

- a strengthened, unified voice for the UK's research and innovation funding system, facilitating dialogue with Government and partners on the global stage.
- better mechanisms for the sharing of expertise and best practice for example, around management of major projects and large capital investment, driving up the effectiveness of decision making;
- improved quality of evidence on the UK's research and innovation landscape through the pooling of multiple datasets and information sources, underpinning effective funding decisions.

[24] https://www.nap.edu/catalog/13001/managing-university-intellectual-property-in-the-public-interest

5.3 It is in partnership with this new body that key risks and opportunities for science will be managed and exploited in future and it would be inappropriate to prejudge UKRI's input into this process ahead of its formal establishment, which is expected to take place in April 2018. UKRI will then be tasked by the Department with developing a UK research and innovation strategy. The Department therefore agrees with the content of the recommendation but not the proposed timetable.

5.4 The Department will continue to listen to the views of the research and innovation communities in the design of UKRI. For example, through the white paper *Success as a Knowledge Economy*[25] and the Higher Education and Research Bill the Department has committed to retaining specific strengths of the current system including the Haldane principle, the dual support funding system and Innovate UK's distinct business facing focus. Stakeholders highlighted the importance of each of these in responses to the consultation on the Green Paper *Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice*[26] and in responses to the stakeholder survey on the future of Innovate UK.

5.5 The Department continues working closely with funding bodies and the sector to ensure the best possible implementation of UKRI in order to maximise the benefits of reform. Further detail on UKRI's design and governance will be made available in due course, including through publication of UKRI's framework document once agreed with UKRI's future leadership. UKRI will consider key strategic risks in developing its future strategies. In the meantime, the Government is continuously and actively considering the risks and opportunities facing UK science.

[25] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523396/bis-16-265-success-as-a-knowledge-economy.pdf
[26] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/474227/BIS-15-623-fulfilling-our-potential-teaching-excellence-social-mobility-and-student-choice.pdf

Sixth Report of Session 2016-17

Department for Communities and Local Government

Cities and Local Growth

Introduction from the Committee

The Cities and Local Growth Unit is made up of officials from the Department for Communities and Local Government and the Department for Business, Energy and Industrial Strategy (formerly the Department for Business, Innovation and Skills). Together with the Treasury, they jointly oversee and co-ordinate government's devolution agenda, and have recently overseen the negotiation and implementation of ten bespoke devolution deals, which devolve powers, funding and responsibilities to local areas. The broad objectives for devolution deals have not been set out in specific terms; however, they are broadly rooted in localism with the professed aims of supporting economic growth, encouraging public service reform and improving accountability.

Local Enterprise Partnerships (LEPs) are central to government's plans for devolution. Following the abolition of Regional Development Agencies in 2010, 39 LEPs were established as strategic partnerships to bring together the public and private sector, and identify economic priorities in their local areas. Each LEP is designed to represent a functional economic area. In 2014 it was announced that LEPs would be responsible for overseeing locally negotiated Growth Deals from 2015–16 to 2020–21, funded from the £12 billion Local Growth Fund. LEPs are accountable via a nominated local authority, and have signed up to local assurance frameworks that set out the arrangements for ensuring transparency, governance and value for money.

On the basis of a report by the National Audit Office, the Committee took evidence on 25 April 2016 from the Department for Communities and Local Government. The Committee published its report on 21 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO Report: *English devolution deals* - Session 2015–16 (HC 948)
- NAO Report *Local Enterprise Partnerships* - Session 2015–16 (HC 887)
- PAC Report: Cities and local growth – Session 2016-17 (HC 296)

1: Committee of Public Accounts conclusion:
Government has not made the objectives of devolution sufficiently clear.

Recommendation 1a:
Government should be specific and clear about what it is trying to achieve by devolving services to local areas.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Government has been consistently clear in its aspiration to give local areas the powers and tools they need to drive local economic growth, including devolution. Devolution proposals are subject to rigorous negotiation between Government and places with a strong focus on how devolution proposals will demonstrably help to strengthen local democratic governance and leadership through supporting effective, accountable local institutions which have the power to make strategic decisions across functional economic areas; boost local economic growth; and provide better integrated public services.

1.3 Within this, however, it is the Government's view that it is for local places to identify and achieve their own specific objectives, putting the onus on local places to define their aspirations, and to make the case to central government as to the powers and budgets that they need to achieve them. This bottom-up approach to devolution has seen rapid and tangible progress in devolving powers and establishing stronger local governance mechanisms across functional economic areas, where more prescriptive, top-down approaches may not have been successful.

Recommendation 1b:
It should then set out how it will monitor progress against these goals.

1.4 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.5 The Government's view is that the devolution process in England seeks to decentralise power by transferring it from Westminster to democratically elected local leaders. The Government is not therefore monitoring devolution through extensive targeting and reporting systems. Local government is not simply a means through which national policy is delivered. Local leaders are democratically elected by their citizens, and already successfully operate large budgets and deliver crucially important policies and services with a great deal of discretion.

1.6 Aligned with this locally-led approach, all devolution deals do, however, include a commitment to putting in place a monitoring and evaluation plan, which is locally developed with Government support, and locally administered to meet place-based needs for evidence and assurance. Meanwhile, specific elements of deals, notably gain share investment funds negotiated as part of Mayoral deals to date, are subject to dedicated evaluation processes. It is the Government's view that this is an appropriate and proportionate approach to decentralising power.

Recommendation 1c:
It should also be clear on where it believes that outcomes are a matter for local leaders to decide and where centrally imposed targets are more appropriate.

1.7 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

1.8 The Government is clear that outcomes are a matter for local leaders to determine, and the Government's role is to maintain robust systems to ensure that local autonomy is exercised with propriety, regularity and value for money, as described in the relevant Accounting Officer System Statements. As such, the Government is not minded to set overall outcomes for 'devolution deals' in general, as they are by nature place-based and place-led. However, Departments will continue to monitor the policy outcomes associated with any funding which is moving from central Government to local areas, for example with respect to the long term additional investment funds, or the adult education budget. The appropriate accountability systems will be described and made transparent in accountability summary documents for each deal.

2 Committee of Public Accounts conclusion:
The experience of local areas in negotiating devolution deals has not been consistent with government's intended bottom up' approach.

Recommendation 2a
Government needs to be clearer with local areas what is and what is not on offer; and what is mandatory as part of devolution deals.

2.1 The Government disagrees with the Committee's recommendation.

2.2 The Government is clear that devolution deals are locally-led and bespoke, not one-size-fits-all. The Government has, however, been consistent in stating – for example in the 2015 Spending Review guidance – that it will seek to prioritise deals with those areas which are ambitious in their governance proposals, for example those willing to offer the most ambitious reform by establishing mayoral combined authorities. This is consistent with the Government's manifesto commitment to back directly elected mayors. Government prioritising ambitious deals with ambitious local areas in no way precludes less ambitious deals being agreed in future with areas which offer weaker governance reform. Cornwall, for example, agreed a devolution deal as a single large unitary authority, without establishing a directly elected Mayor.

Recommendation 2b:
Government should also listen to local areas about their particular needs to avoid a 'one size fits all' model being imposed.

2.3 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.4 Devolution, or a particular model of devolution, is not imposed by the Government, but negotiated and agreed between the Government and democratically elected local representatives based on local proposals and priorities. The Government is open to discussing any devolution proposals with places that includes strong and accountable governance arrangements. Where there are authorities that do not want to be part of a particular deal, Government has clearly stated and demonstrated that it will not force them to do so – though neither will it allow such authorities to hold back progress elsewhere in their region.

3: Committee of Public Accounts conclusion:
The full financial implications of devolution deals are not yet clear.

Recommendation:
As the full financial implications of devolution deals emerge, Government should ensure that they are presented transparently in a way that can be compared between areas, including on a per capita basis.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017**.**

3.2 Although the figures for much of the funding going to combined authorities are already in the public domain, the Government agrees that it would be helpful for these to be collated and published by area for ease of access and transparency. As such, the Government will publish figures for the funding streams being passed to combined authorities, where these are available, ahead of the Mayoral elections in May 2017.

4: Committee of Public Accounts conclusion:
The scale of devolution deals and the pace of implementation is extremely challenging.

Recommendation:
Government should ensure that the timetable remains feasible and that it has clear contingency plans for potential delays in local areas or the legislative process.

4.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

4.2 The Department maintains, and keeps under active review, a timetable for implementation of devolution deals, which is shared with local areas and used to monitor progress both locally and centrally. If monitoring reveals any risks of delay, either locally or in the legislative process, the Government would take appropriate remedial steps either to address the cause of delay, or if this were not possible, to move to a later date for full implementation of the deal. The current timetable is for each of the nine mayoral devolution deals to hold their first mayoral elections in May 2017, and for the legislation devolving powers to the mayors to be in place at least before the last date of notice for these elections and, wherever practicable, significantly earlier.

5: Committee of Public Accounts conclusion:
It is not clear that combined authorities, LEPs and local partners have sufficient capacity and capability.

Recommendation 5a:
As part of the negotiation of the next round of growth deals, the Department should perform a structured assessment of local capacity at LEP level.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: Winter 2017**.**

5.2 Government's confidence in a LEP's ability to deliver is an important part of the agreement of any Growth Deal. In launching the current round of Growth Deals in April 2016, the DCLG Secretary of State set out that the delivery of existing Growth Deals will play a key part in the consideration of the next round of proposals. In deciding on awards of funding, Government is therefore taking into account how each LEP has developed their approach based on previous delivery; and the strength of the LEP's delivery to date, using the latest monitoring information. The Government also continually works with LEPs to oversee their performance, including through the annual performance conversation.

Recommendation 5b:
As part of the negotiation of the next round of devolution deals, the Department should perform a structured assessment of combined authority level.

5.3 The Government disagrees with the Committee's recommendation.

5.4 The Government does not believe that it is appropriate to undertake an additional capacity assessment for combined authorities. Combined Authorities are, legally, local authorities and therefore covered by the various provisions summarised in the Local Government accountability system statement. They are statutorily obliged to have a Section 151 officer responsible for funds, adhere to a Duty of Best Value and operate appropriate Overview and Scrutiny Committees.

5.5 The Departmental Accounting Officer, as the responsible party for the Local Government Accounting Officer Accountability System Statement, will remain responsible for ensuring that this system statement and the framework and mechanisms that it describes are up to date and fit for purpose. This includes a process of regular review, on the basis of which any necessary updates to the system can be made in order to ensure its continued effectiveness.

5.6 The Government is not requiring through devolution deals that any authorities take on any responsibilities that they do not wish to, and it is expected that local areas would consider their resourcing as part of any devolution proposals that they make. Additionally, the Department considers a range of information and intelligence, for example on leadership capacity and corporate governance in councils facing particular risks, and this information is considered as part of devolution deal negotiations.

5.7 In the most serious cases, where local authorities are failing in their duty to deliver best value (Local Government Act 1999), the Secretary of State has the power to intervene directly, as has occurred in Tower Hamlets and Rotherham in recent years. This power applies to combined authorities as well as to individual councils.

6: Committee of Public Accounts conclusion:
The Government has not thought through the implications of devolution for central government departments.

Recommendation:
Government should have a clear idea of how devolution will impact on departments' staffing and skills requirements, feeding this into the upcoming Civil Service Workforce Strategy.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

6.2 Departments routinely consider the impact of all policy changes on their staffing and skills requirements and reflect this as part of their contribution to the Civil Service Workforce Strategy. Meanwhile, Civil Service Learning is introducing a specific learning module on devolution and decentralisation to support all civil servants in ensuring that they are aware of the issues involved.

6.3 Additionally, the DCLG is working with the public sector to align current development programmes with the devolution agenda, so that public servants are fully equipped to work together to make the most of devolution. As part of this the Department is bringing together aspects of the Civil Service's Fast Stream and the Local Government Association's New Graduate Development Programme, which both focus on attracting high calibre people to the public sector, and working with the sector to increase secondment opportunities for emerging leaders.

7: Committee of Public Accounts conclusion:
Plans for proper accountability to the taxpayer at a central, local and ultimately parliamentary level are not yet in place.

Recommendation:
Government must clearly set out accountability processes and relationships at all levels. It should share draft accountability statements with the Committee before they are finalised.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

7.2 Government has committed to working with local areas to draft summary documents that clearly set out where accountabilities sit for each devolution deal area, once Parliament has made Orders formally transferring powers and establishing the remaining Combined Authorities. The Treasury will also be issuing more general guidance to Departments on the preparation of Accountability System Statements, which should include their accountability to Parliament for any central funding passed to local authorities, including combined authorities.

8: Committee of Public Accounts conclusion:
The Committee is not confident that existing arrangements for the scrutiny at local level of devolved functions are either robust enough or well supported.

Recommendation:
Government should set out by November 2016 its plans for how it will ensure that local scrutiny of devolved functions and funding will be both robust and well supported.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2016.

8.2 The Government intends to lay an Order before Parliament by November 2016, which will provide for the rules for the operation of local overview and scrutiny and audit committees to hold combined authorities and mayors to account. If approved by Parliament, this Order will ensure that there are strong and robust scrutiny arrangements in place consistently across every combined authority area.

9: Committee of Public Accounts conclusion:
It is alarming that LEPs are not meeting basic standards of governance and transparency, such as disclosing conflicts of interest to the public.

Recommendation:
The Department should enforce the existing standards of transparency, governance and scrutiny before allocating future funding to LEPs. LEPs themselves also need to be more transparent to the public by, for example, publishing financial information.

9.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2016.

9.2 The Government will enforce existing standards of transparency, governance and scrutiny through the existing process of formal annual performance conversations. These provide the mechanism through which Government supports and challenges LEPs on these key areas before future funding is allocated. The LEP National Assurance Framework, which sets out the standards that LEPs need to meet, will be refreshed to strengthen and clarify our requirements in these areas. The Government will also stipulate that LEPs' local assurance frameworks must be reviewed annually and updated as needed, so that they are fully compliant with these refreshed standards. The Section 151 officer in the accountable local authority will be required to confirm this compliance in writing as a condition of the payment of each year's Growth Deal grant, and these assurance frameworks will continue to be published online.

9.3 The Government is also asking LEPs to update their engagement plans and websites, including stipulating that their annual accounts must be easily accessible. This is to ensure that LEP investment decisions are more transparent to the public. DCLG and BEIS are working closely with the LEP Network and LEP Communication leads to facilitate the sharing of best practice and offer any additional advice that might be required.

Seventh Report of Session 2016-17

Home Office

Confiscation orders: progress review

Introduction from the Committee

Confiscation orders are the main way through which the government carries out its policy to deprive criminals of their proceeds of crime. The Home Office leads on confiscation policy but many other bodies are involved, including the police, the Crown Prosecution Service and HM Courts & Tribunals Service. The overall system for confiscation orders is governed by the multi-agency Criminal Finances Board. In 2015–16 the amount confiscated was £175 million, with £1.9 billion outstanding at the end of March 2016. The annual cost of administering confiscation orders is some £100 million.

On the basis of a report by the National Audit Office, the Committee took evidence, on 18 April 2016 and 3 May 2016, from the Home Office, the Crown Prosecution Service and the National Lead Officer for Serious and Organised Crime about progress in delivering Confiscation Orders. The Committee published its report on 5 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Criminal Justice System: Confiscation orders – progress review* - Session 2015-16 (HC 886)
- PAC report: *Confiscation orders – progress review* – Session 2016-17 (HC 124)

1: Committee of Public Accounts conclusion:
Far from increasing, the number of confiscation orders imposed has fallen.

Recommendation 1a:
The Home Office should work with the law enforcement and prosecution agencies involved to develop a plan to improve knowledge and awareness of relevant legislation amongst their staff, by the end of 2016.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2017.

1.2 Individual operational agencies are working to raise knowledge and awareness of relevant legislation amongst staff, and the use of asset recovery tools is already embedded in many agencies at a local level. The Proceeds of Crime Centre at the National Crime Agency provides a statutory minimum level of training and accreditation for all accredited financial investigators.

1.3 The Department and operational agencies recognise that more should be done to raise awareness of relevant asset recovery legislation amongst staff in law enforcement, operational agencies, and the judiciary. The Department, with the law enforcement and prosecution agencies involved, will develop and implement, in 2017, a targeted plan to improve knowledge and awareness of asset recovery legislation, with a particular focus on the use of the new powers that will be introduced through the Criminal Finances Bill. This plan will also reinforce the improvements to the asset recovery regime brought about by the Serious Crime Act 2015, such as the new power for the courts to make compliance orders.

Recommendation 1b:
The Home Office should work with the law enforcement and prosecution agencies involved to ensure they agree and apply a common set of selection criteria for considering cases for confiscation orders, by the end of 2016.

1.4 The Government disagrees with the Committee's recommendation.

1.5 The Department and operational agencies do not agree that a common set of selection criteria for confiscation cases, applicable to all agencies, is appropriate, as the selection criteria would be too rigid and could inhibit the operational independence of investigative and prosecutorial agencies, each of which have their own statutory functions and operational priorities.

1.6 The Department will publish guidance by June 2017 for prosecutors and investigators on the use of asset recovery powers, including confiscation orders. The guidance will include a clear statement of the Government's objectives for the use of confiscation orders and other asset recovery tools, and ensure operational activity is aligned to the objectives.

2: Committee of Public Accounts conclusion:
Only £190 million of the £1.9 billion confiscation order debt can realistically be collected sending the wrong message to taxpayers, victims and criminals that crime pays.

Recommendation:
The Home Office needs to do more to explain why so much of the accumulated debt is unlikely to be collected, highlight what is collected against recent confiscation orders and set out how it is tackling uncollected debt to show that crime does not pay. This should include publicly reporting collection rates and progress on the priority cases. The Home Office should implement this as part of its communication plan by the end of 2016.

2.1 The Government agrees with the Committee's recommendation

Target implementation date: September 2017.

2.2 Starting in 2017, the Department will publish annual asset recovery statistics. This publication will include collection rates, progress on priority orders, and the amount that can realistically be collected from the nominal total value of uncollected confiscation orders. The first publication will cover statistics for the 2016/17 financial year. It is right that the Government is held to account for performance on the collection of confiscation orders, but the operational agencies involved can only be expected to collect what is realistically collectable and operational effort should be focused on the prompt and effective collection of new orders rather than the stock of old cases in which no collectable assets exist.

2.3 The Department will do more to make clear to the public how it is tackling uncollected orders to show that crime does not pay. The Department will publish, in 2017, an Action Plan on asset recovery, which will set out how it is tackling uncollected orders.

3: Committee of Public Accounts conclusion:
The fall in the numbers of experienced financial investigators risks weakening the enforcement of orders.

Recommendation 3a:
The Criminal Finances Board, supported by the College of Policing, should review the cost effectiveness of employing financial investigators across law enforcement agencies.

3.1 The Government disagrees with the Committee's recommendation

3.2 The Department recognises the importance of analysing the cost effectiveness of the asset recovery system. The Department, with operational partners, is in the process of assessing the cost effectiveness of the operational response to serious and organised crime more generally, and this project includes a dedicated work stream on asset recovery. The findings from this work will inform both the guidance on the use of confiscation orders and the Action Plan on asset recovery.

3.3 The Criminal Finances Board believes that measuring the cost effectiveness of financial investigation, in isolation from the broader effectiveness of the confiscation system more generally, will give artificial results. The Department does not think it will be possible to isolate the impact of financial investigators from that of other investigators and prosecutors involved in a case, and draw meaningful conclusions about cost effectiveness.

Recommendation 3b:
The Criminal Finances Board, supported by the College of Policing, should report back to the Committee by the end of March 2017 on what action will be taken to ensure sufficient numbers are recruited and retained.

3.4 The Government agrees with the Committee's recommendation

Target implementation date: September 2017.

3.5 The Criminal Finances Board has been exploring issues relating to the UK's financial investigation capability and capacity. The findings of the Committee and the Home Affairs Select Committee will help inform the next stage of this work.

3.6 This is a complex area, involving multiple public sector agencies and the private sector. The Department will report back to the Committee by September 2017 on what actions will be taken to ensure that sufficient numbers of financial investigators are recruited and retained.

4: Committee of Public Accounts conclusion:

It is not clear whether disrupting crime or collecting criminals assets is the primary objective of confiscation orders.

Recommendation:
The Home Office should set out clearly, by the end of September 2016, how the objectives for confiscation orders should be prioritised and what constitutes success.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: June 2017.

4.2 The Department, with the law enforcement and prosecution agencies involved, will publish guidance on the use of asset recovery tools by June 2017. This guidance will be based around a clear statement of the objectives for confiscation orders, and how they should be prioritised. Ahead of that date, the Department will write to the Committee to set out how the objectives for confiscation orders should be prioritised and what constitutes success.

5: Committee of Public Accounts conclusion:

Poor information on performance and cost prevent law enforcement and prosecution agencies from deciding when and how best to use confiscation orders.

Recommendation:
The Home Office, supported by the College of Policing, should develop an evidence base on the effectiveness of confiscation orders, particularly their effect in disrupting crime, by the end of March 2017 to help law enforcement and prosecution agencies to determine when and how best to use them.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2017.

5.2 The Government has been working to establish a way of measuring the disruptive effect of confiscation orders. Policing and the National Crime Agency (NCA) have agreed a disruption measurement framework for action against serious and organised crime by the NCA and Regional Organised Crime Units. This includes the capture of data on financial disruptions. The expansion of this framework to cover wider action against crime is currently under consideration and this is expected to be completed by the end of March 2017. This disruption data, coupled with the findings from the work on the cost effectiveness of asset recovery will provide a new and more robust evidence base to help law enforcement and prosecution agencies better understand when and how best to use confiscation orders.

6: Committee of Public Accounts conclusion:

The incentive scheme to encourage the many bodies involved to confiscate proceeds of crime remains ineffective.

Recommendation 6a:

The Home Office should reform the incentive scheme in accordance with the Committee's previous recommendation, by better aligning it to objectives and linking effort and reward… Reform should be completed by the 2017–18 financial year.

6.1 The Government disagrees with the Committee's recommendation.

6.2 The Scheme was reformed in 2014-15 to make the use of funds more transparent and boost the operational response by investing in key national capabilities. As part of that review, the Department carefully considered options for aligning the scheme with the objectives of the criminal finances improvement plan, as recommended by the Committee in its first report on confiscation orders. However, the Department found that this approach was not workable in practice, because the objectives of the criminal finances improvement plan were too wide-ranging to form the basis of an incentive scheme.

6.3 The Department will introduce further reform to ARIS to implement a Manifesto commitment to return a greater percentage of recovered assets to policing. This reform will result in additional incentivisation funds being invested in the multi-agency Regional Asset Recovery Teams whenever performance exceeds a set benchmark. The RARTs will be expected to give due consideration to the need maintain an effective prosecutorial function. The Department will see a corresponding fall in its income from asset recovery. The reform will take effect in the 2016-17 financial year.

Recommendation 6b:

The Home Office should also explore with HM Treasury how incentive funding can be used for longer term investment. Reform should be completed by the 2017–18 financial year.

6.4 The Government agrees with the Committee's recommendation.

Target implementation date: September 2017.

6.5 The Department will work with the Treasury to explore whether incentive funding could be used for longer term investment. The Department will report to the Committee by September 2017.

6.6 The Government recognises the challenge that annual incentive funding causes for some operational agencies. The Government is keen to find appropriate mechanisms to enable longer term investment, within the framework set by the relevant Government accounting rules.

Eighth Report of Session 2016-17

BBC / Department for Culture, Media and Sport

BBC critical projects

Introduction from the Committee

The BBC has several hundred projects and other activities that aim to help it respond to a fast-changing environment and achieve its strategic objectives. The BBC has grouped what it considers to be its most strategically important, complex and high-risk projects into a portfolio of 'critical projects', for enhanced attention by its Executive Board. The list of critical projects changes over time as new projects start and existing ones are completed. The March 2015 list containing eight critical projects funded from the licence fee was the focus of this inquiry. The estimated cost of the seven projects on the list where contracts had been let was some £885 million.

On the basis of a report by the National Audit Office, the Committee took evidence, on 25 May 2016, from the BBC and the BBC Trust on the management of the BBC's critical projects. The Committee published its report on 8 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Management of the BBC's critical projects*
- PAC report: *BBC Critical Projects* – Session 2016-17 (HC 75)

1 5: Committee of Public Accounts conclusions:

1: ***The BBC has learnt from past mistakes, most notably the failure of the Digital Media Initiative project, and has strengthened its oversight of project performance, though there is still more to do.***

2: ***There is evidence of a greater willingness among project teams to report problems more quickly, but the BBC's wider ambition for a more open and honest culture in the organisation remains a work in progress.***

3: ***The Committee is not convinced that the BBC has a sufficiently robust process for choosing which projects should be included in its critical projects portfolio and for judging how well the projects, as a portfolio, are delivering against the BBC's overall strategic objectives.***

4: ***The BBC is not always sufficiently clear, early enough, about what it expects its individual projects to deliver in terms of improvements for viewers and listeners.***

5: ***There remains a risk of confusion about who is accountable for the delivery of critical projects and what they are accountable for.***

Recommendations:

1: ***The BBC should build on the progress it has made on strengthening its project management oversight and ensure that the changes are embedded into new governance structures when they come into effect. The proposed new unitary board will need to follow these improvements through as the BBC takes on more high-risk and challenging projects, and those that require specialist capability.***

2: ***The BBC should promote a culture of openness so that staff can speak honestly about project performance and progress, to mitigate any risk that problems are hidden or unreported. It should seek regular feedback from staff on the extent to which they feel able to raise concerns.***

3: ***The BBC board should ensure that it has a robust process for deciding which projects warrant inclusion on the critical project list, that its selection takes full account of the importance of the individual projects for delivering the BBC's strategic objectives and that when it reviews the performance of individual projects, for example when slippage occurs, it considers the potential impact on the BBC's ability to deliver its overall objectives.***

4: ***The BBC should define clearly the benefits it intends to achieve for audiences and licence fee payers for all of its projects at an early stage.***

5: The BBC should be consistent and precise in taking forward its commitment to issue a clear specification to the single points of accountability for all of its critical projects.

1.5 The BBC will respond separately to the Committee on recommendations 1 to 5.

6: Committee of Public Accounts conclusion:
The skills of non executive members of the new board proposed for the BBC will be key in securing value for money for the licence fee payer.

Recommendation:
In considering proposals for the new unitary board, the Department for Culture, Media and Sport and the BBC should ensure that the number and the mix of skills and availability of non-executives are appropriate to fulfil their commitments, including seeking to ensure the BBC delivers value for money for licence fee payers.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

6.2 The Government agrees that for the new BBC Board to be effective in meeting all of its duties, it will need to have the right people on it with the right mix of skills, experience and commitment to hold an organisation as large and complex as the BBC to account, including seeking to ensure value for money for licence fee payers. There will be a mix of public and BBC appointments, with all appointments following a robust and transparent process in line with public appointments best practice.

6.3 The Department for Culture, Media and Sport is working closely with the BBC to ensure that overall the appointments process delivers the required mix of skills and experience in time for the new Board to take on its new governance role in April 2017.

Ninth Report of Session 2016-17

Ministry of Defence

Service Family Accommodation

Introduction from the Committee

Because of the requirement that service personnel are mobile and the remote nature of many of the locations in which they serve, all regular service personnel are entitled to subsidised accommodation. Those meeting specific criteria, relating primarily to marital status and number of dependent children, are entitled to Service Family Accommodation. Service families greatly value their subsidised accommodation, and consider it an important aspect of military life. The Armed Forces Covenant contains a Government commitment that service personnel and their families are to be provided with good quality accommodation, in the right location and at a reasonable price.

The management of some 50,000 Service Family Accommodation units in the UK is the responsibility of the Defence Infrastructure Organisation within the Ministry of Defence, which is responsible for delivering the estate that the Department needs to enable its military personnel and civilian staff to live, work, train and deploy at home and overseas. It does this primarily through contracting with private sector providers to build, upgrade and maintain its estate. The private sector provider with responsibility for maintaining Service Family Accommodation, through the National Housing Prime contract, and for administering the charging system for that accommodation is CarillionAmey. In April 2016, the Department introduced a new system for determining the rental charges that Service Families pay for their accommodation, called the Combined Accommodation Assessment System.

On the basis of a report by the National Audit Office, the Committee took evidence, on 8 June 2016, from the Ministry of Defence; Carillion Defence and Security; the Army Families Federation; the Naval Families Federation; and the RAF Families Federation on service family accommodation. The Committee published its report on 13 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: Service Family Accommodation
- PAC report: Service Family Accommodation – Session 2016-17 (HC 77)

1: Committee of Public Accounts conclusion:
Service families have been badly let down for many years and are not getting the accommodation service that they have a right to expect.

Recommendation:
The Department must ensure that CarillionAmey, or any replacement contractor, meets or exceeds its contractual obligations as regards estate maintenance, and that the contractor is organised to sustain this level of performance for the remainder of the contract.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department has ensured that performance levels against the contractor's Improvement Plan have been met and sustained since May 2016. As of August 2016, the Key Performance Indicators (KPIs) reflect that improvement. The Department has continued to hold CarillionAmey to account for its performance through robust monitoring of contract performance indicators and demanding action where the standards are not met. A further *Sustain and Improvement Plan for the National Housing Prime* (NHP) *Contract* has been agreed to ensure performance gains are sustained and have targeted other broader performance indicators to improve the customer experience and elevate customer satisfaction. This included employing more staff and more qualitative customer service training. The Department expects the current contracts to continue, while it closely monitors the sustainability of performance. The Department will consider contract termination should performance drop below contractual levels.

2: Committee of Public Accounts conclusion:
The performance of CarillionAmey has been totally unacceptable and it is right that the Department is considering terminating the contract.

Recommendation:
The Department should write to the Committee promptly on conclusion of its deliberations about whether to continue the contract with CarillionAmey and set out the evidence on performance supporting its decision.

2.1 The Government agrees with the Committee's recommendation.

2.2 Following the 90 day Improvement Plan period, CarillionAmey have met the Improvement Plan requirements at or above the targeted levels, with focus now being on the sustainability and further improvement of performance. The Department has also undertaken its own assurance processes in support of the performance data and a third party audit has recently completed. The audit confirmed that data integrity (fundamental to accurate performance reporting) is satisfactory.

3: Committee of Public Accounts conclusion:
The Department has repeated failings that this Committee has seen only too often in other government contracts. In particular, it too easily assumed CarillionAmey had the capacity to deliver, did not do enough to make sure the contract would meet user needs, and agreed a penalty regime that is ineffective in incentivising performance.

Recommendation:
When letting future contracts, the Department must ensure it has done enough to test contractors' ability and capacity to deliver the services at the price agreed, that it has captured and taken account of the views of service users, and that the proposed Key Performance Indicators in the contract are clearly backed up with robust financial penalties and incentives.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2019.

3.2 The Department has undertaken a full lessons learned exercise and is using this to inform the procurement of the Next Generation Estates Contracts replacements, as well as other contracts; this includes more robust contractual penalties for under performance.

3.3 Since the introduction of the NHP, the Department has retained £10.42 million from payment to CarillionAmey owing to performance failings, and failure to implement a required IT system. £6.27 million in temporary retentions has been returned to CarillionAmey following performance recoveries in the necessary timeframe whilst £4.15 million is still retained by the Department, comprising a mix of permanent and temporary retentions.

3.4 To provide the single Services with a voice and to ensure their views are represented, the DIO has a quarterly forum with each of the Armed Forces and the respective Families Federations to take account of user's views on Service Family Accommodation (SFA) and other estate issues. Local Customer insight forums are also now being held.

4a: Committee of Public Accounts conclusions:
The Department's current model for providing accommodation for families is not flexible enough to meet the reasonable needs of service families in the 21st century.

Recommendation:
As part of its considerations about the Future Accommodation Model, the Department should think imaginatively about different approaches for providing housing, including setting up Arm's Length Management Organisations and using new legal powers to support families collectively buying MOD land and building their own homes.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2018.

4.2 The Future Accommodation Model is still in an early stage of development. Consideration will be given to different approaches for providing housing as part of continuing work on the model.

Recommendation 4b:
Many families may eventually want to own a home close to their extended family. As personnel move frequently it may be that some will own a home, but still need to rent close to, or on the base of, the service personnel member of their family, and home ownership will therefore not necessarily reduce the demand on services accommodation as much as the Department expects. It should consider this in its full analysis of the needs of modern families.

4.3 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2018.

4.4 The Department recognises that the decisions Service Personnel make in choosing whether to rent or buy a home, and where to buy a home, are driven by a number of different factors. The Future Accommodation Model project includes a stream of work specifically to consider and analyse what decisions personnel might make when considering their accommodation options. This includes running a survey of Service Personnel, conducting focus groups, and considering previous research already undertaken.

5: Committee of Public Accounts conclusions:
The Department does not have effective arrangements in place for capturing and acting on the views of service families.

Recommendation:
The Department should set out for the Committee what it will do to improve the way it engages with service families when setting policies and agreeing contracts that will impact upon their lives.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 The Department engages widely with service personnel and their families via the medium of Continuous Attitude Surveys, focus groups and bespoke surveys, as well as use of social media, to help inform and shape personnel policy. There are also regular official-level meetings with the Families Federations, as well as regular Minister-chaired Families Federations forums. The scale and volume of forums is being increased and the Department will examine further options to gather families' views.

5.3 The Department is committed to engaging with service personnel and their families, primarily via liaison with the Families Federations, when developing requirements for new contracts in relation to housing. The Families Federations are now actively engaged in developing the Future Accommodation Model.

6: Committee of Public Accounts conclusions:
Whatever the stated benefits of the new Combined Accommodation Assessment System, there is a widespread perception that many properties have not been assessed fairly under the process.

Recommendation:
Once it has cleared the backlog of appeals to new rent bandings, the Department should write to the Committee and set out the results of the appeals process, as well as the lessons it has learned about how it communicated and managed the process of surveying properties.

6.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

6.2 Additional resources have been allocated to clear the backlog of challenges and appeals. As at 9 October 16, 2046 challenges and appeals have been submitted and there are now only 61 active. Of the 38948 letters that were issued to SFA occupants there have been 203 upheld decisions to challenges and appeals, which represents 0.5%. This, along with the rigorous assurance process applied by DIO as a part of its survey programme, has provided the Department with confidence in the process used to survey properties.

6.3 The current status of all challenges and appeals, as at 9 October 16, is as follows:

Challenges Stage 1[27]					Appeals Stage 2[28]				
Total Action	**Total Reject**	**Total Upheld**	**Total Cancel**	**Total Active**	**Total Action**	**Total Reject**	**Total Upheld**	**Total Cancel**	**Total Active**
1760	1587 (90.17%)	140 (7.95%)	33 (1.88%)	10	225	160 (71.11%)	63 (28.00%)	2 (0.89%)	51

6.4 Two key lessons have been identified with regards how the Department communicated and managed the survey of properties. The Department recognises there was a lack of understanding of the scoring mechanism within the Decent Homes Standard and with the assessment criteria for Thermal Comfort and location, because not all information was readily accessible to individuals. In order to resolve these issues there is now far greater information for SFA occupants contained within 'Move in Letters' and where able additional information is being published on websites.

6.5 Linked to the above, there is a firm case for providing additional clarification within the policy as this is the sole point of reference used by Service personnel. This will be taken forward by the Department and included within the update to the policy to be published by January 2017.

7: Committee of Public Accounts conclusions:
The Committee is concerned that the Department is underestimating the effect of poor and unsuitable accommodation on morale and on attitudes to remaining in the armed services.

Recommendation:
In its Treasury Minute response to this report, and then more fully in the articulation of its Future Accommodation Model, the Department should explain how it is assessing the impact on recruitment and retention levels of any changes to its accommodation provision for service personnel.

7.1 The Government agrees with the Committee's recommendation.

Recommendation implemented

7.2 The Department regularly considers the recruitment and retention levels of Service personnel, and derives data from a number of sources to understand the 'push' factors (the impact of Service life on the individual) and 'pull' factors (the attractions of outside life) influencing their decision to stay. The 2015 Armed Forces Continuous Attitude Survey found that the impact of service life on family and personal life remains the top reason influencing an intention to leave the Armed Forces and whilst that may include accommodation the Department does not consider it to be a primary driver.

7.3 However, the Department recognises that the current accommodation model does not work for everyone and its lack of flexibility and choice could be a factor influencing retention. To redress this, the future accommodation model seeks to offer more choice. The Department has been engaging with Service Personnel and their families through surveys and focus groups to try and understand their priorities and what choices they might make under a future model. As policy development progresses, the Department will continue to consider the potential impacts of the future model on recruitment and retention.

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[27] CarillionAmey review the original evidence-base and confirm the assessment is in accordance with the regulations.

[28] DIO review the original challenge decision, consider any new evidence presented by the occupant or other parties and confirm the assessment is in accordance with the regulations.)

Tenth Report of Session 2016-17

Department for Health

NHS specialised services

Introduction from the Committee

Specialised services are generally provided in relatively few hospitals and accessed by small numbers of patients. These services are usually for patients who have rare conditions or who need a specialised team working together at a centre. There are currently 146 specialised services, covering a diverse range of disparate and complex services, from services for long-term conditions, such as renal (kidney) and mental health problems, to services for uncommon conditions such as rare cancers. Some specialised services, such as those for cystic fibrosis, cover the majority of care for patients with these conditions. However, most specialised services only form a part of a patient's care and treatment pathway. Some highly specialised services, including those for very rare diseases, are only provided at a very small number of centres across the country. Others, such as chemotherapy services, are provided by most acute hospitals.

In April 2013, NHS England took on responsibility for commissioning specialised services. The Secretary of State for Health is responsible for deciding which services should be commissioned as specialised services by NHS England. Through its commissioning of these services NHS England aims to: improve outcomes for patients; ensure patients have equal access to services regardless of location; and improve productivity and efficiency. Between 2013–14 and 2015–16, the budget for specialised services increased from £13 billion to £14.6 billion, an increase of 6.3% a year on average. Over this period the budget for the NHS as a whole increased by 3.5% a year on average. By 2020–21, the budget for these services is expected to rise to £18.8 billion, 16% of the total NHS budget.

On the basis of a report by the National Audit Office, the Committee took evidence, on 9 May 2016, from the Department of Health and NHS England. The Committee published its report on 15 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *The Commissioning of specialised Services in the NHS* – Session 2016-17 (HC 950)
- PAC report: NHS *Specialised Services* – Session 2016-17 (HC 916)

1: Committee of Public Accounts conclusion:
NHS England still does not have a clear plan for the future configuration and delivery of specialised services.

Recommendation:
NHS England should set out publicly, by October 2016, how specialised services fit within: the NHS Five Year Forward View; the £22 billion efficiency challenge that the NHS faces; and the transformation funding aimed at addressing provider sustainability.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 NHS England announced a new high-level *Strategic Framework*[29] for specialised services in May 2016. In line with the *Five Year Forward View*, this framework sets out an ambition for specialised services as part of better integrated care for patients. It emphasises a strong focus on place-based care, supported by clear national standards and underpinned by value-for-money. Since publication of the framework, NHS England has been working with stakeholders to test, develop and support implementation.

[29] https://www.england.nhs.uk/wp-content/uploads/2016/05/item5-26-05-16.pdf

1.3 In September 2016, NHS England published its *Commissioning Intentions 2017/2018 and 2018/2019 for Prescribed Specialised Services*[30] which set more detail on the strategic framework. The document sets out the first steps in how NHS England intends to implement the framework, including how it will support new models of care and greater local commissioner engagement, while also maintaining national standards and living within the funding allocations that have been set for specialised services.

1.4 The *NHS Operational Planning and Contract Guidance 2017-19*[31] published in September 2016, emphasised the importance of specialised services as part of place-based commissioning. In supporting the local plans, NHS England has set out the underlying financial assumptions for specialised services, including the contribution to the efficiency plans.

2: Committee of Public Accounts conclusion:
Accountability, to both patients and taxpayers, is undermined by the lack of transparency over NHS England's decision making in relation to specialised services

Recommendation:
As a matter of urgency, NHS England must ensure that a consistent process is put in place to ensure its decision-making is transparent and equitable. It must improve the transparency of its decision-making by publishing a document, by September 2016, which sets out the roles of its advisory committees and decision-making bodies, the decisions they make, how these decisions will be documented, and when and to whom they will be made available.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 NHS England's Specialised Services Commissioning Committee (SSCC) is the sub-committee of the NHS England Board responsible for oversight of specialised service. Details of considerations and decisions made by the SSCC are reported to NHS England and published through regular updates to the Board and NHS England's website.[32] To improve clarity of its decision making processes, NHS England has also published on its website the details of the key roles and functions of the advisory committees and decision-making bodies for specialised services.[33]

2.3 In terms of decisions on new treatments, NHS England published *Developing a method to assist investment decisions in specialised commissioning: NHS England's response to consultation*[34] in June 2016 to support investment decisions in specialised commissioning. This describes how new clinical commissioning policy is initiated, developed, evaluated and determined. NHS England is working on similar documents which will describe the process for developing service specifications - *Commissioning through Evaluation* and *Managed Access* schemes. Each document will be published Autumn 2016 and describe how the decisions of NHS England will be communicated.

3: Committee of Public Accounts conclusion:
NHS England has yet to overcome the barriers to collaborative commissioning with clinical commissioning groups

Recommendation:
NHS England should engage with clinical commissioning groups to address barriers to collaborative commissioning and, by October 2016, set clear milestones and timelines by which measurable service change and patient benefit from this initiative will be demonstrated.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

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30 https://www.england.nhs.uk/wp-content/uploads/2015/12/spec-comm-intent.pdf
31 https://www.england.nhs.uk/wp-content/uploads/2016/09/NHS-operational-planning-guidance-201617-201819.pdf
32 https://www.england.nhs.uk/tag/board-papers/
33 https://www.england.nhs.uk/commissioning/spec-services/
34 https://www.england.nhs.uk/commissioning/wp-content/uploads/sites/12/2016/06/prioritisation-method-cons-response.pdf

3.2 Supporting place-based care is a key strand of the strategic framework for specialised commissioning, and since the beginning of 2016, NHS England has re-established its collaborative commissioning programme to increase Clinical Commissioning Group (CCG) involvement in specialised services.

3.3 The programme is jointly led by NHS England and NHS Clinical Commissioners, and includes a wide range of CCGs. The programme has made progress over the last six months in improving financial information and identifying potential models for collaborative commissioning available to local commissioners. As part of the programme, NHS England has also been working with four sustainability and Transformation Plan (STP) areas – South East London, Manchester, Cornwall, and Herefordshire and Worcestershire – to understand the practical barriers to closer working.

3.4 The plans for collaborative commissioning are being developed alongside the devolution agenda and with the Sustainability and Transformation Plans. NHS England will set out, as part of the work on devolution, the plans for improving care and the milestones for greater collaboration by January 2017.

4: Committee of Public Accounts conclusions:
NHS England does not have the information on costs, access and outcomes necessary to assess how to improve services.

Recommendation:
NHS England has told the Committee that it will be collecting more consistent data. By April 2017, it should use this data to link spend, by service provided, to service quality, patient outcomes and patient experience; to allow clear comparison between different providers and to improve value for money.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

4.2 NHS England is taking steps to provide a clear method for providers to report meaningful data regarding quality, patient outcomes and patient experience. This data will provide a cohesive overview of specialised services by April 2017 and is intended to support effective commissioning, service change and improve assurance of NHS England's specialised commissioning.

4.3 This overview will be delivered in part through stepped improvements in the quality of commissioning data and by the national adoption of identification rules in April 2017. Both improvements will enable more consistent specialised services activity reporting, with meaningful benchmarking across providers and across locations – and in a way that is integrated with NHS England's wider strategy for improving data and information.

4.4 To support this improvement, NHS England has commissioned a new data portal for the storage and presentation of specialised services and its associated spend at a local level. This data will be linked to the clinical quality and patient reported outcomes metrics, to support clearer assessment of value-for-money. The first clinical services to be represented fully (on quality, activity and spend) will be Paediatric Intensive care, Paediatric Surgery and Neonatology with the intention of establishing the portal by March 2017.

4.5 A managed, rolling programme of clinical service reviews is currently underway. These reviews provide the opportunity to keep abreast of advances in specialised services healthcare and develop metrics to capture patient experience and clinical quality.

5: Committee of Public Accounts conclusions:
New drugs and medical equipment are putting pressure on the budget for specialised services that may affect NHS England's ability to resource other health services

Recommendation:
The Department of Health and NHS England should, in collaboration with NICE, ensure affordability is considered when making decisions that have an impact on specialised services. For example: by building in consideration of how the cost of implementing NICE recommendations can be kept affordable within available commissioning budgets; and by using national bargaining power to get best prices for high-cost drugs.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: April 2017.

5.2 The Department, NHS England, and the National Institute Health and Care Excellence (NICE) have been working closely to consider how best to consider affordability in the assessment of new treatments. NICE and NHS England are currently consulting on proposals for changes to the arrangements for the assessment and adoption of new technologies, including how best to consider affordability alongside the cost-effectiveness analysis. The Department will update the Committee when the results have been considered. The intention is to implement the new approach from April 2017.

5.3 The final report of the independent Accelerated Access Review (AAR) was published on 24 October 2016 and makes recommendations for how the existing arrangements can evolve so that patients benefit from early and affordable access to transformative new medicines. This includes engagement with industry at an earlier stage so as to further improve the effectiveness of commercial negotiations and deliver better value for patients and taxpayers. The Government welcomed the report and will consider the proposals in detail with Arms-Length Body Partners and will provide a fuller response in due course.

6: Committee of Public Accounts conclusion:

There are significant variations in the extent to which providers are meeting national service standards, but NHS England cannot be sure what impact this is having on patient outcomes.

Recommendation:

NHS England should undertake an evaluation of the impact of not meeting service standards on patient outcomes. It should reclassify service standards where appropriate in light of these reviews and set out clear timelines for resolution where patient outcomes are adversely affected by service standards not being met.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

6.2 NHS England is widening its existing quality dashboard programme, with the intention of widening coverage of services to 80% from March 2017 to March 2020. The quality dashboard helps identify variation and benchmark the quality, to support both providers and commissioners. It is also rolling out integrated quality reporting triangulating information from the different sources such as Care Quality Commission (CQC) and National Audit Office.

6.3 NHS England will require providers to demonstrate a validated work plan to meet the service specification within a reasonable timeframe or NHS England will take steps to ensure compliance from these providers, including the potential to decommission services.

6.4 NHS England continues to appraise the relative contribution to evaluating service quality it makes as a commissioner alongside the licencing powers of the CQC, the Quality Standard setting responsibility of NICE and the patient safety remit of NHS Improvement. NHS England's ongoing programme of services reviews will continue to look at opportunities for improving quality and clinical outcomes. As part of that work, NHS England will work closely with the Department and NHS Improvement to use evidence from the Carter Review's efficiency programme.

Eleventh Report of Session 2015-16

Department for Business, Energy and Industrial Strategy

Green Deal and Energy Company Obligation

Introduction from the Committee

The UK's 27 million homes are responsible for more than a quarter of the country's total energy demand and greenhouse gas emissions. The housing stock is among the least energy efficient in Europe, leading to higher energy bills and harm to the environment, and for those living in colder homes as a result, negative health impacts. In 2013, the Department implemented the Green Deal and Energy Company Obligation (ECO) schemes to improve household energy efficiency. The Green Deal was a new scheme that enabled households to take out loans to pay for energy efficiency measures, such as wall insulation, which they would repay through their energy bill. The Department spent £240 million setting up the Green Deal and stimulating demand for loans.

ECO resembled previous energy efficiency schemes, with the Department requiring the largest energy suppliers to install measures that save a set level of carbon dioxide (CO_2) or reduce bills by March 2017. Suppliers spent £3 billion up to the end of 2015 to meet their obligations, with these costs passed on to all their bill payers. While the primary aim was to save CO_2, the Department also wanted the schemes to work together to improve 'harder-to-treat' properties; stimulate private investment in energy efficiency measures and mitigate the causes of fuel poverty. It had a target for the two schemes to improve 1 million homes by March 2015 between them.

On the basis of a report by the National Audit Office, the Committee took evidence, on 11 May 2016, from the then Department of Energy and Climate Change (now the Department for Business, Energy and Industrial Strategy) about the operation of the two schemes. The Committee published its report on 20 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Green Deal and Energy Company Obligation* - Session 2015-16 (HC 607)
- NAO report: *The Department of Energy and Climate Change's Loans to the Green Deal Finance Company* – Session 2015-16 (HC 888)
- PAC report: *Household Energy Efficiency Measures* – Session 2015-16 (HC 125)

1: Committee of Public Accounts conclusion:
Take up of the Green Deal was woefully low because the scheme was not adequately tested.

Recommendation:
The Department must ensure that policy decisions are thoroughly tested and based on accurate evidence that includes a robust evaluation of stakeholders' views. The Department should be prepared to pull back on plans if it is clear they are unlikely to be successful and risk taxpayers' money.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 The Department has since 2013 implemented an Evidence Framework for the planning, collection, use and quality assurance of evidence in policy making. This includes ensuring that evidence has been appropriately quality assured, its risks and uncertainties understood, and that it is tested and updated through monitoring and evaluation. Relevant monitoring and evaluation findings are actively used in the design and review of policy proposals. Officials are required to implement the framework, with a policy's Senior Responsible Owner accountable. The Department monitors the effectiveness of the framework and is currently reviewing how it could be improved further.

1.3 Further, in December 2015 the Department put in place a Consumer Panel of 25,000 individuals that allows policy ideas to be quickly, easily and cost effectively tested with their target audience at an early stage in the policy cycle. To date, the Department has tested nine projects using the panel. This complements a range of policy pilots that have been undertaken in recent years in advance of decisions whether to proceed with policies on a national basis.

1.4 Taken together, these and other developments have put the Department on a strong footing for taking decisions on whether or not to proceed with the implementation of new policy ideas.

2: Committee of Public Accounts conclusion:
The Department's forecast of demand for Green Deal loans in its 2012 Impact Assessment was so wildly optimistic it gave a completely misleading picture of the scheme's prospects to Parliament and other stakeholders.

Recommendation:
The Department should ensure forecasts laid before Parliament in impact assessments are based on the most accurate and best available evidence, and are clear about the degree of certainty that applies to the numbers used and the likely outcome. The Department must not leave itself open to accusations of misleading Parliament to achieve its own ends.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department takes a robust approach to developing impact assessments. It has a clear quality assurance and accountability framework in place, while policies with a regulatory impact on businesses are also subject to a comprehensive external review process. Publishing sensitivity analysis of key assumptions continues to be standard practice in impact assessments, ensuring that risks and uncertainties are transparently communicated.

2.3 When developing impact assessments the Department's Evidence Framework requires analysts and policy officials to plan for, evaluate and assure the quality of evidence, with clear accountability for senior analysts and the policy area's Senior Responsible Owner. The Department was actively involved in the development of the *Aqua Book* – the Treasury's guidance on producing quality analysis for Government, published in 2015. Implementing this guidance is at the core of the Department's approach to policy modelling and analysis. This includes generating comprehensive modelling assumption logs, undertaking extensive model testing and quality assurance, and transparently testing the boundaries of uncertainty.

2.4 Where policies are anticipated to have a regulatory impact on business, impact assessments are scrutinised by the Regulatory Policy Committee (RPC) – an independent body that judges whether impact assessments are fit for purpose and regulatory burdens have been adequately assessed. The Department's impact assessments have performed well. To date, in 2015-16, 85% of its Impact Assessments received a 'Green – Fit for Purpose' rating from the Committee on first submission. This puts the Department among the best performers across Government.

3: Committee of Public Accounts conclusion:
The Department lacks the information it needs to measure progress against its objectives, including the impact of the schemes on fuel poverty.

Recommendation:
The Department should ensure it has means by which to measure progress towards each of its objectives, particularly on those aimed at improving circumstances for vulnerable people and those living in fuel poverty.

3.1 The Government agrees with the Committee's recommendation.

Target implementation date: Spring 2017.

3.2 Overall levels of fuel poverty at the national level are reported in an annual National Statistics report. The Department acknowledges that there is more to be done to measure and understand the contributions individual schemes make at the household level. As the Committee noted, it is also important to consider the costs of administering schemes, and one element of cost relates to collecting data. So, it is important to strike a balance between the accuracy of monitoring and data collection requirements that can add disproportionate costs to the scheme or data protection issues.

3.3 The Department is putting in place the means to use scheme monitoring data in future to assess the impact on fuel poverty at a national level, without any further data collection needs. Further, the Department is also exploring the possibilities of using data sharing powers to assess fuel poverty impacts at the household level for homes where energy efficiency measures have been delivered. This is subject to greater data sharing powers being available and to Parliamentary consideration and timetable, but would enable fuel poverty impacts to be understood while again avoiding disproportionate costs of data collection.

3.4 The next opportunity to implement new approaches to measuring fuel poverty impacts is in early 2017, when the next set of schemes aimed at tackling fuel poverty are expected to begin.

4: Committee of Public Accounts conclusions:
Despite providing £25 million (36% of the initial investment in the Green Deal Finance Company) to cover set up and operational costs, the Department had no formal role in approving company expenditure or ensuring it achieved value for money.

Recommendation:
Departments must ensure that appropriate arrangements are in place to monitor and provide assurance that public funds provided to other bodies are spent with due regard to regularity and value for money particularly, for example, when salary levels are set. The Department should produce an accountability system statement setting out how the Accounting Officer ensures the regularity and value for money of his Department's spending by the end of September 2016.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Summer 2017.

4.2 *Managing Public Money* advises that accountability system statements must be clear on the core data and information flows that the system will rely on. The Treasury will include this requirement in the revised guidance for all departments to report on their accountability systems.

4.3 This will include an expectation that Departments will identify how accountability systems align with the financial data set out in their Annual Report and Accounts (ARA), and the performance indicators set out in Single Departmental Plans (SDPs). Permanent Secretaries' objectives are also aligned with SDPs. Departments will not be expected to repeat the detail of performance metrics and financial data used to oversee systems within their accountability system statements, but they should indicate how they are aligned. In some cases, this might require departments to make clearer in their SDP or ARA where arm's length bodies are responsible for delivery, and what performance and financial data is expected and how it will be used.

4.4 The Treasury will issue guidance in time for Departments to prepare these statements alongside their ARAs for 2016-17.

5: Committee of Public Accounts conclusions:
Any sale of the Green Deal Finance Company must secure the best deal possible for the taxpayer.

Recommendation:
The Department should fully consider these concerns during negotiations and write to the Committee once the sale is completed setting out the terms of the sale and how taxpayers' interests have been protected. In particular, it should explain its actions with regards to the intellectual property of the pay-as-you-save IT infrastructure. It should also monitor the recovery of the £23.5 million loan it made to keep the company afloat and report back to the Committee on progress.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: December 2016.

5.2 The sale of the Green Deal Finance Company (GDFC) is an ongoing commercial process, in which the Government has an interest as an investor in (but not owner of) the company. The sale is being conducted by the GDFC's board, and will need to be approved by the company's investors, including the Government. The Department is taking a close interest in the terms of the sale, to ensure that it only goes ahead if the Department is satisfied it provides the best possible value for money for the tax payer. The Department will write to the Committee if and when the sale completes to update on the final terms of the deal, and the Department's judgement on value for money.

5.3 The Department notes the Committee's advice on the intellectual property of the pay as you save infrastructure. It is important to be clear that this broader infrastructure including the Intellectual property is not part of the sale process, which applies only to the GDFC and its assets. The pay as you save infrastructure, in the form of the legislative and practical framework which enables the collection of loan repayments via consumer energy bills, is separate to the GDFC and will remain in the public domain following any sale.

Twelfth Report of Session 2016-17

Department of Health

Discharging older people from acute hospitals

Introduction from the Committee

Discharging older people from hospital involves not only hospitals, but also community health and social care services as many older people need some support in the short or longer term to allow them to live in their own homes or to take up a place in a care home. The number of older people (aged 65 and over) in England is increasing rapidly, by around a fifth every 10 years. Emergency admissions of older patients have gone up at an even faster rate—by 18% between 2010–11 and 2014–15. This rising demand for services, combined with restricted or reduced funding, is putting pressure on the capacity of local health and social care systems. Official figures show the number of delayed transfers for older people—that is where a patient remains in hospital after the clinicians and professionals involved in their care decide they are ready to leave—increased by 31% to 1.15 million bed days between 2013 and 2015.

On the basis of a report by the National Audit Office, the Committee took evidence, on 6 June 2016, from the Department of Health, NHS England, NHS Improvement and the Local Government Association. The Committee published its report on 22 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *Discharging older patients from hospital* - Session 2016-17 (HC 18)
- PAC report: *Discharging older people from acute hospitals* - Session 2016-17 (HC 76)

1: Committee of Public Accounts conclusion:
There is a poor understanding of both the scale and cost of the problem of delays in discharging older patients from hospital.

Recommendation:
NHS England should develop measures that fully capture the number of older people who are no longer benefiting from acute hospital care. Also, building on the initial work set out in the NAO report, NHS England should coordinate work to fully understand the cost to hospitals of delayed discharges and the costs, where these fall on the public purse, of caring for these people in the community.

1.1 The Government agrees with the Committee's recommendation.

Target implementation date: March 2018.

1.2 The Department, NHS England and NHS Improvement recognise the importance of understanding the costs and benefits that would result from reducing the number of delayed discharges from hospitals.

1.3 NHS England is leading activity to embed a minimum community dataset which will allow an accurate understanding of levels of activity within community health services; this will help enable a robust picture of costs and implications of delayed discharges to emerge.

1.4 NHS England has also established a new cross-agency work stream on Community Services and Hospital Discharge (within the umbrella of the Urgent and Emergency Care Review). The work stream will identify and deliver a series of interventions which will achieve system-wide transformation of community services, supporting timely discharge from hospital, reducing the strain on the acute sector, and achieving the efficiency gains set out in the *Five Year Forward View*. Activity will include exploring the development of new metrics to understand the true impact of delays to discharge and patient flow, and to allow regular monitoring of and action in response to national trends in performance. The delayed transfers of care metric could be complemented with other metrics; for example on stranded patients, discharge to usual place of residence and length of stay.

1.5 NHS England launched a local discharge CQUIN in 2016 using the ‘stranded patient’ metric. The CQUIN indicator reflects a medium-term intention to move beyond the Delayed Transfers of Care measure and to improve the way systems gather intelligence on patient flow and transfers of care.

2: Committee of Public Accounts conclusion:
There is unacceptable variation in local performance on discharging older patients.

Recommendation:
There are several contributory factors behind the variations in local performance. The Committee expects the Department, NHS England and NHS Improvement to understand the reasons for the variations and address the further recommendations made below.

2.1 The Government agrees with the Committee’s recommendation.

Target implementation date: November 2017.

2.2 Many of the main drivers behind local variation in performance are well known and include variation in focus on patient flow across the 7-day week and challenging local relationships between key organisations. Many areas also suffer from a lack of community and social care capacity – both in terms of workforce and beds – and data sharing arrangements remain patchy. The Community Services and Hospital Discharge Steering Group will support local systems to address variations in performance, and will help ensure that local intelligence is used in a more flexible way. 34% of Local Authorities are also increasing their real spend on adult social care this year.

2.3 Since April 2015, the Better Care Fund has provided investment in integrated care through locally developed plans and by putting resources where the local NHS and social care agree they are most needed. For 2016-17, there is a new Better Care Fund requirement on local areas to develop a clear, focused plan for managing delays, including locally agreed targets.

2.4 The take up for the Social Care precept has been high. In 2016-17 approximately 95% of councils will utilise the 2% precept when setting their council tax. This will raise £382 million to be spent on adult social care. The social care precept could rise up to £2 billion a year for adult social care by 2020.

2.5 The A&E Improvement Plan for 2016-17 has introduced work streams to improve patient flow and discharge. Local governance will be strengthened and re-focused on these issues, and will help health and social care leaders take better, faster decisions. Local systems will be aided in implementation by a segmented support offer, and regional NHS teams will ensure support is targeted at areas of greatest need.

3: Committee of Public Accounts conclusion:
The fragility of the adult social care provider market is clearly exacerbating the difficulties in discharging older patients from hospital.

Recommendation:
The Committee’s report on personal budgets in adult social care recommended that the Department clarify its position as national steward of the social care market in its National Market Position Statement. Given the effect that serious funding pressures and market fragility are having on discharging patients, the Committee re-iterate this recommendation. The Department should report back to the Committee by January 2017 on progress in implementing the key elements of the Position Statement and what impact this is having.

3.1 The Government agrees with the Committee’s recommendation.

Target implementation date: December 2016.

3.2 The Department continues to have an important stewardship role for the adult social care market. This involves oversight of the system and continued engagement with local authorities and providers to ensure the market overall is sustainable and delivers improving outcomes and quality.

3.3 The Department had initially proposed developing a National Market Position Statement. Following discussions with stakeholders it agreed to develop an on-line Markets Hub primarily focussed on drawing together good local practice examples of commissioning, market shaping and contingency planning as well as links to data sources. The aim is to provide a resource to help local commissioners improve practice and therefore improve people's wellbeing.

3.4 The Markets Hub will be available through GOV.UK from Autumn 2016 and will be kept under review. More broadly, the Department continues to work with the sector to promote guidance to encourage quality services, smart commissioning and protection for people with care needs.

3.5 As the Department has completely refreshed its approach the Department believes it would be appropriate to measure the impact of the Hub through a wider evaluation of the Care Act, including a research on market shaping due to be complete in 2019, interim outputs will be available from mid-2018.

4: Committee of Public Accounts conclusion:
While good practice on discharging patients from hospital is well understood, implementation is patchy across local areas.

Recommendation:
NHS England and NHS Improvement should report back to the Committee by January 2017 on what steps they have taken to increase the pace of good practice adoption.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2017.

4.1 Discharge is one of the five key areas covered by the NHS England and NHS Improvement-led A&E Improvement Plan for 2016-17. All systems have received Rapid Improvement Guidance to support the implementation of a number of best practice models selected on the basis of available evidence and expert advice.

4.2 NHS England has developed a baseline assessment tool to establish what progress local areas have already made on implementing the initiatives contained within the A&E Improvement Plan. Local plans will be drawn up and specific support allocated on the basis of these results. NHS England have also published a series of quick guides to support local health and care systems. These guides provide practical tips, case studies and links to useful documents to increase the pace of implementation.

4.3 Local systems have been segmented into cohorts based on local performance and challenges. Providers with serious challenges will be subject to the highest level of performance management including exposure to national spotlight and intervention, potential removal of leadership and potential changes to Trust organisation.

4.4 Providers will also have access to a range of improvement measures including dedicated planning and system leadership review as well as intensive Emergency Care Improvement Programme (ECIP) support. ECIP is a clinically led improvement programme, originally commissioned in 2015 to work with the 28 most challenged systems; the programme has been expanded in 2016-17 to cover 40 systems. ECIP uses national experts in urgent and emergency care along with quality improvement techniques to help local systems improve care to patients.

5: Committee of Public Accounts conclusion:
The absence of widespread and effective sharing of patient information remains a significant barrier to the effective discharge of older patients.

Recommendation:
NHS England, working with local government partners, should identify early lessons from the ongoing work on information sharing, so that health and social care providers can get a clear idea of what will work best in their local area. It should report back to the Committee by January 2017 on what progress has been made on information sharing in local areas.

5.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2017.

5.2 NHS England will be working in conjunction with system wide partners such as NHS Digital and the Local Government Association (LGA) to report back by January 2017 on early lessons learned and activities already underway to enable discharge teams to have access to information from across care settings to help in their discharge planning. This will include work already done through the New Models of Care programme in creating information governance guidance to make it simpler for localities to put in place information sharing agreements; and the national conditions and support offer put in place in the BCF to prioritise information sharing.

5.3 Recognising that secure information sharing enables safer patient care and trust the Government is also driving forward work in line with the example from Northumbria - mentioned in the Committee's report – national work is underway on facilitating access to GP records to help plan and prioritise patients' care and discharge. One example of this is the wider roll-out of the Summary Care Record which now has over 55 million records representing 96% of the population. Other work includes the GP Connect programme in accessing detailed care record information; publication of national standards for Assessment, Discharge and Withdrawal (Care Act compliant discharge) and transfers of care; and support and guidance for care homes to implement secure e-mail systems effectively to share information with health services.

5.4 Further, it will include work on steps in creating a 'learning system' in sharing case studies and best practice on information sharing / integrated care record initiatives; supporting the wider information sharing and interoperability agenda in the context of Sustainability and Transformation Plans and Local Digital Roadmaps; and work to implement the National Data Guardian's recommendations on a new model for managing consent and opt-outs in respect of information sharing across the health and care system.

6: Committee of Public Accounts conclusion:
Current structures do not have an effective line of accountability, either nationally or locally, for what is at root a shared problem for health and social care systems of discharging older patients.

Recommendation:
As steward of the system, the Department of Health should set out in its accountability system statement how local health and social care systems will be held to account for areas of care that require a whole system approach, such as discharging older patients. This could, for example, involve strengthening the remit of the national Discharge Programme Board and local system resilience groups to hold the whole system to account.

6.1 The Government agrees with the Committee's recommendation.

Target implementation date: July 2017.

6.2 *Managing Public Money* advises that accountability system statements must be clear on the core data and information flows that the system will rely on. The Treasury will include this requirement in the revised guidance for all departments to report on their accountability systems.

6.3 This will include an expectation that Departments will identify how accountability systems align with the financial data set out in their Annual Report and Accounts (ARA), and the performance indicators set out in Single Departmental Plans (SDPs). Permanent Secretaries' objectives are also aligned with SDPs. Departments will not be expected to repeat the detail of performance metrics and financial data used to oversee systems within their accountability system statements, but they should indicate how they are aligned. In some cases, this might require departments to make clearer in their SDP or ARA where arm's length bodies are responsible for delivery, and what performance and financial data is expected and how it will be used.

6.4 The Treasury will issue guidance in time for Departments to prepare these statements alongside their ARAs for 2016-17.

6.5 Discharge is one of five areas for improvement in the national A&E Improvement Plan, and Ministers hold NHS England and NHS Improvement jointly responsible for delivering it, alongside Local Authorities. NHS England and NHS Improvement support individual local health and care systems to deliver agreed local plans for 2016-17. Local A&E Delivery Boards are responsible for rapid implementation of their plans, including mandated interventions. Local plans will be assured by regional delivery boards and any emerging system problems will be fed up to the national A&E delivery Board. A national dashboard will track improvement against performance trajectories nationally, regionally and locally.

6.6 Beyond delivery of the A&E Improvement Plan, the Better Care Fund in 2016-17 requires all local areas to develop a local action plan for managing local Delayed Transfers of Care, including a locally agreed target. Health and Wellbeing Boards are directly accountable for delivery of Better Care Plans at a local level, and local plans are assured by a bespoke regional assurance process involving local government and NHS partners.

7: Committee of Public Accounts conclusion:
Local health and social care organisations are too often not working together effectively, with organisational boundaries getting in the way of what should be a smooth and seamless process for the patient.

Recommendation:
NHS England, working with local government partners, should clearly set out good practice models for integrated and closer working that they expect to be adopted by local health and social care systems, and report back to the Committee by January 2017 on what steps they have taken to increase the pace of adoption of such models.

7.1 The Government agrees with the Committee's recommendation.

Target implementation date: January 2017.

7.2 NHS England is supporting local integration of health and social care in a number of ways.

7.3 The Better Care Support Team (BCST) is a partnership between NHS England, the LGA, the Department of Communities and Local Government and the Department of Health to support the successful delivery of the Better Care Fund. Working with local areas, the BCST supports the development and delivery of their Better Care Fund plans to accelerate the pace and progress of integration.

7.4 The Better Care Fund Policy Framework for 2017-18 and 2018-19, published jointly by the Departments with input from the BCST, will require local partners to agree a joint plan which is supported by a pooled fund and meets a set of national conditions for every local area. As part of Better Care planning, local areas will consider how they achieve Health and Social Care integration by 2020.

7.5 The New Care Models programme and the *Five Year Forward View* partners are working together to create the right environment for the wider adoption of new care models. One key tool for sharing good practice and enabling widespread adoption is the publication of frameworks describing the core components and essential ingredients of the new care models, and how to develop them. These frameworks will enable new sites to understand and work towards the implementation of the fully mature models through the Sustainability and Transformation Plan (STP) process.

7.6 The NHS Shared Planning guidance for 2016/17 asked NHS organisations and Local Authorities to come together to develop STPs to deliver the triple aim of the Five Year Forward View for their local populations. STPs are multi-year, placed-based plans and are therefore able to take a more holistic approach and plan over a longer time period; importantly, Local Authorities have been involved in the development of the 44 STPs with a number of the STP leaders from a Local Authority. Funding for existing vanguards and new sites will be available from a dedicated new care models funding stream from 2017-18.

7.7 The Department has worked with the local government sector to implement a culture of Sector-led Improvement. This is based on the principles that Councils are primarily accountable to local communities rather than Ministers; that they are responsible for their own performance and improvement;

and that Councils are jointly responsible for the performance of the sector as a whole. Under the principles of Sector-led Improvement, the Department funds the LGA to deliver the Care and Health Improvement Programme (CHIP). At the highest level, the objectives of the 2016-17 programme are to help fulfil the Department's system stewardship role by managing risk in the adult social care system and to support local health and care systems to improve outcomes and services.

8: Committee of Public Accounts conclusion:
Financial incentives across local health and social care systems are not encouraging all organisations to work together to reduce delays.

Recommendation:
NHS England and NHS Improvement, working with local government partners, should seek to understand which contracting and payment mechanisms, including targeted use of fines, offer the best incentives for community health providers and local authorities to integrate and co-ordinate their activities better and accept patients as quickly as possible.

8.1 The Government agrees with the Committee's recommendation.

Target implementation date: November 2017.

8.2 NHS England and NHS Improvement are working with partners on a number of projects which seek to ensure that the payment system supports the provision of integrated and co-ordinated care. This includes work with Multispecialty Community Providers and Primary and Acute Care Systems to develop a 'whole population budget' approach for implementation from April 2017. This will support service and financial sustainability, and will incentivise prevention, service integration and effective risk management across the system. The learning from these sites will be used to inform the development and implementation of new service models in other localities that promote the integration and co-ordination of services

8.3 NHS England's work on a new community dataset will allow patient data to be linked across acute and community services for the first time, supporting better integration.

8.4 NHS England is leading work to develop standardised currencies for community services that place patients at the centre of care. The use of these currencies for contracting will support a move away from unaccountable 'block' contracts and enable payment to be linked to robust service specifications that reflect best practice models of care.

8.5 Arrangements are already in place enabling NHS organisations to seek reimbursement from local authorities for delays for which they are solely responsible. This promotes integrated working by acting as an incentive to improved collaboration where such is needed.

Thirteenth Report of Session 2016-17

HM Revenue and Customs

Quality of service to personal taxpayers and replacing the Aspire contract

Introduction from the Committee

HMRC's digital strategy aims to improve the efficiency and quality of its customer services by moving more personal taxpayers online, thereby reducing demand for more costly to handle telephone and postal contact. Between 2010–11 and 2014–15, HMRC cut staff in personal tax from 26,000 to 15,000. HMRC expected to have reduced demand for contact with customers towards the end of this period. It introduced two new services, automated telephony and paperless self-assessment in 2013–14, but demand for telephone advice did not fall. To live within its budget, it released 5,600 staff from personal tax in 2014–15, reducing customer service capacity. HMRC failed to answer more than a quarter of calls in 2014–15 and 2015–16. In October 2015, average waiting times peaked at 34 minutes for the taxes line and 47 minutes for Self-Assessment calls.

In response to the significant deterioration in the quality of service provided to customers in 2014–15 and the first seven months of 2015–16, HMRC recruited 2,400 staff to the taxes helpline in the autumn of 2015. The 2015 Spending Review settlement committed HMRC to further costs reductions by 2019–20. HMRC plans to deliver these savings through digitising its services. To realise its plans, it must successfully persuade more taxpayers to use online services and reduce their use of the telephone and mail.

HMRC's Aspire contract with Capgemini has been the Government's largest IT contract and accounted for about 84% of HMRC's total spend on technology between April 2006 and March 2014. In replacing the contract, which has cost around £700 million per year, HMRC is seeking to take greater control of its IT services, make efficiency savings and enable wider transformation. After being extended by 3 years, the contract was due to end in 2017. When HMRC appeared before the previous Committee in March 2015, it was planning to replace all Aspire services by 2017. HMRC is now adopting a phased approach to replacing Aspire services between 2015 and 2020. It is extending some Aspire services by a further three years, bringing some in-house and using smaller, shorter contracts for others. Replacing Aspire is central to HMRC's plans to take control of its IT estate and move towards a fully digital tax system by 2020. HMRC calculates that replacing Aspire will lead to annual savings of £200 million by 2020–21.

On the basis of a report by the National Audit Office, the Committee took evidence on 13 June 2016, from HM Revenue and Customs. The Committee published its report on 27 July 2016. This is the Government response to the Committee's report.

Background resources

- NAO report: *The quality of service for personal taxpayers* - Session 2016-17 (HC 17)
- NAO Memorandum for the House of Commons PAC: *Replacing the Aspire contract* - June 2016
- PAC report: *Quality of service to personal taxpayers and replacing the Aspire contract* Session 2016-17 (HC 78-79)

1: Committee of Public Accounts conclusion:
HMRC's service has not been good enough and has failed to meet the standard to which taxpayers are entitled.

Recommendation:
HMRC must provide an acceptable and consistent level of service to customers that ensures all calls are answered promptly and dealt with effectively. HMRC should set out what level of service it is seeking to provide in the short term and its plans for improving this in the longer term, with a timetable for doing so.

1.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

1.2 Since November 2015 the Department has averaged 89% of call attempts handled with an average speed of answer of just over 6 minutes. From April 2016, the Department's headline customer service target for telephone contact is to achieve an average speed of answer of 6 minutes or less. This performance continues to improve. Speed of answer now averages less than 5 minutes and customers consistently rate the support received on the phones as satisfactory or better. The move to target the average speed of answer reflects the increased focus on the overall customer experience including the drivers of customer costs.

1.3 At the 2015 Spending Review, the Government invested £1.3 billion to transform the Department into one of the most digitally advanced tax administrations in the world, which will make it easier for customers to deal with it. The Department has already launched digital tax accounts, a 24/7 online virtual assistant and webchat services. More than 5 million customers have already signed up to use their Personal Tax Account[35].

1.4 At Budget 2016, the Government announced an additional £71 million investment to bring further improvements to the Department's customer service. This investment is intended to make it quicker and easier to contact the Department by further improving the speed of answering, extending phone and webchat opening hours across evenings and weekends, introducing a secure email service and rolling out tailored services for businesses, by April 2017.

1.5 The Department recognises the service has not been consistent in recent years, but the last 10 months has seen an improvement in the service provided. The Department is now looking to continue the improvements in service levels, whilst reducing costs further.

2: Committee of Public Accounts conclusion:
HMRC released too many staff too soon because it was over optimistic about how quickly the demand on its call centres would fall.

Recommendation:
HMRC must test whether its forecasts of demand are realistic and be prepared to flex its resources as necessary to ensure service demand is met. HMRC should pilot how taxpayers will respond to new digital services before they are widely implemented.

2.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

2.2 The Department continually measures the accuracy of demand forecasts across all customer channels and has developed a flexible workforce strategy that adapts to meet changes in customer demand.

2.3 The Department uses operational flexibility to meet specific demand patterns, for example by regularly moving resources between directorates to meet high levels of demand, as demonstrated during recent Tax Credit Renewals and Self Assessments peaks. It regularly moves people between telephony lines of business and other contact channels to maintain service levels and maximise performance. Enhanced planning and management of the resources moves has contributed to sustained improvements in performance.

2.4 The Department adheres to Government Digital Services (GDS) standards. It undertakes extensive customer research, initially in small groups and then wider groups of customers, before implementing new digital services. This enables the Department to test levels of demand and customer benefits and evaluate how successful it has been at meeting customer needs. Customer insight and learning ensures the final product is effective for both customers and the Department.

[35] https://www.gov.uk/government/news/more-than-5-million-customers-are-using-hmrcs-personal-tax-account

3: Committee of Public Accounts conclusion:
HMRC has not considered the costs to customers of providing a sub standard service.

Recommendation:
HMRC should estimate the cost to those using its services, including factors such as charges incurred using the 0300 helpline and time spent waiting on the telephone. It should use this information when considering resource needs to ensure the optimal balance is struck between its own costs and those borne by customers.

3.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

3.2 The Department recognises the value to customers of information about the costs of engaging with them and continues to refine its model of the cost of telephone services to individuals. It closely monitors the increase or reduction in costs for businesses of changes made to their services and policies. The Department will, in future, seek to assess the likely impact on individual customers' costs.

3.3 As part of its transformation programme, the Department has already estimated the associated change in customer cost when appraising potential service changes. This estimate includes any changes in requirements for customers contacting the Department and the length of time it is expected to take. The monetary value placed on this contact cost already covers both the value of customer time and telephone charges. These are included in the change programme business case and forms part of the data informing the options for appraisal decisions.

4: Committee of Public Accounts conclusion:
HMRC does not know what impact the quality of service it provides has on tax revenue.

Recommendation 4a:
HMRC must make significant progress in understanding and measuring the relationship between service quality and tax revenue.

4.1 The Government agrees with the Committee's recommendation.

Target implementation date: Autumn 2017.

4.2 The Department will continue to develop evidence of the relationship between customer service and compliance. The Department and the NAO have recognised the scale and complexity of this task. It recognises that this is difficult and will continue to progress this work exploring what is feasible and will deliver robust and useful results. As a result, the length of time needed to make significant progress will be longer than to December 2016.

Recommendation 4b:
HMRC should report back to the Committee on how far it has got by the end of 2016.

4.3 The Government disagrees with the Committee's recommendation.

4.4 The Department is very happy to provide a written update to the Committee on how the research scoping is progressing by December 2016. However, a fuller report on findings will not be completed until Autumn 2017.

5: Committee of Public Accounts conclusion:
HMRC is now making progress in replacing the Aspire contract but moving to a new model of IT provision remains a substantial undertaking which will require firm and consistent leadership.

Recommendation:
HMRC must ensure continuity in the leadership of the Aspire programme to maximise its ability to design and introduce a new IT model successfully.

5.1 The Government agrees with the Committee's recommendation.

Recommendation implemented.

5.2 In March 2016, the Department announced its strategy for exiting the Aspire contract and explained the phased approach adopted for the exit. The Department is confident it has the right strategy in place and that it has established and embedded a strong senior leadership team to deliver a new IT model.

6: Committee of Public Accounts conclusion:
Making a smooth and effective transition from Aspire to a new IT model is integral to HMRC's digital transformation and value for money.

Recommendation:
HMRC should update this Committee on progress at each key point in the Aspire programme.

6.1 The Government agrees with the Committee's recommendation

Recommendation implemented.

6.2 The Department has provided the Committee with a report on progress on the Wave 2 implementation and will provide further progress reports for future waves.

List of Treasury Minutes 2015-20[36]

Treasury Minutes is a Parliamentary Command Paper, which is laid in Parliament, and is the Government's response to the Public Accounts Committee reports.

Session 2016-17

Committee Recommendations: 91[37]
Recommendations agreed: 80 (88%)
Recommendations disagreed: 11 (12%)

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1 to 13	Cm 9351
December 2016	Government responses to PAC reports 14 to 21	
February 2017	Government responses to PAC reports 22+	

Session 2015-16

Committee Recommendations: 259
Recommendations agreed: 223 (86%)
Recommendations disagreed: 36 (14%)

Publication Date	PAC Reports	Ref Number
December 2015	Government responses to PAC reports 1 to 3	Cm 9170
January 2016	Government responses to PAC reports 4 to 8	Cm 9190
March 2016	Government responses to PAC reports 9 to 14	Cm 9220
March 2016	Government responses to PAC reports 15-20	Cm 9237
April 2016	Government responses to PAC reports 21-26	Cm 9260
May 2016	Government responses to PAC reports 27-33	Cm 9270
July 2016	Government responses to PAC reports 34-36; 38; and 40-42	Cm 9323
November 2016	Government responses to PAC reports 37 and 39	Cm 9351
December 2016	Government response to PAC report 39	

[36] List of Treasury Minute responses for Sessions 2010-15 are annexed in the Government's response to PAC Report 52
[37] Recommendations up to November 2016

List of Treasury Minutes Progress Reports

The Government produces Treasury Minute progress reports on the implementation of Government accepted recommendations on a regular basis.

Publication Date	PAC Reports	Ref Number
January 2012	Session 2010-12: updates on 13 PAC reports	Cm 8271
July 2012	Session 2010-12: updates on 28 PAC reports	Cm 8387
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2014-15: updates on 27 PAC reports	Cm 9202
July 2016	Session 2010-12: updates on 6 PAC reports Session 2012-13: updates on 2 PAC reports Session 2013-14: updates on 15 PAC reports Session 2014-15: updates on 22 PAC reports Session 2015-16: updates on 6 PAC reports	Cm 9320
January 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	

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